THE PROGRESSIVE JOURNEY

Vagabond Shoemakers
Sustainability Report 2019
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ABOUT THE REPORT

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

The information in this report is for the Financial year of 2019, starting January 1st and ending December 31st. The report constitutes Vagabond International AB’s statutory sustainability reporting. The reported data covers the Vagabond Group. We report our impact across prioritized areas within our value chain, using our own data in most cases and additional statistics provided from some of our partners. In each case of external report data, this will be notified. All data is collected by our sustainability team from the relevant function 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. Whenever limitations have been made, this is described within the chapter. In 2019, five Vagabond stores were closed, and one new store was opened. There have been no changes in the ownership structure during 2019.
A WORD FROM OUR CEO

We are a part of a changing world where we face various complex challenges. Within these it is crucial that we, and our industry, take our responsibility to maintain natural resources and minimize our climate impact.

In our business model sustainable business is key. We choose the paths which are the best for us in the long run and we always want to be a long-term and reliable partner. We believe that by vast inhouse knowledge in combination with continuous cooperation and third-party support, we stay close to the process and the necessary steps towards becoming more circular.

Gathered knowledge is also what we use to identify our priority areas, acknowledge what needs to be done and making it happen. During this journey we come across both good examples and what needs to be improved. It is our job to boost good initiatives and at the same time use our shoemaker skills to put pressure on things that needs to be improved.

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. The only way to do this is cooperation in the supply chain, but also within the industry and, last but not the least, with our clients and consumers.

Anders Odén, CEO
Varberg, April 2020
WE ARE VAGABOND SHOEMAKERS

Vagabond Shoemakers is a Swedish shoe fashion company making shoes and accessories for people who care about quality, style and a sustainable way of life. We are driven by caring for the details that really count and always strive to be “a true style hero” of our consumers’ wardrobes and we stay inspired by the many interesting people crossing the paths of Vagabond. Our products are made to be worn and to accompany a contemporary look for an everyday use. Our shoes should be an investment for our wearers around the world and the “why” behind each design is communicated, as is the guidance of how to care for your shoes for long-lasting and what to do after they are worn out. Vagabond Shoemakers is present on more than 45 markets worldwide with carefully selected multi-brand stores alongside our concept stores, online and shop in shops. Besides Scandinavia, key markets are Germany, UK, USA and Russia. Selling more than 2 million pairs yearly, this company and brand has been successful and stayed solid for many years, and with the intention to keep sustainable business within both new and existing markets for many years to come.
THE SUSTAINABILITY STRATEGY TOWARDS 2030

Our sustainability vision declares our ambitions for continuous sustainable business. Aiming for a step-by-step approach towards a positive impact, we follow the sustainability strategies set by our Board: 1) long term sustainable business and sustainable development throughout our value chain, 2) managing the planetary resources by choosing more sustainable and circular materials, encouraging maintenance and repair, facilitating and supporting improved water, energy and chemical management and reducing emissions and waste throughout our value chain, 3) engaging in the people and communities that are impacted by our business and guiding our consumers to more sustainable choices. Our targets should always be in line with these sustainability strategies.

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.
STAKEHOLDER & MATERIALITY ANALYSIS

Since 2015 Vagabond’s sustainability team has conducted a yearly stakeholder analysis. The channels for a stakeholder dialogue have during 2019 mainly been through our marketplaces: within the concept stores, our online customer care service and other social media platforms. Our sales colleagues are educated and continuously updated on our sustainability actions, which is important for both our client relations and for our clinic sessions (the seasonal training that we conduct both in our Vagabond concept stores and with our external clients). In these clinics the sustainability aspect is key, and our store representatives get training to be able to answer daily questions from our end-consumers. More complex questions are always re-directed to the experts at the headquarters. Another important channel for dialogue is student projects and we connect with students in all areas of our business.

In this process, we collect input from end-consumers via our physical Vagabond Stores, through e-mails and through social media. In 2019, the key topics and concerns raised by the end-consumers, were requests for possibilities for recycling of shoes, chrome-free tanned leather, good working conditions in production and animal welfare. We also asked clients and distributors for opinions on Vagabond’s sustainability work. From this we could conclude that more detailed information on a product level and transparent supply chain were desired. Based on the stakeholder input and our own assessments of areas where our business has a significant impact on environment and/or people, we identified 24 topics (aspects) that were of essential importance. These topics are listed in our Materiality Matrix (Materiality Analysis). One new topic was listed in 2019: Transparency/Knowledge-sharing.

Top priorities

From the matrix we point out our top priority topics in the impact areas that are of high interest of our stakeholders, whether we have high or limited possibilities to act or make a difference.

From the analysis 2019, below 7 top priorities were highlighted all equally important;

1) Material
2) Transparency/Knowledge sharing
3) Emissions to air
4) Clean water
5) Process chemicals
6) Our own workplaces
7) Production working conditions

Actions on these top priorities are described hereafter in the report.
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THE STAKEHOLDER ANALYSIS 2019

**Authorities**
Our main authority communication concerns customs, taxes and chemical verification.

**Owners**
Vagabond is a privately and family owned shoe design company.

**Co-workers**
We are 596 people working with Vagabond globally in our head office, in regional sales offices, concept stores and in our shoe factory and warehouses.

**Partner Organizations**
Svensk Handel, AAFA, The Chemical Group, The Leather Working Group and other industry forums important for a progressive dialogue concerning our business, development and innovations.

**Suppliers**
Our business partners which supply or sub-supply for our production, for logistics, store/office premises etc.

**Consumers**
The end-consumers who either buy their Vagabond products from our retail partners (85%) or directly from Vagabond in our concept channels (15%)

**Wholesale partners**
Vagabond products are available through independent multi-brand stores in more than 40 markets worldwide.

**Pres & Collaborations**
Independent creators and talents who are invited to translate/express our product messages in different forums.

**Public Media**
Media that relate to our operations, establishments and product news. Includes fashion, trade, business and daily press in all countries where we are active.

**Non-governmental Organizations**
Organizations working with social responsibility, environment and animal welfare. Reviewing journalism is closely connected.

**Students & Apprentices**
Recurring and creative exchange connected to the activities and the Head Office / Design House in Sweden.
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THE MATERIALITY MATRIX (MATERIALITY ANALYSIS) 2019

- Reduction of GHG/CO₂ emissions:
  - Reduction of GHG/CO₂ emissions from transport of material and ready-made product, including the freights and returns from the e-store. Also including emissions from storages and harbours
  - Reduction of GHG/CO₂ emissions from business trips
  - Reduction of GHG/CO₂ emissions from production (energy usage and energy type)
- Waste water purification (production of material, shoes and accessories)
- Reduction and substitution of process chemicals that can be environmentally and/or health hazardous (production of material, shoes and accessories)
- Working conditions in production and fair wage

- Sustainable and circular materials
- Product design / Circular construction
- Reduced overproduction, production- and purchasing planning
- Knowledge-sharing and transparent information/communication on product, suppliers, conscious consumption etc.
- Physical and psychological working environment
- Animal welfare and ethics, leather and fur
- Increase the opportunities for reuse/recycling of products
- More environmentally friendly shoe care and maintenance to extend the lifetime of shoes and accessories

- Anti-corruption within the supply chain
- Usage of transport chemicals
- Working conditions during transport

- Impact on local communities and surroundings (environmental and social impact)
- Optimized packaging sizes and packaging material
- Selecting mode of transport, optimizing transport and co-transport of goods for online retail
- Printed matter and sorting of waste
- Waste sorting and usage of chemicals
- Reduction of GHG/CO₂ emissions from stores, offices and factory (energy usage and energy source)
- Social engagement
- Anti-corruption within our own organization
- Equality/gender equality and diversity

VAGABOND'S IMPACT LEVEL

High

Low

LEVEL OF IMPORTANCE

Low

High
1) Material
- sustainable and circular material

Our main sustainability argument is that we make quality products that can be worn and loved for a long time. This calls for high quality materials. Given the limited natural resources on earth, it is our responsibility to help maintain and circulate available resources. By selecting more sustainably produced materials that can be circulated again and again, we strive to close the material loop and turn waste into new resources and new products.

Since 2015 we have increased the content of what we call sustainable material* in the close-to-bare-skin-materials which are linings and inner soles. One of the added benefits we have experienced with more sustainable material, is a better chemical control as most of the material that we use are certified and thus follow strict chemical restrictions.

We strive to introduce materials that reduce the environmental strain and facilitate future cyclability. A current difficult challenge is the promising material development and innovations that are still in a prototype phase and not ready to upscale. In certain cases, some innovative circular materials such as materials from vegetable waste, have during our tests proven not to meet Vagabond quality requirements. This makes it difficult to introduce some of the new innovative materials in our products. We do not compromise on a quality that makes our products last for a long time.

*Sustainable material includes chrome-free tanned leather to prevent chrome allergies, organic GOTS certified cotton for environmental care and healthier cotton farming, recycled material for a more circular approach, Tencel for a significantly reduced usage of water in the manufacturing process and other materials from renewable sources.
In 2019 we accounted 1,880,101 pairs of shoes with chrome-free tanned leather inner soles, compared to 96,181 pairs in 2015 when we started our journey on more sustainable materials. This equals 100% of our shoes with leather inner soles, which was our target for 2019. Accounting pairs with inner soles and lining made of sustainable textile materials, a total of 1,678,682 pairs were produced in 2019, compared to the 2,386 pairs reported for 2015. Of these, the main part, 1,239,238 pairs, were made of organic GOTS certified cotton and 9,760 pairs of Tencel™. 429,684 pairs were made of recycled polyester while in 2015 no shoes had recycled contents. Shoes containing recycled polyester, include mainly sport shoes and warm lining shoes. We continue to use only chrome-free tanned sheep fur linings for the premium warm lining shoes.

On the textile side, we have during 2019 introduced Tencel™ as an alternative to the organic GOTS cotton. This is mainly to reduce the negative water and environmental impact of cotton production. Tencel is a fabric made from wood fiber that has an equally comfortable feeling as cotton, but only requires a small amount of the water compared to cotton cultivation and production.

We are happy with the increasing availability of more sustainable material on the market, which made this rapid change of material for linings and inner soles possible. In parallel, we have started to introduce more sustainable materials in the outer parts of our shoes. Suede leather: so far it has been difficult to find chrome free tanned suede of such quality that it meets Vagabond’s requirements, but we have managed to present some of our suede articles in chrome free tanned suede during 2019. Regular leather: chrome free tanned qualities of regular leather has been difficult to find, mostly due to our demands on look & feel of the leather. In 2019, instead of going all-in for all chrome-free tanned regular leather, we took the decision to only purchase leather that had been produced according to strict environmental requirements. Our choice was leather producers that had been rated by the Leather Working Group, which is an internationally recognized organization, working with high environmental standards in the leather industry. At the same time, we became a member of the LWG. By being a member, we can actively influence the work with chemical-, energy- and water management in the tanneries. 2019, 52% of the leather we used were from LWG rated suppliers. Our aim is that all leather we purchase will be LWG rated by Spring 2022 at the latest. Also, for structural improvements, we believe that LWG is a strong common platform for our industry.

We count in pairs, not volume or kilos, because this creates clarity and more possibilities for comparison.
Ethical Material Considerations
Care for animal rights is a part of our requirements, included as one specific 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 Retailer Program (initiated by The Fur Free Alliance) and we require our leather materials to be byproducts of the meat industry and argue for using all parts of the animal for sustainable reasons. Due to a globalized leather market and sometimes weak national regulations, there can be difficulties to trace back the leather from the tannery to the farm. In 2015 we joined a Swedish initiative for materials deriving from animal origin, driven by the trade organization Svensk Handel (Swedish Trade Federation). In this initiative we cooperate with many other apparel and footwear companies to form common animal welfare policies. This cooperation also serves as a good platform to share experiences from improvements on traceability. Traceability of leather is also included in the LWG audit scheme, which was one of the reasons to join the LWG cooperation.

We continuously explore material that are alternatives to leather and include our Non-animal selection as a permanent part of the full collection. The non-animal articles are made with leather-like material and specially designed for our customer who prefers material of non-animal origin.

On the way to circular design & “no more waste”
Our main sustainability argument is that we make quality products that will be “your wardrobe’s best friend”, worn and loved for a long time. We have the ambition to close the material loop together with our customers. By highlighting aware consumption and sharing ways of maintaining the shoes to keep them longer, we hope to see more and more of our products last longer and turn into new products when fully worn out. Our message is to buy what you really love, care for your shoes and bring them back for reuse or recycling when you no longer want them.

Extending the lifetime of the shoes
To support good maintenance and thus longer use of the product, we offer advice and a small shoe care line with more natural and sustainable care products in our own shops and online.

Circular commitments
In 2017 we signed the GFA (Global Fashion Agenda) 2020 Commitment, an initiative that strives to increase the number of fashion brands and retailers acting on circularity. As part of the initiative we will report on our circularity efforts via the GFA website until 2020. Being part of the GFA 2020 Commitment is a great way to exchange knowledge and experience among brands within circularity. Implementing a circular approach in the early design steps, by ensuring our designers are equipped with the necessary knowledge and tools, is the first step towards closing the material loop. In 2019 we held a training in circular design for our product developers in Vietnam and another for the Sustainability team at the headquarters.
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 shoes, accessories, boxes and shop interiors, but also taking certain responsibility for the products after having left the shelves in the stores. Aiming to help find a new purpose for shoes that are ready for reuse and recycling, we engaged in a recycling pilot project in the end of 2016. In cooperation with the German company I: Collect (I:CO) we collect used shoes to avoid them ending up in the household garbage. This project developed into our Shoe Bring Back program. Shoe Bring Back is a way for us to enable a more aware consumption, taking the whole lifecycle of the shoe into consideration and cooperating with our customers to reduce waste. The initiative has been very well received by our customers. In 2019 we were finally ready to launch the Shoe Bring Back program also in our Russian Vagabond Stores. By the inclusion of the Russian stores, we now collect used shoes for reuse and recycling in all Vagabond Stores around the globe.

Collected volumes are increasing with the growing interest from end-consumers. In 2019 we received 10,7 tons of used shoes, and in total end-consumers have returned 12,7 tons of shoes since the start in 2016. We continuously work to introduce material extracted from recycled shoes and will launch our first collection with soles made with rubber that has been recycled from worn out Vagabond shoes in 2020. This is a true circular ambition and a first attempt to close the product loop, where good used materials are brought back into production as new resources. Our long-term ambition is to use “reborn” recycled post-consumer soles in all our shoes and product lines as soon as the industry is ready to provide high-quality post-consumer materials.

2) Transparency / Knowledge sharing
By sharing our product knowledge, we can inspire and guide our customers to choices that are better for people and the planet. With our customers’ increasing interest in transparent information, we develop the way we communicated our design and the production process. For us, withholding the trust of our customers is an important part of our work. We do not only want to tell the story about Vagabond and how we work, but also show in numbers how the story fits with reality.
During 2019 we developed our website to include clearer sustainability information such as more detailed product information on sustainable material choices. We also published a list with detailed information on our direct suppliers and material suppliers. Internally we shared sustainability information in new forms, such as video recordings with sustainability information to our staff for educational purposes.

A challenging perspective we face in our communication is to get our message clearly and easily available for the customers who choose to buy Vagabond from our wholesalers’ channels. In these channels our impact is limited. We aim to interact with clients on knowledge-building and consumption awareness, as cooperation between companies and consumers is the key to having a successful sustainable development.

One valuable benefit of increased transparency is the feedback from the dialogue with customers. We want to enable better understanding of what we are doing and the challenges we face in a way that is relatable and helpful for each individual wearer of our products.

3) Emissions to air

Reducing the GHG/CO₂ emissions to halt the climate effect at maximum 1.5°C is probably the most challenging task ever for humanity. As a company in the fashion industry with both global production and sales, we have a great responsibility to continuously reduce our climate footprint to be in line with the global science-based targets. We envisage reduction of both direct impact from our buildings and company cars as well as indirect emissions from transport and production. Hereunder we report on our climate footprint as a) emissions from transport of material and ready-made products, b) emissions from our work travels, and c) emissions from production of material and ready-made products.

a) Emissions from transport
- reducing the GHG/CO₂ emissions from the transport of material and ready-made products

Our products are manufactured in one part of the world and sold in other parts of the world. This makes the necessary transport long-distance and sometimes complicated with transport middle-hands. Our possibilities to reduce the emissions from transport are directly impacted by how well we optimize packaging yet consequently limited to the emission reduction actions of our transport suppliers. It is crucial that we make well thought through choices of modes of transport and that we select transport partners with pro-active, ambitious environmental agendas and efficient actions to reduce transport emissions.

Our target is to reduce our emission impact from transport of materials and ready-made products with at least 50% from 2018 until 2030.

We have a direct impact on the optimizing of packaging and how well we fill the containers. During many years, we have worked intensely to optimize our box sizes to reduce the transport volumes and thereby decrease our transport needs. Our filling ratio is currently about 78-82%. Moreover, we generally use 40 feet high cube containers to use the transport space as efficiently as possible. This means we can transport more pairs of shoes in each transport, which reduces our carbon footprint.
An important part of our sustainability work is the choice of packaging material. We strive to use recycled materials in our shoes- and cardboard boxes as well as in the filling materials. In 2019 we continued to use cardboard boxes and filling of 100% recycled materials and the shoe boxes made of 80-100% recycled material.

We are challenged by the transport where we only have indirect impact and cannot select fuel types, control stoppages and other important parameters. Another hurdle is client orders with demands on short lead-times.

Unfortunately, due to new client demands on short lead times during 2019, we had to use air fright more frequently in favour to boat which is our preferred mode of transport. This is something that must be seen as exceptional and we shall work together with our clients to avoid air frights in the future.

Opportunities for emission reduction that we have not currently explored, are for example logistics cooperation between brands and transport by train.

We choose to manufacture our products together with suppliers that are clustered around Ho Chi Minh City where we have our consolidated logistics base in Vietnam (called Bonded Warehouse). By having one consolidated warehouse, we can ship more products at the same time and thereby reduce emissions and costs.
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*The emission statistics for product transports are based on external report data from our transport suppliers.
**Consumer transport**

An indirect environmental impact of Vagabond’s activities are the emissions generated by consumers’ travel to and from the physical stores selling Vagabond. **While mapping our consumers’ transport and the generated environmental impact remains a challenge, we chose in 2019 to add information on our website about express freights, that undoubtfully implicate a higher environmental impact and if possible, that should be avoided.**

b) Emissions from work travels
- **reducing the GHG/CO₂ emissions from the production**

Being a global organization, the transport for our own employees on the job can be quite significant. When we travel, we travel with an efficient agenda. Virtual meetings are always considered a first-hand choice. Each department manager is also responsible to help the employees plan travels. While preparing the system to report the impact on our work travels during 2019, the actual measure and actions to reduce our emissions will start in 2020.

c) Emissions from production
- **reducing the GHG/CO₂ emissions from the production**

Most of our climate impact comes from the production stage. In general, the fashion industry estimates that the actual production stands for approximately 80% of the total emission impact. This is also the most challenging stage where our impact means are limited. We see our active and aware choice of production suppliers and our close cooperation as opportunities to make a positive difference. According to our own investigations, most of our production suppliers use a mix of fossil and renewable energy in their process.

The remaining and most significant challenges in this area is related to the pace of how fast the general energy transition is happening in our production countries. However frustrating, this is where we need to keep requesting, use our industry knowledge, give the best examples and join forces with our networks to reach transitions on both micro and macro perspectives over the years to come.

![Production Suppliers' Declaration of Energy Sources 2019](image-url)

*The statistics of energy sources are based on information from our production suppliers*
4) Clean water
- wastewater purification

Access to clean water is a fundamental human right. The manufacture of textile and leather material can be a high-risk process concerning water supply and water contamination. Often this kind of production takes place in areas that are vulnerable to changes in water supply and quality of soil. Being aware of how significant our industry’s impact on freshwater can be, we have chosen to take a hands-on approach with a water project on the factory floors to follow strict environmental standards for water management in the supply chain.

To build knowledge around environmental best practices in the material manufacturing industry, we became a partner of STWI (Swedish Textile Water Initiative) in 2016. Together with the STWI team we have been working with active knowledge-building and hands-on water management projects in the production with one of our important leather manufactures. We have gained many valuable insights on improved environmental manufacturing practices together with STWI. During 2019 it was unfortunately not possible to start new water projects in our tanneries due to a re-organization at STWI. To continue the water management work in our supply chain, we chose to become a member of the LWG (Leather Working Group) during 2019. Our intention with the membership is to raise the awareness of issues such as water usage and wastewater purification in the supply chain. Our aim is that all tanneries producing leather for Vagabond shall follow the strict environmental agenda of LWG. We target 100% LWG rated tanneries by 2022 at the latest.

5) Process chemicals
- reduction and substitution of process chemicals that can be environmentally and/or health hazardous

Chemical pollution is one the big challenges in the modern shoe industry. The processes, at both shoe manufactures and material producers, are chemically intense. We are committed to reduce and substitute chemicals that can cause harm to people and/or planet. Recognizing that replacing some of the process chemicals without negative effect on the product quality is very challenging, and we are dedicated to support our suppliers in this important work.

One of the most challenging chemical issues in the shoe production is the use of strong glues and additives in the production. We cannot allow compromises on quality that could cause the sole 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.

We continuously search the market for improved glues which can meet our standards, both for durability and restrictions of chemical, but so far, we have not been able to find suitable substitutes for all types of glue used in our production.

The basis of our chemical management and prevention work is our Restricted Substances List (RSL) which includes all our chemical requirements. The RSL is based on the EU REACH legislation (The European Regulation of Registration, Evaluation, Authorization and Restriction of Chemicals) and additional national requirements in our sales and production countries.
We require chemical testing on all material that goes into our production. Suppliers must prove to meet our RSL and we do extensive chemical testing each season to verify the suppliers' own chemical testing. Any material with non-approved test results will be excluded from our production.

For the purpose of future recycling of shoe materials, we must ensure that current materials do not contain chemical contamination but can be safely circulated again and again. Selecting more sustainable and certified materials ease the overall chemical work due to the already strictly regulated use of process chemicals for these materials.

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

Being an international company, 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 worldwide. By staying close to the process and owning our own product and brand, we have great opportunities to create strong teams where cultural values and work methods are spread within and between teams. The sum of business knowledge is high, and the atmosphere is that it is ok to ask questions and that decisions could be made by anyone, if you involve both co-workers who has experience and people who will be affected by that decision. In combination, the foundation of our core beliefs is that we are “always a we”. Therefore, we see great opportunities in the different individual skills and backgrounds coming together. By both daily, and regularly even more intensified, gatherings of our multi-cultural global team, we learn to see the world from different angles which is truly enriching us and creating a positive foundation for the organization and business to sustainably develop.

With this we are also aware of the challenges: despite the “we”-ambition, there is always a risk of cultural differences and how to locally interpret the core values of the company. The more we are exposed on a global market, the more we must work with our internal values and make sure everyone understands and feel included.

Policies that guide us
To help us in this work, we use policies, routines and action plans. Examples are policies and documented approaches on 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, Child Labor Policy and Action Plan.

Supporting our staff and leaders
In 2017 we 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. Step number two when implementing this handbook, is team trainings with the managers together with their teams. During 2019 “building strong teams” has been in focus and has been conducted in 7 out of 12 departments and the remaining ones will do their team exercises during 2020.

Gender distribution
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.
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GENDER DISTRIBUTION 2019
VAGABOND MANAGERS

- Men: 33%
- Women: 67%

GENDER DISTRIBUTION 2019
TOTAL FOR ALL UNITS

- Men: 19%
- Women: 81%

Number of male employees with permanent employment contract

GENDER DISTRIBUTION 2019
VAGABOND BOARD

- Men: 50%
- Women: 50%

Number of female employees with permanent employment contract
Empowering our people

*Education and engagement:* for our process 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 2019 we held in total 16 training sessions on Sustainability for our co-workers, 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. Focus topics for training 2019 were circularity, positive opportunities with awareness of material choices. Furthermore, during 2019 we started our new intranet, with the purpose to be educational, inspirational and enhance efficiency. All Vagabond employees with a company email address have automatic access to this information on their browser, and here all general news and summarises of staff meetings is included for everyone to follow.

*Health and safety:* we are committed to providing a safe and healthy environment in all our units. In 2019 we had one reported work-related injury at the prototype workshop in Varberg, Sweden. The injury was of the non-serious type and the employee has recovered and is back at work.

We provide first aid and fire-fighting training at the head office and warehouse in Sweden and our factory in Vietnam. Also for our remote office in New York, fire-fighting training has been held during 2019. We also measure that light, noise and temperature are within the specific limits for good working conditions. Moreover, for the producing departments we ensure that the chemical emission levels are within acceptable limits.

Enabling and inspiring a more sustainable way of life: 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 2017. Also, during 2019 we extended to two meat-free breakfast days per week. 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

*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 work has generated profit not only to the company, but also as means for helping people in difficult situations and for restoring the planet. Our charity focus areas are a) health, b) the wellbeing of the young or exposed, c) the environment & climate. Some of the organizations we donated money to in 2019 included Doctors without borders, SOS Children villages and WaterAid. We also regularly work with the UN help organizations and specific emergency donations. For Black Friday, we chose to focus on the message “only buy what you really love” and instead of giving a discount, 10% of our revenue that weekend was given to Humanium Metal by IM to support their non-violence projects. We have also had special collaborations with our transport partner Schenker to ship shoes for Human Bridge, a Swedish charity organization. For 2019 we donated a total of EUR 197.465 (SEK 2.109.009) to charity.

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 each year, both for project work and for their final thesis. In 2019 we signed a three-year contract with the local senior high school, committing to regularly attend to groups of students to get an insight to what we do and what kind of professions we have within the company.

7) Production working conditions

The people in our supply chain

Vagabond acts in a diverse, global network with several thousands of people in the supply chain engaged in making of Vagabond products. We recognize that our industry can give rise to specific human rights challenges and questionable working conditions in the manufacturing stage. For us, a safe and respectful working environment is a minimum requirement for any manufacturing partnership. Managing fundamental human rights such as the right to health, education, freedom of assembly and freedom of expression, as well as keeping good safety standards are top priority throughout the value 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. We aim to account for a high percentage of our suppliers’ production volumes. In this way we can naturally be more engaged in our suppliers’ operations. We are committed to work together with our suppliers to create safe and respectful jobs, support human rights and consequently have a positive impact on the lives of the many people in the supply chain.
Considering both direct suppliers and sub-suppliers, there is production for Vagabond in about 20 countries. Our direct suppliers are the shoe and accessory manufactures. Most of our shoes and accessories are produced in Vietnam, but we also have one partner in Cambodia, one in China and one in India for smaller volumes of more specific styles. Our sub-suppliers include material suppliers such as textile producers, leather suppliers and outsole manufacturers. Most of our textile is produced in Taiwan, most outsoles are produced in Vietnam, while the leather is manufactured in different countries.

For the crucial management of working conditions in the producing units, we require proactive production planning to avoid excessive overtime and make sure there is 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 spotlight on the most critical issues.

Freedom of Association
In 2016 we developed the union work at our own factory, Vagabond Vietnam. Encouraging an active union is a way of promoting closer dialogue between workers and management. 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 and Vagabond Vietnam during 2016-2019 have been to consult the employees in matters related to the Vietnamese work legislations, advise the employees regarding any question about the company regulation, but also to support the employees in cases of sickness or work-related issues.
**Vagabond’s Code of Conduct**

To work with Vagabond, the supplier needs to be a skilled shoemaker and pass our strict quality and chemical requirements. Equally important are the sustainability criteria, and 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**

Our own experienced local staff oversees the inspection in Vietnam. For inspections outside Vietnam, we hire consultants that are specialized in social compliance. During the inspections, we use a tool that is based on the international SA8000 framework for working conditions to document and measure how well the factories meet out Code of Conduct requirements. Each inspection includes reviews of the working conditions 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.

After a Full inspection, we would normally follow-up to verify that findings have been closed. Depending on the nature of the supplier and the length of business relations, we do both announced and unannounced follow-up inspections.

We follow up on the actions of improvements in place and we evaluate primarily by interviews with management and workers, and by reviewing documentations. During this period, we also support the factories with training on related issues and advise on best practices. Through peak season, our inspectors focus solely on Health and Safety inspections, reminding the suppliers to pay attention to safety measures also in busy production times.

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**CODE OF CONDUCT INSPECTIONS 2019**

- Health and Safety inspection (announced) - 23
- Full inspection (announced) - 5
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 labor.

3. No Forced labor
Employment shall be freely chosen.

4. No Discrimination
All employment relationships shall be based on the principle of equal opportunities, regardless of race, color, 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 enough 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.

* Vagabond’s CoC in brief. The complete code can be read on vagabond.com/about us. 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.
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 enough management attention during peak seasons.

Training on chemical management

Another means to reduce fluctuations between inspections it to provide training sessions. These are valuable occasions to clarify what is expected of a supplier of Vagabond and implies good opportunities for an open dialogue on difficulties with implementation, between us and the suppliers, but also between the suppliers themselves. In 2019 we held 11 training sessions on-site for factory workers focusing on chemical management and six training sessions on risk management within health and safety for top managers from 13 factories. The sessions were tailored to meet the needs for knowledge on chemicals and how to improve chemical protection.
**Phasing out suppliers that cannot meet our standards**

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 and ongoing interaction from Vagabond.

There are occasions where our CoC requirements are not met. The supplier is always given a clear explanation of our expectations and time to improve. If the supplier still fails to meet our standard, we would choose to phase out the supplier gradually, giving time to allocate production, and thus job opportunities, to other customer orders. In 2019 no supplier was phased out due to non-compliance reasons.

**Grievance mechanisms**

Since 2019 we hold 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 printed and 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 grievance should first be addressed to the factory managers, but if the issues cannot be solved, we would like to be informed to be able to support improvements. There was no grievance reported via the hotline during 2019. To ensure workers feel more comfortable using this mechanism if necessary, we are considering outsourcing the operation of the hotline to a neutral third party.

**Fair wage**

Fair wage is a complex subject as there is no universal benchmark on how to calculate a living wage\(^1\). We always want to collaborate with the best skilled factories and as such we expect the suppliers to follow national legislated salary settings as an absolute minimum. However, we are aware what is legislated might not be accurately reflecting a labor market strongly driven by need and supply. Through our wage analysis, we see that our supplier’s salary payments are above minimum standards, but nonetheless it is a challenge for us as a buying partner to validate fair wages. We stress the importance of a productive dialogue between management and worker organizations within the factories, an important step to create awareness and a sound wage development. In the long run there must be alignment among governments, trade unions, NGO’s, buying companies and producers to truly qualify fair wage levels.

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\(^1\)ILO International Labor Organization and global trade unions
Cooperation on CoC
To work towards improved CoC implementation, we seek to cooperate with other brands who work with the same factories as we do. It has been somewhat difficult to find suitable collaborations partners, but in 2017 we commenced cooperation with a few other shoe brands, which we will continue to develop in the coming years. The collaboration with other shoe brands in factories allows us to streamline our requirements and inspections for our mutual factories. This means that the supplier can dedicate more time and resources towards improving their performance and CoC compliance, rather than catering to divergent needs and requirements from different customers.

Supporting human rights
We work in a global supply chain and industry that sometimes brings difficult challenges in the respect of human rights. 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. Two top priorities for us are to ensure there is no child labour in the production for Vagabond and that any migrant worker has the same rights on the job as the factories’ permanent employees.

Children’s Rights
We would never accept exploitation of children. By frequently inspecting the suppliers’ factories and making sure that our suppliers have enough 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 2019, but on a few occasions, we have been needed to straighten out the specific work rules for young workers together with the suppliers. As a part of our charity work, we support the SOS Children 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.

Migrant workers and the risk of Modern Slavery and trafficking
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 depend on their agents, can in worst case also lead to forced labour and human trafficking. All of this goes into the scope of what is called modern slavery and/or trafficking of people. We want to make sure that any migrant worker involved in the manufacturing of our products has 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 these issues of transparency and fair recruitment throughout the supply chain up on the agenda.

In many countries, the recruitment process can be very complex with many external parties involved and very limited transparency. Sometimes the recruitment agencies would not allow enough 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. To demonstrate our commitment to fight Modern Slavery and Trafficking, we renew our statement to the UK Modern Slavery Act every year as well as sign for the California Transparency in the Supply Chain act.

**OUR BUSINESS STRUCTURE / GROUP OF COMPANIES**

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 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 all our accessories. The remaining production is sourced to a few of our carefully handpicked external suppliers. The products are sold in more than 45 markets worldwide, including Scandinavia, Germany, UK, USA and Russia. The brand is displayed in concept stores, online stores and shop-in-shops and feature within international department stores and selected multi-brand stores worldwide.
As of December 2019, Vagabond employs 596 people, including 135 at the headquarters in Varberg. Local sales, retail business and manufacturing are handled by 14 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 2019, the net sales were 920,88 MSEK and the total capitalization was 547,74 MSEK.

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. These objectives and focus areas are set by the Sustainability Management Group, chaired by the Sustainability Manager. This management group is a cross-functional team of executives and the CEO. Progress of concerns are regularly reported to the group by the Sustainability 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 2019 we held briefings covering sustainability strategies, opportunities and risks, brand sustainable performance, internal operations, strategic cooperation and challenges within the fields of chemical safety, environment and human rights.

VAGABONDS SUSTAINABILITY MANAGEMENT GROUP

Ulrika Simonsson  
Sustainability Manager

Anders Odén  
CEO

Anna Fahle Björcke  
Head of Communications

Marcus Svensson  
Purchase & Quality Manager

Lena Geiser  
HR-Manager

Marie Nilsson Peterzén  
Creative Director / Vice President
Sustainability risk
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 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 material and the production, to the consumption and the end-use of our products. In the analysis of 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 as an integral part of this sustainability report. Some of the policies that we have in place that address these risks, include our Code of Conduct, Child Labor Policy and Action Plan and our Ethical Policy. Procedures such as the Corrective Action Plan for suppliers and the Grievance Mechanism available for all employees in the suppliers’ factories, allow us to effectively address any identified issues relating to these areas.

Ethics and Anti-corruption
We always strive to act respectfully towards one another, appreciating differences and various skills. Internal communication shall be open and honest, and we encourage co-workers to raise any concerns and speak to their managers.
Currently there is a hotline for all suppliers, e.g. a number to call to raise any concerns of misconduct within our own organization, for example related to unethical behavior 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 2019.

Cooperation
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.

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<tr>
<th>AREA</th>
<th>PARTNER/COOPERATION</th>
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<td>- The Chemicals Group</td>
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<td>- Substitution of hazardous process chemicals</td>
<td>- RISE</td>
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<td>- Water, energy and chemical management in the supply chain</td>
<td>- LWS (Leather Working Group)</td>
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<td>- Responsible sourcing</td>
<td>- Nordic Shoe Network</td>
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<td>- Reuse / Recycling</td>
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<td>- Cross-industry network</td>
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<td>- Ethical leather</td>
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<td>- Circular design / Circular economy</td>
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It is important that we recognize and do our best to eliminate any ethical obstacles within our business. Our Ethical Policy sets standards for ethical behavior in the workplace and guide our employees in their daily work. We have zero tolerance for all kinds of discrimination and harassment, and for alcohol or drug abuse at work.

All workers in the administration have signed the policy, as will all new employees. A Shoemaker’s Handbook, which we developed in 2017, and our Leadership handbook developed in 2018, are also great tools to spread values to all co-workers.

The reputation as a trustworthy brand is for any responsible company a top priority for long-term sustainable development. Any corrupt behavior in our organization would conflict with our objective to contribute positively to the communities where we operate. This could also have negative impact on a sustainable economy on 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 interest of stakeholder.

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 behavior can vary. By clarifying what corruption and unacceptable business behavior is to Vagabond, we hope to erase any doubts within our organization and with business partners.
SUMMERIZING 2019

All our top priority areas have accomplishments such as 100% sustainable textile materials and LWG rated tanneries, regular staff sustainability trainings, efficient chemical control and substance replacement and our recycling program. Yet we are aware of and humble to the fact that in some areas we have a lot more to do; the monitoring of emissions to air, the continuous exchange of substances that may be harmful to person and/or planet and further dialogue regarding production working conditions. Some things we keep doing on our own, but for fundamental change industry collaboration is key. So in addition to these top priorities comes collaboration with our peers in the industry. And with all of you following us on our journey, only if we work together, we can close the loop one day.

CONTACT US

For more information, please contact us at: www.vagabond.com/contact