

## **Modern Slavery and Transparency Statement**

*Published on: June 19<sup>th</sup>, 2024*

*In accordance with the requirements of the UK's Modern Slavery Act 2015 section 54, the following statement shares Haglöfs AB's and its subsidiaries effective policies and implemented measures to safeguard fundamental human rights and decent working conditions and prevent forced labor, slavery and human trafficking in our business operations and supply chains in the year preceding the above date.*

## Introduction

Haglöfs is committed to respecting human rights in our own operations and value chain and expects our suppliers and other business partners to do the same. This commitment includes zero tolerance for any type of modern slavery, including forced and bonded labor. We continuously work to identify, prevent, mitigate and address any adverse human rights impacts we may cause, contribute or be linked to, including any form of modern slavery. Our supply chain assessments and monitoring efforts lay the groundwork for our commitment to human and labor rights due diligence, and we work collaboratively with our manufacturers and their workers, third-party organizations, and other brands to mitigate any risks identified. Our membership in Fair Wear (a non-profit organization that works with brands, factories, trade unions, non-governmental organizations, and governments to improve working conditions for garment workers) plays a crucial role in this work and underpins our social responsibility initiatives in our clothing, footwear, and hardware factories. This statement outlines the steps Haglöfs has taken and continues to take to respect human rights and address modern slavery risks within our business operations and value chain.

## Our business and supply chain

Haglöfs AB is wholly owned by LionRock Capital Limited and operates through subsidiaries in Sweden (Nordic Outdoor Group Aktieföretag – NOGAB), Norway (Hagløfs AS), Finland (Haglöfs Oy), Denmark (Haglöfs Danmark A/S), Germany (Haglöfs Deutschland GmbH), and the UK (Haglöfs UK Ltd.), as well as a branch in France. Haglöfs designs, develops and markets outdoor clothing, footwear and hardware from its headquarters in Bromma, Sweden. The company does not own any factories but works with a network of 82 trusted material suppliers and 34 clothing, footwear, and hardware manufacturers across 16 different countries. The majority of the products are shipped to Haglöfs' distribution center in Eskilstuna, Sweden, and from there distributed to its various sales channels. Haglöfs products are sold in 21 markets via wholesale, E-commerce in 12 countries, and 13 directly owned Haglöfs stores.

Most of Haglöfs' own employees are based in Sweden, where all employees benefit from collective bargaining agreements. For our warehouse operations in Sweden, we engage external staffing agencies, following an agreement with the regional union. Our selection criteria for external staffing agencies include the requirement that they hold a collective bargaining agreement. This approach aligns with our commitment to responsible and ethical employment practices. In locations without collective bargaining agreements, we adhere to local labor laws and regulations. There is also a structured and regular exchange between HR and employee representatives. This ensures comprehensive coverage, addressing various aspects in both daily operations and broader initiatives, where risk assessment is a crucial part of the process. In cases where these representatives are not appointed from Haglöfs' employees, we actively engage with regional or national representatives.

Haglöfs has direct relationships with all clothing, footwear, and hardware manufacturers involved in its production (Tier 1) and requires that any support factories (e.g. embroidery and printing facilities) or subcontractors used are disclosed and approved before any production starts. We have fully mapped our Tier 2 supply chain for nominated material suppliers, as well as the majority of our non-nominated materials. The work to complete the mapping of our non-nominated material suppliers and to improve our understanding of the factories involved in the various stages of material production is ongoing. We also work to map the origin of our natural materials deeper in the supply chain, though there remain challenges in maintaining visibility in this area of the supply chain.

Beyond our supply chain partners, we collaborate with a number of external stakeholders to address human and labor rights risks, such as Fair Wear, other Fair Wear member brands, and the European Outdoor Group (EOG). We are also a signatory to the AAFA/FLA Commitment to Responsible Recruitment.

## **Governance**

The Haglöfs Sustainability and Business Development Director is responsible for the development of the Haglöfs sustainability strategy (including human rights due diligence) and is, as part of the management team, accountable for its implementation and follow-up. The Sustainability and Business Development Director leads the Haglöfs Sustainability Team, that works to implement the sustainability strategy across the organization and value chain. At Haglöfs, sustainability is not confined to a single team's responsibility, but integrated into roles across the entire organization. The Asia Sourcing Office based in Vietnam plays a critical role by enabling Haglöfs to be closer to production, which facilitates continuous monitoring of fair working conditions in the factories Haglöfs works with.

The Risk Management Committee works to improve visibility of emerging risks and upcoming regulatory changes and is together with the Sustainability Team responsible for monitoring and reviewing human rights risks, including risks related to modern slavery. The Haglöfs Management Team oversees the Sustainability Team and its members form the Risk Management Committee.

## **Our policies and procedures**

To support realizing our commitment to respect human rights, in our own operations as well as in the value chain, we have adopted policies and guidelines based on internationally recognized standards and norms (e.g. the International Labour Organization's Fundamental Principles and Rights at Work, the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector, the UN Guiding Principles on Business and Human Rights, and guidance from Fair Wear). These policies and guidelines govern internal processes, as well as outline the minimum requirements we place on business partners throughout our value chain. We regularly review and update our policies and processes to address emerging risks and legislative changes, as well as to incorporate improvements. Training is provided to both employees and manufacturing partners to help enforce our policies, procedures, and minimum requirements.

Haglöfs' [Code of Conduct](#) explains what it means to uphold our values while ensuring that acting with integrity, following legal requirements, and showing respect towards each other, our customers and our business partners continues to be the cornerstone of everything we do. It applies to everyone employed by, or who conducts business on behalf of, Haglöfs AB and its affiliates, regardless of seniority or location. All new Haglöfs hires must read and sign the Code of Conduct together with their employment contract. We actively encourage individuals to report any violations of the Code of Conduct and have established a confidential online reporting system (the Ethics helpline) to facilitate the reporting of ethics violations. How to use the reporting system and the process for investigation are described in the [Haglöfs Policy on Protected Disclosure \(Whistleblowing\)](#).

We expect our business partners to uphold comparable principles to the ones outlined in the Haglöfs Code of Conduct, and we aim to work only with those who meet these standards. Our [Policy of](#)

Engagement lays out these standards for our manufacturing partners, covering areas such as human rights, labor standards, corruption, privacy protection, occupational health and safety, and environmental practices. The Policy of Engagement is an essential component of the Terms of Agreement which all manufacturing partners must sign and comply with.

Haglöfs' Code of Labor Practices is based on the Fair Wear Code of Labor Practices and complements the Policy of Engagement. The Code of Labor Practices outlines the minimum requirements expected of our suppliers and other business partners and addresses topics such as forced labor (including bonded and prison labor, human trafficking, slavery and practices similar to slavery), child labor, discrimination, freedom of association and the right to collective bargaining, wages, working hours, safe and healthy working conditions, and legally binding employment relationship. In applying the code, suppliers must comply with national and other applicable laws and, where the provisions of the law and the code address the same subject, apply the provision that gives workers the greater protection. All manufacturers producing Haglöfs products (including support factories, such as embroidery and printing facilities, and authorized subcontractors) must sign and comply with the Code of Labour Practices.

To govern our work with manufacturing partners, we apply a set of internal guidelines and processes. Haglöfs' Factory Approval and Onboarding Process outlines the process for assessing and approving any potential new factories, including assessment of their ability to meet Haglöfs' Code of Labour Practices. No production is started at any new factory (including any subcontractors or support factories) before it has completed the approval process. Once a factory has been approved and properly onboarded, it is engaged in an ongoing monitoring and improvement program, as specified in Haglöfs' Factory Monitoring Guidelines. If a relationship with a manufacturing partner is terminated, Haglöfs' Responsible Exit Strategy outlines the process that shall be followed to responsibly exit the relationship, including an assessment of the impact on the manufacturer's workers.

## **Human rights due diligence**

To operationalize Haglöfs' commitment to respect human rights, we conduct human rights due diligence to identify, prevent, mitigate, and address any potential and actual adverse human rights impacts we may cause, contribute or be linked to. As the risk of human rights violations, including modern slavery, is most prominent in our supply chain, we predominantly focus our due diligence efforts on this part of our value chain. Our approach to human rights due diligence in our supply chain includes the following key steps:

### **1. Identifying actual and potential adverse human rights impacts**

To identify any actual or potential adverse impacts at our clothing, footwear and hardware manufacturers, we conduct desk-based risk assessments as well as on-site factory audits.

- a. **Risk assessments:** We continuously conduct risk assessments of all our current, as well as any potential new, clothing, footwear, and hardware manufacturers involved in Haglöfs production, which includes human and labor rights risks (i.e. risks to people), including risks of modern slavery. In the risk assessments we consider various types of risks, such as risks related to the relevant country, sector, and product, as well as risks connected to Haglöfs' sourcing and business model. We include risk information from external sources, such as non-governmental organizations, trade unions and experts, as well as internal sources like reports from factory audits, trainings and visits, and any potential complaints

from factory workers. Prior to entering any new sourcing country, we also carry out a specific country risk assessment, which, for example, includes an analysis of human and labor rights risks, political stability, and corruption.

- b. **Factory audits:** The risk assessments support prioritization of further actions to identify actual and potential human rights impacts on factory level, such as on-site social audits. The purpose of the audits is to verify compliance with Haglöfs' Code of Labor Practices, which all factories must comply with at all times. The audits are conducted by independent and credible third-party organizations, such as Fair Wear and Better Work. Typically, an audit includes a physical inspection of the factory site and any dormitories, a review of relevant documents and records, as well as interviews with factory management, workers, and any worker or union representatives. Each factory is audited at least every three years unless risks identified call for more frequent auditing. The outcome of the audits contributes to determining the type and frequency of future factory engagements to mitigate and remediate any negative impacts identified.

2. **Preventing, mitigating and remediating any adverse impacts identified**

To address any adverse impacts identified, we work to mitigate and remediate the specific issues found via corrective action plans and factory dialogue and visits, to strengthen worker awareness and voice through trainings and a worker helpline, and to continuously examine our own practices to ensure improved responsible business conduct on our part.

- a. **Corrective action process:** A factory audit can be a useful tool both in identifying adverse impacts, as well as to help enforce compliance with human rights standards. When non-compliance issues are found during an audit, Haglöfs works with the factory to address the issues through dialogue and a time-bound corrective action plan. This process also includes identifying and addressing the root causes of the issues found to support preventing future adverse impacts. Haglöfs monitors and supports the corrective action process until all issues have been addressed. Should the supplier refuse to engage in the corrective action process to remediate issues found, Haglöfs has the right to terminate the business relationship. This is, however, only used as a last resort when options for remediation have been fully exhausted. In the case forced labor is suspected or identified, it is immediately investigated further to determine the scope and nature of the case. It is critical to ensure the safety and wellbeing of the impacted workers throughout the investigation and remediation processes, and to verify that the case has been fully and sustainably remediated. This includes ensuring all workers impacted have received remediation and all means used to create a forced labor situation have been fully and comprehensively addressed. Haglöfs offers support and guidance to the factory throughout this process, such as topical advice, access to third-party guidance, or other support as needed.
- b. **Factory visits:** Visiting the factories we work with enables better visibility of working conditions, following up on any complaints or issues found during audits, reinforcing our standards, improving communication, and building strong and transparent relationships. The visits are conducted by our sourcing and sustainability teams, as well as by Haglöfs management, buying and development teams. For new factories, a visit must be made before bulk production starts.

- c. Training:** We ensure the factories we work with receive training to help improve both workers' and management's understanding of labor and human rights, including the topic of forced labor. The training provided aims to help workers understand their rights, while ensuring they are aware of the options available to them should their rights have been violated. Training also helps support factory management in setting up the processes and systems for risk mitigation and continuous improvements. The training is mainly conducted by Fair Wear or Better Work and is renewed at a frequency which depends on the risk level of the factory. Training on human/labor rights is also provided to key internal Haglöfs staff that frequently interact with our manufacturing partners.
      - d. Worker helpline:** All workers in our Tier 1 factories (including support factories) have access to an external helpline hosted by Fair Wear. Through this helpline, workers can anonymously contact a local team via email or phone and raise concerns about their working conditions in their language. Information about the helpline is shared via "Worker Information Sheets" that should be posted in a visible and frequently visited area of the factory. When a complaint is submitted, Haglöfs works with the factory to address the complaint and remediate any potential violations.
      - e. Responsible exit:** In case Haglöfs terminates the relationship with a supplier, because of non-remediation of labor rights violations or other reasons, Haglöfs is committed to managing the termination process in a responsible way to prevent or mitigate any potential adverse impacts on the workers. The process is guided by Haglöfs' Responsible Exit Strategy, which for example includes notifying the supplier at least one season in advance, assessing the social impact of the exit on the factory's workers, and developing a phase-out plan for production orders.
      - f. Purchasing practices:** Responsible purchasing practices are an important aspect of working to prevent contributing to adverse human rights impacts in the supply chain. Hence, we continuously examine our internal policies and procedures aiming to avoid making demands on our suppliers that may compromise their ability to respect human rights. For example, to the extent possible, we avoid late payments, late orders, or high-pressure deadlines to not put additional pressure on the factories we work with.
- 3. Tracking progress and communicating about our human rights due diligence efforts**

To ensure accountability and continuous improvements of our human rights due diligence system, we continuously work to track the implementation and progress of our due diligence efforts, as well as publicly reporting on these.

  - a. Tracking progress:** To track the progress and effectiveness of our due diligence efforts, we continuously monitor the implementation of due diligence activities. This, for example, includes tracking the implementation of any open corrective action plans until all issues have been addressed, and identifying any recurring non-compliance issues which could indicate ineffective remediation of root causes. To support tracking progress over time, we monitor a number of key performance indicators for our Tier 1 clothing, footwear and hardware factories, including:

    - Number of factories, management and workers that has received training on labor/human rights

- Number and type of complaints coming through the worker helpline
- Number of workers interviewed in audits, including off-site worker interviews
- Number of in-person factory visits by Haglöfs staff
- Number of factory audits, as well as number and type of issues found in audits
- Total number of factories, as well as the length of each factory relationship
- Number of wage datasets collected, as well as the number of factories paying average wages meeting or exceeding one of the living wage benchmarks used.

The Fair Wear Member Hub, as well as internal systems, facilitate management of data to track progress. Additionally, to help us identify and track improvements of our human rights due diligence system and internal practices, Haglöfs is regularly assessed by Fair Wear as part of their “Brand Performance Check”. The latest Brand Performance Check of Haglöfs can be found on the Fair Wear [website](#).

- b. **Reporting:** We publicly communicate about our human rights due diligence efforts, progress, and challenges through various channels, such as the Haglöfs website and annual sustainability and social reports. We also disclose all our Tier 1 clothing, footwear, and hardware manufacturers, including support factories, to Fair Wear and on our [website](#).

### Our 2023 impacts and progress

In 2023, we conducted risk assessments of all our direct sourcing countries as well as all our Tier 1 factories to identify potential human rights risks, including risks of modern slavery. The risk assessment of our sourcing countries classified all countries, except from Sweden and Portugal, as high-risk countries in terms of labor and human rights. Within our value chain, workers in our supply chain are identified to be the group most at risk for human and labor rights violations, with the risks increasing further down the supply chain. In the audits conducted in 2023 of our Tier 1 clothing, footwear and hardware factories, most issues identified related to safe and healthy working conditions, followed by issues connected to wages and freedom of association. We further extended our audit scope in 2023 to also include an embroidery and printing factory. This audit generated nearly half of all the issues found during the year. A few of the issues identified in this audit were connected to the topic of child labor and regarded the factory lacking policies addressing child labor and juvenile workers, as well as not performing alternate age verification for workers who could not provide age records.

No reports were submitted to the Ethics helpline in 2023, though four complaints were received through the Fair Wear worker helpline. The complaints regarded three different factories in China and Vietnam. Two of the complaints received regarded delayed wages or non-payment of severance pay upon resignation. Both cases were resolved, and the workers were paid. Another complaint was about a misunderstanding leading to a pregnant worker resigning, which was clarified, and the worker was able to return to work. The fourth complaint regarded unauthorized subcontracting, which the factory admitted to having done in the past but had stopped doing by the time the complaint was submitted.

The risks and issues identified were addressed through the due diligence policies, processes and activities described above. In 2023, we specifically implemented the following measures to address identified risks and issues:

- We opened a local sourcing office in Asia, to enable us to be closer to production to increase presence and improve monitoring of working conditions in the factories we work with.


- Four of the factories we work with were audited during the year. As all clothing, footwear, and hardware factories are enrolled in an audit cycle of three years and a large share was audited in 2022, fewer audits were carried out in 2023 compared to the previous year. All audits were performed by Fair Wear at factories in Vietnam.
- As part of the audits performed, a total of 148 workers were interviewed. In three of the four audits, off-site worker interviews were conducted.
- We have collaborated with the factories we work with to address the issues identified in previous audits, both independently and in collaboration with other Fair Wear member brands.
- There was a total of 17 visits by Haglöfs staff to 9 of the factories we work with. As part of the visits, we for example continued to monitor whether the information posters about the Fair Wear helpline remained visibly hanging in the workplaces.
- Three of the factories we work with held training sessions, reaching a total of 296 workers and 77 factory managers. Fair Wear led all of the trainings and covered the topics in the Code of Labor Practices, including forced labor, as well as internal and external grievance mechanisms.
- In accordance with our Sourcing Strategy, our work to consolidate factories continued in 2023. Fewer new factories were added, and the total number of factories was reduced overall compared to 2022. Our objective with the consolidation is to increase volumes with trusted factories, thereby strengthening long-term business relationships and gaining greater influence in addressing human rights risks.
- We were able to collect three additional wage datasets during the audits conducted in Vietnam, resulting in complete wage data for 17 factories in China and Vietnam. Eight of these factories pay average wages that meet one of the living wage benchmarks used.

### Further steps

Our work to identify and address risks connected to modern slavery, as well as potential or actual negative impacts on human rights more broadly, continues. In addition to our ongoing human rights due diligence work described above, we aim to focus on the following key actions in the coming year to further strengthen our work to address modern slavery risks and impacts:

- Continue to map our supply chain beyond Tier 1 factories, to enable identification of modern slavery risks further down in our supply chain where risks may be higher.
- Assess the internal training provided and, where necessary, provide targeted training to relevant staff on how to identify and handle cases of forced labor in our supply chain.
- Continue the work to strengthen our policies and procedures to address relevant human rights risks in our own operations and value chain, including risks for modern slavery.
- Strengthen our risk assessment process to better capture risks specific to forced labor/modern slavery, including identification of vulnerable high-risk groups.

This statement has been approved by the Haglöfs AB Board of Directors on June 19<sup>th</sup>, 2024.



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Daniel Tseung, Chairman of the Board & Interim CEO