



# Haglöfs Sustainability

Haglöfs



# Helping to drive real change

What good does it do to let people enjoy nature if, by doing so, we end up leaving a lasting impression on the environment?

What good does it do to keep people safe, comfortable, protected and happy, if we can't say we do the same for everyone who helps to produce our garments?

A decade ago, we at Haglöfs put sustainability at the core of what we do. Complete, real, full-system sustainability — that covers the products we make, the ways in which we produce them, the people involved and the planet we all live on. Along the way, we've had real successes — and we've faced some serious challenges. But, through hard work, sensible decision-making and close cooperation, we've made a series of essential changes in how we work, as well as how we collaborate with all of our stakeholders.

But we need to keep getting better. Pushing ourselves, making further improvements, being strict in our demands, refining our products and processes, and strengthening our cooperation even further. This is the only way through which we'll achieve our goal of complete sustainability — that also allows us to keep delivering products of ever-improving quality to our customers worldwide.

By making these improvements, we'll also be able to provide the right kind of choices for our stakeholders, and support essential work taking place in the field of sustainability worldwide — in short, making a change that extends beyond our products.

We must always remember that sustainability isn't just about nature. Making clean products is one thing we can do — but real, circular sustainability involves taking the best care of all the people we're involved with, of ensuring a clean and ethical supply chain, and far more besides. Our initiatives in 2017 — and moving forward into the future — reflect this. In other words, we're looking at the whole process, and not just making sure that one or two boxes get ticked.

We've implemented a series of strategic goals, due for completion in 2020, across all of our business areas. These focus on four key pillars of sustainability — namely products, production, people and the planet. And we're already well on the way towards meeting some of them. In the last year, our collection has become cleaner and more responsibly produced than ever before.

As our sustainability work has developed over the last ten years, we've learned to treat as interlinked parts in a system — clean products, sustainable production, cared-for people and a healthy planet. Impair one, and the system won't work as it should. We work hard to make sure this doesn't happen.

Carsten Unbehaun, CEO  
Stockholm, April 2018



# Our sustainability strategy

At Haglöfs, the management team has decided that sustainability should be a part of our business strategy. Taking such a decision at the highest level of a company ensures that it makes business sense and pushes boundaries. The overall goal of our sustainability strategy is to minimize our impact on people and the planet. Sustainability has been part of our strategy since 2008 — since then, we've had a dedicated team member who is always responsible for developing sustainability in all aspects of our day-to-day work. Our sustainability strategy is based on four main "pillars" or areas of focus:

- **Products:** Sustainable materials and resilient products ensure ultimate sustainability
- **Production:** Sustainable products require fair working conditions
- **People:** Taking sustainability beyond the product
- **Planet:** Treading lightly, so as not to unnecessarily damage our natural environment

Sustainability is also embedded in the values that guide our work. Haglöfs is curious, reliable and proud. By, "reliable", we mean that we offer long-lasting, durable, environmentally sound, multi-purpose and — as a result — sustainable products.

## About the sustainability report

In this annual sustainability report, we present updated information on the work that Haglöfs constantly undertakes to strive towards a more sustainable future. Here you can read about our recent efforts to achieve responsible consumption and production, contribute to decent working conditions and take climate action, as well as the challenges we've faced. The sustainability report is part of the Haglöfs annual report and relates to the fiscal year of 2017.

All questions relating to the sustainability work carried out by Haglöfs AB can be directed to Eva Mullins, Sustainability Manager: [eva.mullins@haglofs.se](mailto:eva.mullins@haglofs.se) or Sara Skogsberg Cuadras, CSR & Corporate Communications Specialist: [sara.skogsberg-cuadras@haglofs.se](mailto:sara.skogsberg-cuadras@haglofs.se)

## About Haglöfs.

More than a century ago, Wiktor Haglöf designed a backpack for local workers in the small Swedish town of Torsång. The durable, practical backpack was the first iconic item from a company that would go on to become one of the world's largest manufacturers of outdoor clothing, footwear and hardware. The Haglöfs brand is currently marketed to the Nordic region, Europe and Asia, and has been owned by the ASICS Corporation since 2010. For more information about the business model of Haglöfs, please refer to the Haglöfs 2017 Annual Report.





# Achievements and challenges



Actions speak louder than words. Here, you'll find a list of what we consider to be our main sustainability achievements in 2017 — collaborations, strategic developments, initiatives and more. It's where we also list the biggest challenges our sustainability efforts faced in 2017.

## Our main achievements

### Responsible consumption and production — products

- Sustainability strategy goals for 2020 implemented in all business areas, based on four pillars of sustainability: products, production, resource use and people
- Clearer consumer labelling introduced, where 'Sustainable Choice' replaces our previous 'Take Care' label
- 'Sustainable Choice' products introduced in all business areas
- 71% of clothing items were labelled 'Sustainable Choice' (FW '17)
- bluesign® product rating was ranked among the industry's 'best in class'
- 67% of our clothing items were bluesign® products (FW'17)
- 6% of the footwear was labelled 'Sustainable Choice' (FW'17)
- Launch of the Junior Collection for FW'17: the whole range consists of durable, bluesign® approved products and is completely free from fluorocarbons

### Responsible consumption and production — chemicals

- All of our producers and suppliers signed and adhered to a revised and very comprehensive restricted chemicals list — excluding over 900 banned chemicals from our products (RSL ed8)
- Major steps were taken towards achieving our goal of 100% fluorocarbon-free durable water repellent (DWR) treatments in 2020, with 78.5% of the clothing collection being free from fluorocarbons
- The DWR on all packs and bags, leather footwear and all new synthetic upper footwear styles were changed over to high-performing fluorocarbon-free alternatives (in stores 2018)
- No antibacterial treatment was added to our clothes
- All cotton used was 100% organic, most of it being high-quality Turkish cotton



### Responsible consumption and production — animal welfare

- 100% Responsible Down Standard (RDS) Down used in all down products — securing the well-being of fowl from hatching to slaughter and absolutely forbidding live-plucking or force-feeding of animals
- The down in our garments can be traced using trackmydown.com, a consumer interface that allows people to track the origins of the down in their own products
- Only Leather Working Group leather (gold or silver rated) for leather details and products was sourced
- All wool used is mulesing-free

### Decent work and economic growth

- Haglöfs staff visited over 97% of our production sites
- Ranked 'Good' in Fair Wear Foundation's (FWF) Brand Performance Check, improving our previous score by 10%
- Long supplier relationships (over 5 years) amounted to over 60% of the total, resulting in high product quality, understanding of the Haglöfs business and stability in production orders — benefiting workers worldwide
- Fair Wear Foundation audits of ten major factories plus several non-FWF audits of factories were carried out
- Started a Living Wage Project at a major supplier in Vietnam together with two other FWF member brands
- Consolidation of suppliers and manufacturers was carried out, to build even closer relationships with our stakeholders
- The never-out-of-stock programme helped to give a more evenly spread production in manufactories, aiming to reduce excessive overtime
- Haglöfs Engagement survey 2017 for our internal operations shows that out of 100 companies, Haglöfs is in top 10 in the category Service Companies. Net promoter score improved by almost 30% compared to previous year, giving Haglöfs 48 points





#### Climate action:

- Repeated last year's successful "Green Friday" initiative on consumption-notorious 'Black Friday'; 100% of proceeds from all Sustainable Choice products sold in our own channels on November 24th 2017 were donated to Protect Our Winters (POW) in Sweden and Norway
- Only organic milk, fruit, coffee and tea is provided in our offices
- We climate compensated all our company air travel through the UN Gold Standard CDM project Jilin Mali Wind Farm
- We worked hard to limit the release of microplastics from our products through close cooperation with material suppliers and making the right fabric choices
- We were one of the first companies in Sweden to offer the GuppyFriend laundry bag to end consumers with the aim to prevent any release of microplastics from washing in domestic machines
- Donated to European Outdoor Conservation Association (EOCA) for the 8th consecutive year, to aid various conservation projects all over the world



#### Partnerships for the goals – collaborations

- Participated in in several multilateral sustainability projects – including, for example, BioInnovation, SUPFES, Sweden Textile Water Initiative, MinShed, and POPFREE
- Working with the Higg Index tool from the Sustainable Apparel Coalition (SAC): this helps us to make informed product design and development decisions to create ever more sustainable products
- Frequent discussions with stakeholders and peers on complex sustainability topics

#### Education/training:

- Several key people in managerial positions were educated in the Sustainability Fundamentals Course, run by the Sustainable Fashion Academy
- Supplier seminar at ISPO2017 about the urgency of phasing out PFAS; gathering legislators, brands, material suppliers and chemical manufacturers in the one room. Hosted by us
- Decided to join the 'Sustainable Retail' initiative, along with nine other Swedish outdoor brands
- Internal capacity building on Fair Wear Foundation Code of Labour Practise and Corrective Action Plan follow-up method as well as the Higg index (MSI module)

## Our biggest challenges:

- The amount of Sustainable Choice products in Footwear dropped this season after our failure to find durable enough outsoles with bio-based or recycled material. In our opinion, it is never an option to make an inferior, less durable product just so that we can label it 'Sustainable Choice'
- A footwear shipment destroyed by mould was determined unfit for human use and destroyed
- A union disagreement led to a year-long strike at the Gothenburg harbour which led to significant delays to goods transport, and a sharp increase in the need for air freight



### 100% fluorocarbon-free DWR treatments by 2020

For the past decade, we've been using consistently more and more fluorocarbon-free durable water repellent (DWR) treatments in our products. This is because the fluorocarbons typically used in older DWR treatments — known as PFAS — are persistent chemicals. They might cause damage to the environment, and bio-accumulate in human tissue. Now, the majority of our clothing collection — including all of our insulation, running wear and waterproof/windproof/breathable PROOF™ shell garments — are completely free from fluorocarbons. The same can be said for all our bags and backpacks, as well as the majority of our footwear. Our SS18 apparel collection was, in fact, 87% fluorocarbon-free — and here, we mean all fluorocarbons.

Phasing out fluorocarbons hasn't been without its challenges. Alongside our sustainability efforts, we need to put quality at the highest level of priority: we can't let fabric quality and performance suffer. Having said that, we have been able to negotiate with manufacturers to get them to change their 'business as usual' methods.

We have clarified our strict chemicals guidelines to our suppliers, accelerated our component/product testing, and we're pushing remaining fabric suppliers and manufacturers to use fluorocarbon-free DWR.

Now, we need to push ourselves and our remaining suppliers the last stretch of the journey — to reach our goal for 2020, which is that we use only 100% fluorocarbon-free DWR treatments. We are participating in the POPFREE project (run by Swerea) together with many other parties to make sure that we optimize performance and minimize environmental impact of the replacement alternatives.



### Sustainable development goals

The COP21 UN Climate Change Conference in 2015 defined our sustainable future in the Sustainable Development Goals (SDGs), which has given new worldwide energy and focus to the now quantified climate and sustainability goals.

Our way forward will be defined by the SDGs that are relevant to our operations. Changes in the sustainable supply chain are largely driven by a number of factors, such as legal demands, innovation in material or process technology, and competition — as well as media attention, all of which will drive requests from consumers and NGOs and, therefore, push boundaries. But — more than anything — the movement forward in sustainability comes from our internal drive to do things better, all the time. And by collaborating in partnerships to reach the global sustainability goals, we believe we're going about it the right way.

## THE GLOBAL GOALS

For Sustainable Development



### RENLA V interior concept and a new flagship store

Our new concept for stores: FSC branded wood in hangers, recycled material in textiles, toxin-free carpets, fast-growing wood from sustainable sources, a natural presence through bark, wood and plants — as well as a soundtrack of nature's ambience. In our stores you can get directions on how to wash and care for your garments and repair minor damage. There will also be the opportunity for you to re-waterproof products on-site. With this concept, we're aiming for the most sustainable stores — and a retail concept that's fully compatible with the 21st century.



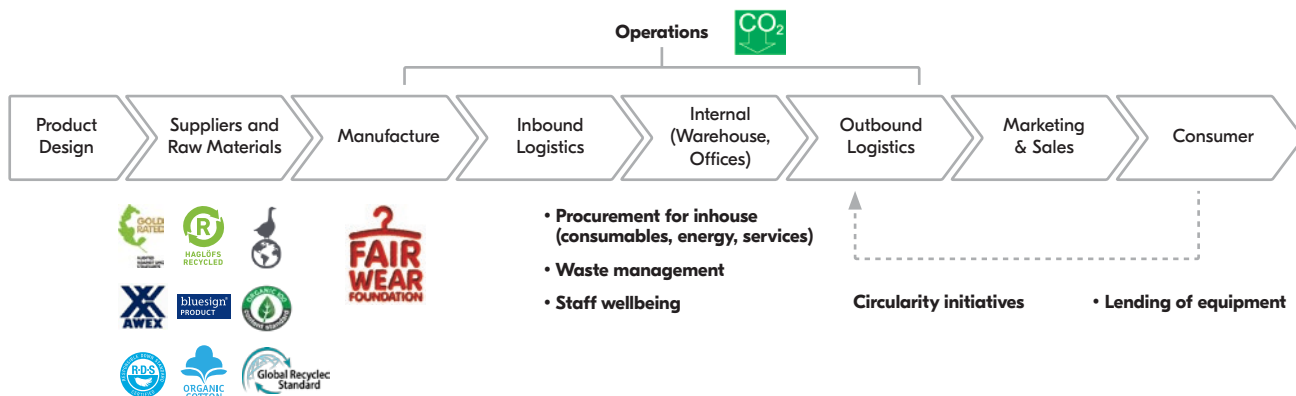




# Production



## Sustainable production: from strategy to the supply chain



Ten years ago, Haglöfs made a strategic decision to integrate sustainability into the company's development strategy. The decision was based on two objectives working in tandem – to ensure long-term profitable growth and, at the same time, to contribute to a sustainable society.

Since then, we've come a long way. We've developed a series of long-term goals with various timeframes – some of which (like our urge to eliminate PFAS from our range by 2020) are nearing completion, some of which are still some distance away. One thing is for sure, though: over the years, our sustainability work has developed into an ongoing process that's core to our daily operations and linked inextricably to all of our stakeholders.

We carry out our sustainability work for the good of the planet, of course: but we also do it to benefit everyone we work with, sharing our achievements and findings with other businesses, organisations, and involved parties to ensure that we also benefit people, processes and products at the same time. We actively involve ourselves in peer groups and research projects to ensure that we're helping wherever we can – sharing our knowledge, expertise and presence in the industry to help talented people carry out vital sustainability research, and constantly learning from them as a result.

We also need to be able to pick and use the best raw materials, the right non-hazardous chemicals, and the best producers – as well as reliable and responsible logistics partners. All of this requires constant monitoring to ensure that a high level of sustainability is kept. One of the big challenges is to keep getting better in all of these areas.

We also need to keep consumer behaviour in mind. A sustainable product that nobody is willing to pay for is – at the end of the day – not sustainable at all.

Although we have a Sustainability Manager to lead all of this work, sustainability issues are now such a natural part of the Haglöfs culture that our sustainable activities are carried out by all of us, every day. We use the skills of our workforce to develop products on paper, which are then translated into the real thing with the help of our supply chain partners (Haglöfs does not own any factories). So that we can ensure that the factories we work with achieve the best results in the most sustainable manner, we work closely with the Fair Wear Foundation.

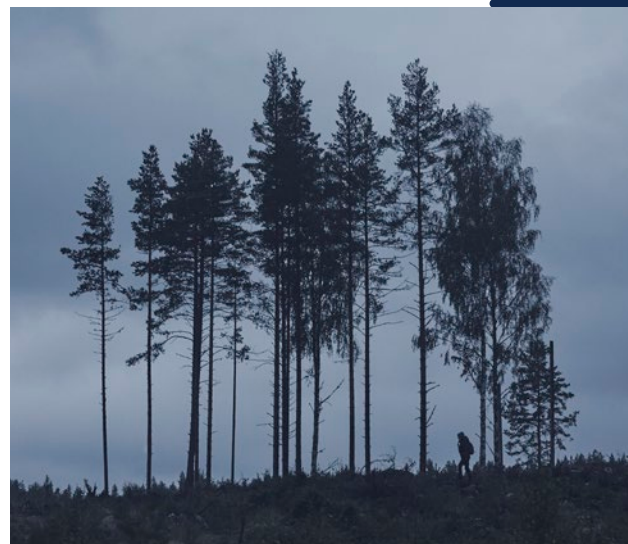
### The Fair Wear Foundation (FWF)

In 2012, we became the first Swedish outdoor brand to sign up to the Fair Wear Foundation (FWF) – an international organisation for independent control of production, working for better labour conditions around the globe with the goal to achieve more than just the required legal minimum – with the most prominent example being the pursuit of living wages for workers.

The FWF is a non-profit organization with about 80 member companies that manufacture clothing and other sewn products. It's considered to be the most stringent and demanding independent standard for third party auditing available in the marketplace.

Being a FWF member brand means that our production should be regularly audited (at least every three years, but often more frequently), and that the audits are so-called "joint audits" conducted together with other FWF members – which saves time and cost for both brand and factory.

The Fair Wear Foundation also requires unsurpassed transparency from its members.



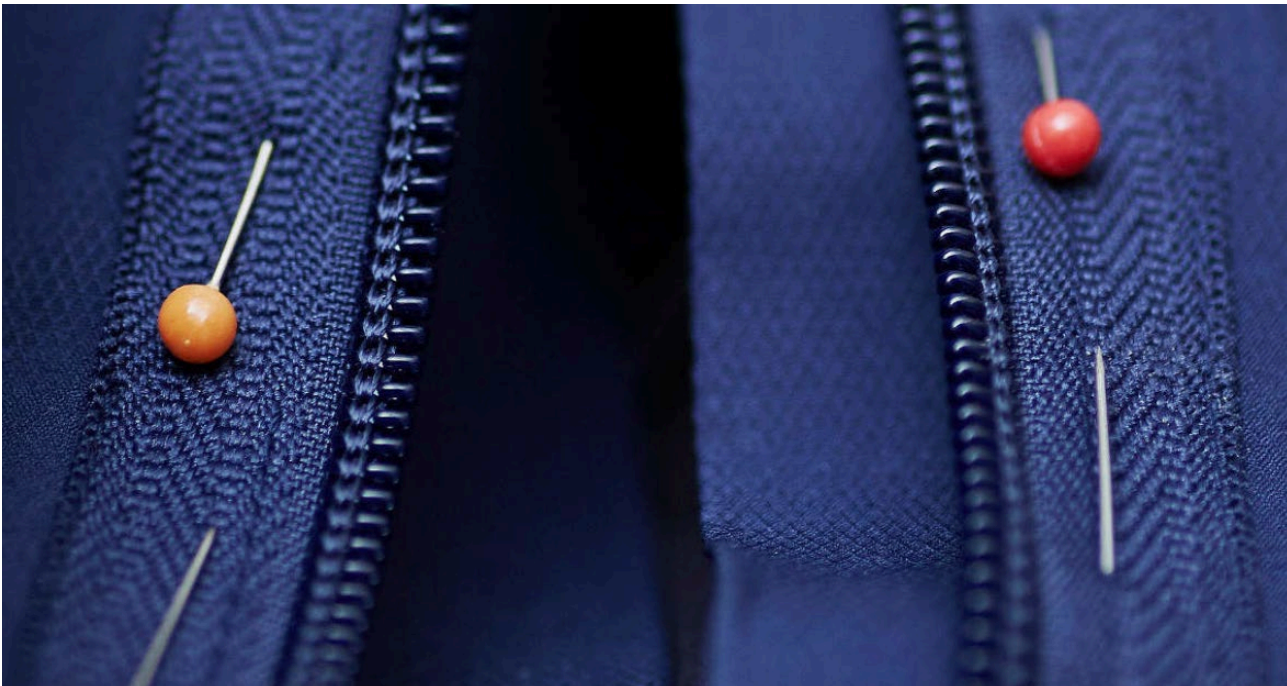
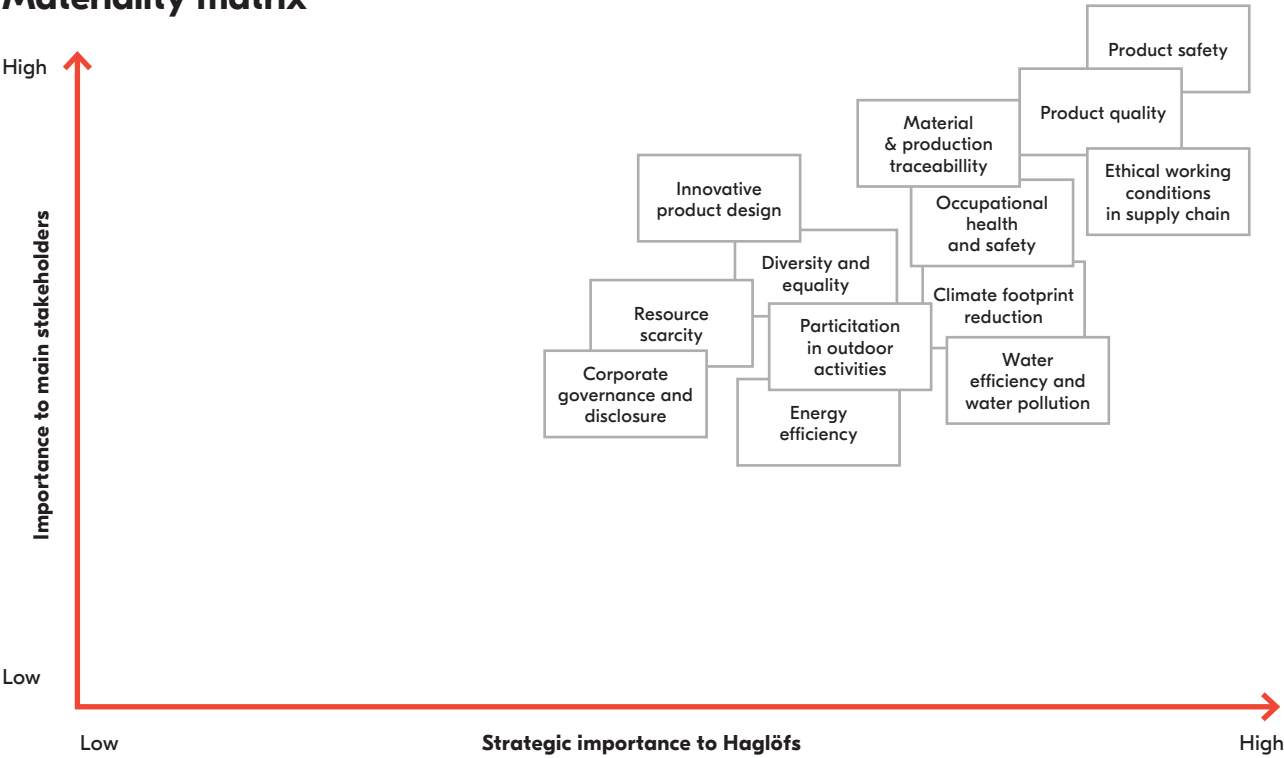


# Our stakeholders

Along with our employees and owners, our customers and consumers are our most relevant stakeholders. They influence all of our decisions — and we want our products to make an impact upon their everyday outdoor life.

The topics most associated with significant risks for our major stakeholders are displayed in what we call the materiality matrix — showing how important to us, and our stakeholders, certain individual topics are.

## Materiality matrix









Below is an evaluation of the most important topics from the materiality matrix  
– and the associated risks, should the topics not be managed properly.

Topic	Significant risks if not fulfilled	Actions taken by Haglöfs to manage risk
<b>Product Safety</b>	<ul style="list-style-type: none"> <li>- Design faults causing injury</li> <li>- Chemical content posing risk to user</li> </ul>	<ul style="list-style-type: none"> <li>- Design engineering</li> <li>- Component testing in lab &amp; field to comply with standards</li> <li>- Restricted chemicals list (Terms Of Agreement)</li> <li>- Input stream chemicals management (bluesign®approved)</li> </ul>
<b>Product Quality</b>	<ul style="list-style-type: none"> <li>- Design failing to deliver the required performance</li> </ul>	<ul style="list-style-type: none"> <li>- High quality material choices</li> <li>- Material testing</li> <li>- Design solutions testing and refining; avoiding known flaws</li> <li>- Auxillaries testing</li> <li>- Quality clauses in compulsory Terms of Agreement</li> </ul>
<b>Ethical conditions in supply chain</b>	<ul style="list-style-type: none"> <li>- Compromised human rights (incl Rights of the Child)</li> </ul>	<ul style="list-style-type: none"> <li>- Direct contact with Tier 1 – ‘visit before order’</li> <li>- Code of Conduct (Terms of Agreement)</li> <li>- Regular visits by staff to Tier 1 &amp; Tier 2 (several times per year)</li> <li>- Auditing by Fair Wear Foundation (FWF) including off-site interviews (Tier 1)</li> <li>- Anonymous Complaints mechanism</li> <li>- Other audits/certification (3rd party)</li> <li>- Long supplier relationships</li> <li>- Promoting Workers Committees, a CBA formation</li> <li>- Freedom of Association Protocol signees (Indonesia)</li> <li>- Participation Living Wage Project (via FWF, Vietnam)</li> <li>- Training in local language</li> </ul>
<b>Material and production Traceability</b>	<ul style="list-style-type: none"> <li>- Inferior and/or unstable quality</li> <li>- Lack of product quality and safety</li> <li>- Compromised ethical conditions</li> <li>- Chemical content posing risk to user</li> </ul>	<ul style="list-style-type: none"> <li>- Nominated materials and trims (over 99%)</li> <li>- Nominated and known production sites prohibiting outsourcing ((Terms Of Agreement)</li> <li>- Restricted chemicals list (Terms Of Agreement)</li> <li>- Input stream materials management (incl chemicals; bluesign®approved)</li> <li>- Materials sourcing guideline</li> </ul>
<b>Occupational health and Safety</b>	<ul style="list-style-type: none"> <li>- Injury, invalidity or lethal accident (supply chain)</li> <li>- Work-related sick leave (HQ, headquarters)</li> </ul>	<ul style="list-style-type: none"> <li>- Auditing by Fair Wear Foundation with large OH&amp;S focus (Tier 1, Tier 2)</li> <li>- Avoid severe risk countries</li> <li>- Regular visits by staff to Tier 1 (several times per year)</li> <li>- Human resources &amp; Safety officer (HQ)</li> <li>- Management training programme (HQ)</li> <li>- Health promoting activity hour (HQ)</li> <li>- Ergonomic training (HQ)</li> <li>- Handbook for the systematic improvement of working conditions (HQ)</li> </ul>
<b>Climate Footprint Reduction</b>	<ul style="list-style-type: none"> <li>- Contribution to global warming</li> <li>- Smaller scope for product</li> </ul>	<ul style="list-style-type: none"> <li>- Versatile, durable products</li> <li>- Avoid air freight (goods)</li> <li>- Plan to utilize environmentally sound logistics (goods)</li> <li>- Logistics partners with sustainability focus</li> <li>- Renewable energy (own operations)</li> <li>- Promote business travel by train</li> <li>- Business car policy with strict emission limits</li> <li>- Climate compensated travel</li> <li>- Tree re-generation project via EOCA</li> <li>- Climate change education via support to Protect our Winters</li> </ul>



Topic	Significant risks if not fulfilled	Actions taken by Haglöfs to manage risk
<b>Diversity and Equality</b>	<ul style="list-style-type: none"> <li>- Discrimination in workplace</li> </ul>	<ul style="list-style-type: none"> <li>- Code of Conduct (Terms of Agreement)</li> <li>- Equality Policy (HQ)</li> <li>- Gender Based Violence focus (via FWF; Tier I)</li> <li>- Equal opportunities workplace (HQ)</li> <li>- Anti-discrimination &amp; anti-harassment education as part of onboarding</li> <li>- All employees took the interactive course 'Global Code of Conduct' in 2017</li> </ul>
<b>Participation in Outdoor Activities</b>	<ul style="list-style-type: none"> <li>- Risk of know-how being lost</li> <li>- Risk of consumer base reduction</li> <li>- Risk of reduction in well-being</li> </ul>	<ul style="list-style-type: none"> <li>- Junior collection launch FW'17 to promote young adventurers' wellbeing</li> <li>- Weekly Activity Hour for own employees</li> <li>- 'Get out there events' to inspire people</li> <li>- Clinics in outdoor setting</li> <li>- Conservation of outdoor environments via EOCA &amp; Protect our Winters</li> </ul>
<b>Water efficiency and water pollution</b>	<ul style="list-style-type: none"> <li>- Excessive consumption of water in production</li> <li>- Chemical content posing risk to aquatic environments</li> </ul>	<ul style="list-style-type: none"> <li>- Tier 2 nominated and selected with care</li> <li>- bluesign® approved materials and accessories prevents excessive consumption of water; METPs or own ETPs in place</li> <li>- Participation in Sweden Textile Water Initiative; education and water saving measures</li> <li>- Leather from Leather Working Group audited tanneries ensuring good water economy</li> </ul>
<b>Resource scarcity</b>	<ul style="list-style-type: none"> <li>- Resource depletion</li> </ul>	<ul style="list-style-type: none"> <li>- Durable products with small total footprint</li> <li>- Good quality and high integrity for longevity</li> <li>- Use of recycled materials</li> <li>- bluesign® approved materials with good resource inflation factors and heavily restricted chemical content</li> <li>- Leftover production for SMU and/or outlets</li> <li>- bluesign® approved trims and details with good resource inflation factors and heavily restricted chemical content</li> </ul>
<b>Energy Efficiency</b>	<ul style="list-style-type: none"> <li>- Excessive release of CO<sub>2</sub> (or CO<sub>2</sub>-equivalent)</li> <li>- Economic risks</li> </ul>	<ul style="list-style-type: none"> <li>- Product design &amp; design review to minimize energy consumption</li> <li>- Production close to goods to avoid freight</li> <li>- Choice of logistics to minimize energy</li> <li>- bluesign® approved materials with good resource inflation factors and heavily restricted chemical content</li> <li>- More energy intensive freight options more expensive</li> </ul>
<b>Corporate Governance and Disclosure</b>	<ul style="list-style-type: none"> <li>- Risk of corruption</li> <li>- Risk of being perceived as 'Withholding' or having a 'Distracting Strategy'</li> <li>- Risk of being incorrectly associated</li> </ul>	<ul style="list-style-type: none"> <li>- Anti-trust, Competition, Anti-Bribery and Anti-Corruption part of Code of Conduct</li> <li>- All employees took the course 'Global Anti-Corruption Avatar' in 2017</li> <li>- All employees took the interactive course 'Global Code of Conduct' in 2017</li> <li>- Nominated materials and trims (over 99%)</li> <li>- Nominated and known production sites prohibiting outsourcing ((Terms Of Agreement)</li> <li>- Audit summaries made public in sustainability report</li> <li>- Supplier lists made public in sustainability report</li> </ul>



We also have several other stakeholders in our supply chain, such as raw material suppliers, manufacturers, quality assurance companies, country agents and logistics partners, as well as invaluable NGO partners.

As well as us being influenced by our stakeholders, the decisions that we make affect them. As a result, we need to be aware of the aspects of our business and production that can impact upon them the most. Alongside as our own strategic business objectives, we have to ensure that the issues that are most important to our stakeholders are effectively addressed.

Our own strategic requirements and the things that our customers consider to be most important are intertwined. We can't increase the sustainability credentials of a garment if it leads to a decline in the quality of the material used to make it, for example. We need to manage the input stream of materials to ensure that safety of the product, quality of material and working conditions for those who make it are never compromised. And these are just two examples of dozens: each proving that our own strategic goals must be fulfilled in a way that also gives maximum benefit to everyone else we come into contact with.

It's also worth remembering that our stakeholders aren't limited to our consumers and the supply chain. We maintain contact with entities like government agencies, local municipalities, interest groups (NGOs), trade unions, educational bodies and the media.

We also maintain frequent contact with our peers from the outdoor and fashion industries — and work with groups that have been created with the intention of changing the industries we work in for the better.

We engage with our stakeholders on a near-daily basis. Frequent contact and constant work is essential if we want to solve the complex sustainability issues that we face. In essence, we understand that a sustainable future can only come about via partnership.

#### Here are some of our supply chain stakeholders:

- bluesign®
- Fair Wear Foundation
- European Outdoor Group (EOG)
- Scandinavian outdoor Group (SOG)
- Textile Exchange (TE) and its standards and control organs
- Responsible Down Standard (RDS)
- Global Recycling Scheme (GRS)
- Global Organic Textile Standard (GOTS)
- Control Union (CU)
- Swedish Chemicals Group (and its members)
- Swedish Trade Federation (Svensk Handel)
- Sustainable Apparel Coalition (SAC)
- Swedish trade and employers' association for companies working in the textile and fashion industry (TEKO)
- International Wool Trade Organization (IWTO)



## Participation in major research projects

One of the Sustainable Development goals is related to collaboration. Because of this, Haglöfs is involved in several research and development projects that relate to sustainability.

### Biolnnovation

Sweden is covered with forest. Haglöfs was the very first apparel brand to join the Vinnova co-funded Biolnnovation project 'Establish Locally Grown Textiles in Sweden'. We contribute to two of the project's modules — 'Textile Recycling — Mechanical and Dissolving,' that focuses on recycling used textiles, and 'Sustainable Swedish Viscose' that deals with how to use Swedish forest to make more sustainable textile fibres.

Haglöfs continues to drive the project in association with — for example — the forestry industry, recycling specialists and universities as well as our peers in the industry. The aim is to help make the ultimate goal — for Sweden to transition to a truly bio-based economy by 2050 — viable for high-performance outerwear.

### Cross-industry coordination: Fight against microplastics in the water

Five European industry associations, representing a total of over 180,000 companies with more than 2.4 million employees, have committed to a cross-sector cooperation to develop solutions against the release of microplastics in the laundry of synthetic textiles. They are:

- EOG, European Outdoor Group
- FESI, Federation of the European Sporting Goods Industry
- A.I.S.E., International Association for Soaps, Detergents and Maintenance Products
- CIRFS, European Man Made Fibres Association
- EURATEX, European Textile and Apparel Confederation.

As part of this agreement, the associations commit to cross-industry coordination and stakeholder support through a set of effective and economically feasible measures to:

- Define common measurement methods
- Share knowledge
- Undertake industrial research.







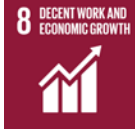
### Sweden Textile Water Initiative

Fresh water is a precious resource — and the textile industry uses large quantities of it in the manufacturing process. One of the ways in which Haglöfs is working to reduce its water footprint is via membership the Sweden Textile Water Initiative (STWI), an association where many Swedish textile companies join forces to identify possibilities for reduced water consumption in the supply chains.

As a first step, guidelines and clear instructions have been set up for the fabric suppliers on how to increase water efficiency, prevent water pollution and manage waste in their processes. In the next phase of the STWI's development, manufacturers can get on-site advice on how to implement the guidelines and also information about how they can upgrade technology to save water — as well as money.

### 2017 results from the world's most impactful sustainability program:

STWI has finalized its 2017 results — showing that it was a year of impact and learning. As STWI has decided to align its goals with the UN Sustainable Development Goals, here are some examples of the results from 2017 projects in Bangladesh, China, India and Turkey.

	4 countries covered in STWI 95 factories 13 brands with factories in the program 19 more brands in the STWI network SIDA funded, Support from Swedish Government Partnerships with local stakeholders in all four countries
	5.21 million cubic meters of intended savings annually = 1 day need of 104 million people = annual need of 285,000 people 11% reduction in total water usage in production process
	Electricity usage reduced by 39 million KWh Natural Gas usage reduced by 12 million cubic meters Fossil Fuel usage reduced by 40,400 tons Green House Gas Emissions reduced by 209,400 tons
	Chemical usage reduction by 18,700 tons 650 projects completed during the project cycle Improvement in Best Management practices related to environmental management (EMS) and water usage
	>9300 workers trained through awareness sessions in factories 530 management executives trained through 15 workshops 296 million SEK invested by factories in long term projects 297 million SEK saved by factories in operational costs Average ROI of projects within 15–18 months

### SUPFES

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

### POPFREE (Persistent Organic Pollutant Free)

The phasing-out of fluorocarbon (PFAS) in durable water repellents created a need for new, high-performing but fluorocarbon-free alternatives. The Vinnova co-financed POPFREE project aims at developing and customizing high-performing alternatives that are free from PFAS and all other persistent organic pollutants.

In this project, a truly transdisciplinary consortium with members from a variety of industries including textiles, firefighting foam, ski wax, food packaging, cosmetics, footwear and emergency services will perform functional testing of fluorine-free alternatives, gather information of their health and environmental impact and perform life cycle perspective analysis (LCA) to identify the most promising alternatives. This work will be carried out together with Swerea and a research team (Swerea, Rise, Peak Innovation, Mid University Sweden & Fidora) and educational bodies.

Many stakeholders are involved, and many more will be influenced by the outcome of the project. By furthering development of alternative solutions, this project will facilitate the implementation of new policies and regulations and, if successful, end consumers will benefit from optimum performance without persistent organic pollution.

### European Outdoor Group (EOG) Microplastics Consortium

Microplastic pollution of the marine environment is an environmental issue that is discussed extensively, on a global level. Awareness of the fact that microplastics in the ocean pose a threat to the marine environment and carry pollutants into food-chains is rising.

This research project works from two directions. Firstly, it scientifically determines which fibres have lower microplastic loss; including clarifying whether there is a difference between recycled and virgin fibres. And secondly, it places high priority on developing a validated industry test method and new types of fabrics that release fewer microplastics.

Haglöfs has been involved in this project since it was first developed. Together with several other outdoor brands, we're helping to drive research — so that we can get results, fast. The research will focus on building a comprehensive picture of why micro-fibre shedding occurs, and how production and use factors can influence it. The objective is to move the industry closer to finding ways to address the problem — through prevention, or the reengineering of fibres and fabrics with reduced shedding propensities.

### MinShed

A FORMAS-funded project initiated and led by Swerea that brings together actors from many industries. It aims to find solutions to the release of microplastics into marine environments. Besides textile companies, this project includes appliance manufacturers and a 'living lab' where the ability to study consumer behaviour adds to the project's uniqueness and potential.

The goal of this development project is to provide scientifically-based solutions for mitigation of microplastics pollutants, focused on what the textile industry and white goods industry can do by working together. The goal of zero release of microplastics pollutants will be pursued by joining together research teams with previous experience in the field from Swerea IVF, The School of Textiles, Chalmers Living Lab, and selected industry members (IKEA, Electrolux, H&M, Filippa K, Houdini, Fjällräven, Peak Performance, and more besides) with on-going activities for microplastics pollution prevention on both national and international levels. Another insight has been that the generation and release of microplastics from fabrics during washing needs to be studied separately.





# Products



# Sustainable products: making the right choice

## Haglöfs' sustainability status and future goals

	Status SS'16	Status FW'16	Goal year 2020
Sustainable Choice clothing	76 %	74 %	90 %
bluesign® products	66 %	71 %	80 %
Sustainable Choice hardware	12 %	7 %	70 %
Sustainable Choice footwear	7 %	10 %	25 %

Percentages are based on number of styles in original range

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

Sustainable Choice was, until 2017, called Take Care — by renaming it like this, we've made it easier for consumers to see that they're making a sound sustainable selection as soon as they glance at the hangtag on an item. We have defined Sustainable Choice criteria for each business area. For a product to carry the tag, it must meet at least one of the following criteria:

### Clothing:

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

### Hardware:

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

### Footwear:

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

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

**Sustainable  
CHOICE**

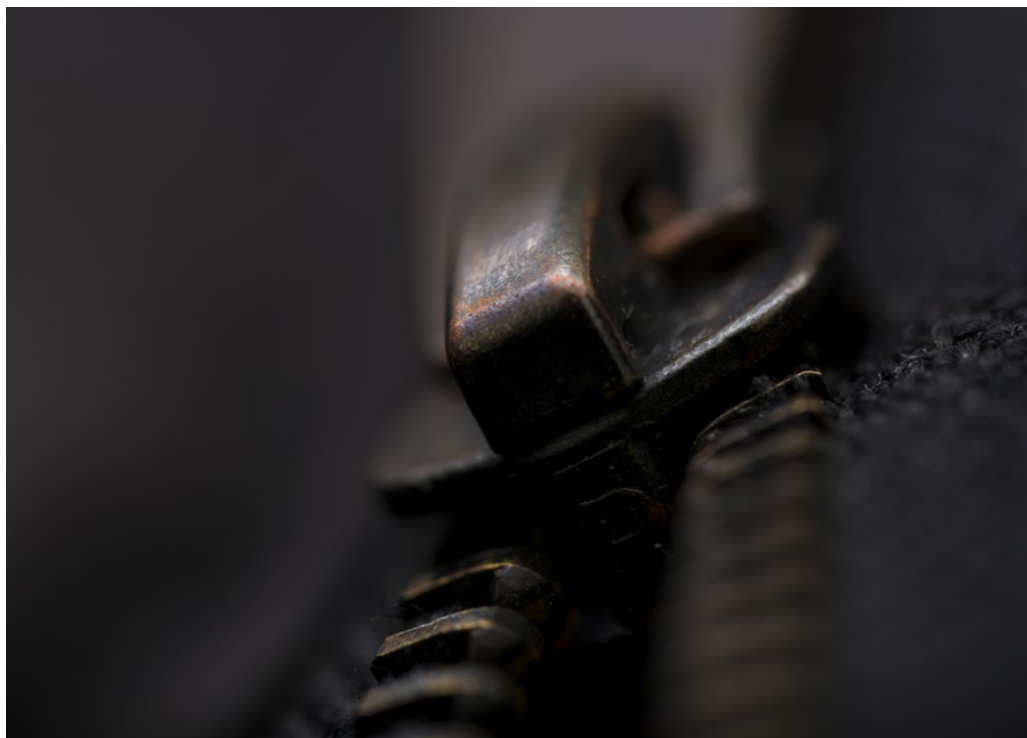
## Sustainable Fashion Academy (SFA)

To help everyone make even better sustainability decisions, Haglöfs provides internal and external training for key roles and engaged employees. One of the external training providers is the Sustainable Fashion Academy (SFA), a non-profit association consisting of fashion and design representatives, environmental organizations, universities and similar bodies. Its aim is to increase awareness for sustainability issues in our industry, as well as providing tools to help people make better decisions. Among SFA's founders and partners are textile companies from the fashion and outdoor sectors. Representatives from Haglöfs have also delivered lectures for the SFA on multiple occasions.

Our designers, product developers, buyers, materials managers, marketing team and management team members have participated in the SFA sessions: both in the Sustainability Fundamentals course as well as in more area-specific 'deep dive' courses about management and strategy, supply chain, marketing and other topics.

## Junior Collection Launch

One of 2017's main developments was the introduction of our Junior Collection for FW17; the whole range consists of bluesign®-approved products and is completely free from fluorocarbons. Fabrics are functional and durable with performance that matches the adult versions of the garments: after all, our young adventurers deserve nothing less. Hopefully, this launch will help the younger generation share our love for the great outdoors.



## Sustainable products: choosing the right materials for sustainability

Our consumers need to be able to rely on their products. Although low impact materials and function are top priorities for Haglöfs, a long lifespan has a major impact on a product's footprint. So, our goal is to search for the best, most durable materials that also minimize each product's negative environmental impact in other ways.

### Sustainable as a first choice

All materials, leather and trims (zippers, elastic bands, labels etc.) we use are selected to have the highest sustainability credentials possible.



To reduce the overall footprint of the product Haglöfs try to use **RECYCLED** material where possible. Our ambition is to increase the amount of recycled material by at least 5% per year until 2020 and beyond. Of course, the longevity or function of the material must never be sacrificed as we do this. At Haglöfs, a product which is 50% or more recycled material is referred to as recycled. 2017 saw the introduction of recycled polyamide and recycled wool into the collection, as complement to the widely used recycled polyester.



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



In our **DOWN** products we have use third-party audited Responsible Down Standard down (RDS) – guaranteeing that no live-plucking/live-harvesting or force-feeding of the fowl is done. The RDS is a voluntary initiative run by the global non-profit organization Textile Exchange and is third-party audited by Control Union (CU) in every step of the chain from farm to warehouse. The down is hypoallergenic and bluesign® approved, as well as fully traceable.



All **LEATHER** Haglöfs uses comes from Leather Working Group (LWG) tanneries, which are certified to have good process control and minimal harmful chemical use. All of the tanneries we use have a Gold/Silver rating from the Group.



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

These days, it is a natural part of the product development process to examine which sustainable materials are available that can also achieve the desired product properties. The goal is to always choose materials that let us class the item as a Sustainable Choice – most important, though, is the use of premium, long-lasting materials and trims that last.

### Product development – the challenges faced

The more complex the product, the more difficult it becomes to find and choose sustainable solutions.

The footwear industry has historically been seen as even more challenging than the textile industry, so footwear has long been a focus area for us.

Along with our transition to more sustainable leather, we now need to continue with other parts of the footwear. The BioSolyte® midsole – made from 30% bio-based renewable material from sugar cane and traceable back to the plantation – is one example. New, bio-based material is a development path that Haglöfs will continue to pursue.

Other challenges lie not only in finding the higher sustainability credentials or alternative processing techniques to lessen our footprint, but also to then apply them to our range.

Quantifying the total environmental impact of a material or product – and subsequently trying to reduce that impact – is constant challenge, and one that always needs to be balanced with the characteristics and function of the product.



## Sustainable products: more initiatives



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

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

Haglöfs became a bluesign® system partner in 2008. Since then the amount of bluesign® approved materials has increased sharply to well over 65% of the material in our collection. Any supplier who is not yet bluesign® approved still needs to fulfil the strict restricted chemicals list, as well as follow the internal policies we set up — including our 2020 fluorocarbon-free vision. Haglöfs was one of the first companies in Scandinavia to join the system.

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

### Eliminating hazardous chemicals

Creating functional materials that are water repellent, wicking or odour-free — qualities which are in demand from end consumers — sometimes requires the addition of functional chemicals. We always try to use less harmful alternatives, while retaining necessary the functions necessary to create a long-lasting product.

We intend to move to 100% fluorocarbon free (PFAS-free) durable water repellent treatments on our products by the year 2020.

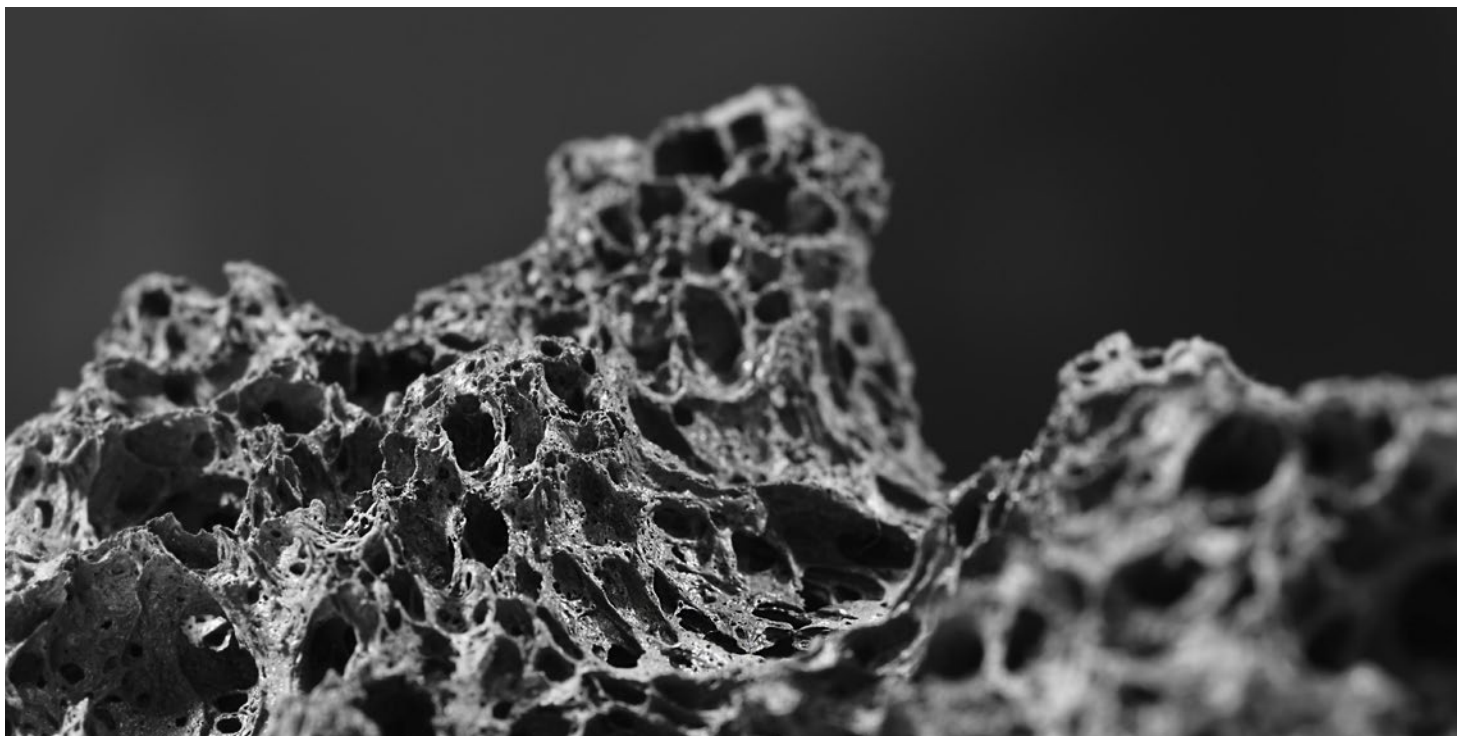
The majority of the products in our 2017 range were completely free from fluorocarbons. We have discontinued the use of 'long chain' fluorocarbons several years ago — but our goal now is to have no PFAS in the range at all at all after 2020. For products that do not need to be waterproof or water-repellent, no treatment is used at all.

Since 2013, we have chosen not to use potentially problematic anti-bacterial treatments on our items. Instead, we apply a permanent anti-odour treatment in the production process. This anti-odour treatment does not kill any bacteria, but works instead by absorbing sweat on a large fabric surface area. This way we can prevent nasty smells even after heavy use — and our consumers don't need to wash the garment as often either, increasing the garment's life-span as well as reducing water and energy use.

### HIGG INDEX

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

The Higg Index, which started with the previous ECO index and which was developed by SAC, is a tool through which we can assess the sustainability of a product throughout its entire life cycle, from raw materials and design solutions to the end of its life. The different modules of the Higg Index help us to track environmental sustainability performance in our own operations as well as at supplier level. It also lets us assess the sustainability character of each individual product and the development decisions made in its creation. Based on this tool we can make better, more sustainable material and design decisions; and, as a result, the best product with the smallest total footprint.







**People**



# Taking care of people: social sustainability

## Social compliance in our supply chain

Haglöfs does not have any factories of its own. All production takes place at the facilities of external manufacturers. So, we focus on improving the working environment, securing the prevalence of human rights and monitoring other ethical issues such as prohibition of child labour and forced labour. Of course, bribery and corruption are never acceptable.

Haglöfs has been a member of the Fair Wear Foundation (FWF) since 2012. The basis of the collaboration between FWF and Haglöfs is the Code of Labour Practices (as it is for all member brands). The core of this code is based on eight labour standards, derived from the ILO Conventions and the UN's Declaration on Human Rights. This means that the FWF Code of Labour Practices is based on internationally recognized standards, set through tripartite negotiation. Additionally, FWF requires focus on due diligence, social dialogue, counteracting gender-based violence and encouraging collaboration with the aim to continually improve the working conditions in supply chains globally.

### Fair Wear Foundation's code of labour practices

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

For more information, see [www.fairwear.org](http://www.fairwear.org)



All of our Tier 1 and Tier 2 suppliers have to sign and agree to comply with a Haglöfs-specific Terms Of Agreement (TOA), describing the terms on which business shall be conducted. Besides quality, shipping and general business terms this TOA also contains a Code of Conduct that describes how the following areas must be respected – both in the supply chain and our own operations for all Haglöfs staff.

### Human rights

Including:

- Adherence to the Universal Declaration of Human Rights,
- Adherence to The Convention on the Rights of the Child
- Adherence to The Conventions of the International Labour Organization (ILO). The ILO is addressed to legal entities in member markets
- Legal Compliance
- Refusal of any relation to anti-social forces or groups that threaten to disrupt the order and safety of civil society

### Healthy workplace

Including:

- Fair Remuneration and work conditions (based on the eight pillars in the Fair Wear Foundation's Code Of Labour Practise: see information box above)
- Equal employment opportunity & Diversity policy (in compliance with laws and regulations to all qualified persons according to the laws and regulations, regardless of their race, colour, creed, national origin, religion, age, sex, gender, sexual orientation, physical or mental health, medical condition or genetic information)

### Counteracting corruption

Including:

- Anti-Bribery and Anti-Corruption instruction (including a Global Whistle Blowing Line)
  - Antitrust, unfair competition & business ethics guidelines
- During 2017, 100% of Haglöfs employees (globally) conducted two compulsory on-line training sessions on the topic of counteracting corruption. This course was designed to inform and encourage us to go beyond what is required by law; fair values are important to us
- Global Anti-Corruption Avatar
  - Code of Conduct Avatar

Besides being part of our Terms Of Agreement, all of the above is included in the onboarding of new employees in our own operations.

The Code of Conduct that holds valid for all global employees and supply chain members has been developed in adherence with ILO conventions, Human Rights declarations and under the review and supervision of our owners.

## Social Report 2017

### Brand performance check 2017 – achievements and goals in 2016

The compulsory annual Brand Performance Check was carried out in June 2017 by the FWF, interviewing key staff in our Head Office. During this session, FWF evaluated the company's performance in moving towards better working conditions in the supply chain. This brand performance check refers to the work undertaken in 2016 and fed back into the Workplan for 2017, setting a roadmap for the work to be continued in 2017.

The brand performance check for 2017 shows that Haglöfs met the majority of FWF's requirements and was given an overall benchmarking score of 72 points, which means that Haglöfs has improved its score by 10% from the year before. This also meant that Haglöfs stayed in the "Good" category.

Major improvements: We worked more closely with our parent company to address labour standards in shared factories, as well as intensifying CAP follow-ups and putting more focus on living wage matters.

Major shortcomings: We need to ensure that audits also occur at all production locations where more than 2% of production takes place and where leverage is over 10%. We must further intensify our involvement in remediation and CAP follow-up at production locations that we share with our parent company. We also need to support our production locations in training on labour standards: by enrolling them in the FWF Workplace Education Programme, for example.

Our goal is to achieve leader status before the year 2020 – so we still have plenty of work left to do.

## Sourcing strategy and pricing

We believe that long-term supplier relationships are beneficial in the long run, even if short-term margins may be improved by changing factories very frequently. We work with highly specialized manufacturers that specialize in manufacturing certain products or product segments; e.g. taped garments, advanced backpacks or waterproofed leather footwear. We have been working with most of our suppliers (54% in total) for more than five years, and some of our supplier relationships have been going strong for more than 25 years.

Our products are complex and located in the premium market segment. This means that we need highly skilled production personnel and an advanced manufacturing process. This also includes an ethical responsibility, meaning that the manufacturers and production sites & countries we use are chosen carefully. The production sites are visited by staff from our office at least once or twice a year. There are some exceptions: for instance, during 2017, a staff visit to a mill in Turkey was cancelled due to the Ministry of Foreign Affairs advising against trips to certain regions in the country. A Fair Wear Foundation audit was performed at this mill during 2017.

All manufacturers are asked to fill out the Fair Wear Foundation questionnaire prior to any bulk order production; this includes approving of and agreeing to follow the eight pillars of the Fair Wear Foundation's Code of Labour practises (CoLP), which are the basis of the collaboration between FWF and its members.

## Supplier relations and the production cycle

Over the last couple of years we have been consolidating suppliers so that we can work even more closely with a smaller selection of producers. This gives us greater leverage to influence working conditions positively. At present, we work with 26 manufacturers (some of which run more than one production site).

### Supplier list, 2017:

Austin Marmon Group Ltd	China
BurcuTicaret AS	Turkey
Freewell	Vietnam
Gasportex	Portugal
High Rock	China
New Wave Group	Vietnam
Jenfaith	China
Kanos Panos	Portugal
Sportfield Ltd	China/Vietnam
Grande Cap	China
Nurme Production Ltd	Estonia
Pou Chen Corporation	Indonesia
Poong Shin Co Ltd	Vietnam
Playsport Srl	Romania
Pungkook Ind Co Ltd	Vietnam
SG Balticum AS	Estonia
Challenge Textiles	China
Shingtak	China
Sättila of Sweden AB	Sweden
Great Takley Co Ltd	China
Wheel	Vietnam
Tseng Ltd	China/Cambodia
Tung Sang	China
Shyang Shin	Vietnam
Wai Wah Skiwear factory Ltd	China
Viet Duc	Vietnam
Viva	Vietnam
YIC	Vietnam

Haglöfs has two main production seasons a year, but makes several purchases in each. A product is normally bought only once, in order to make efficiency at the mill as good as possible. There is also significant discussion ongoing with manufacturers so that

purchase dates and intended delivery schedules will be possible without excessive overtime required from the workforce.

We have also widened our 'never out of stock' programme with products that can be made outside of peak seasons, leading to a steadier production flow and, to a certain extent, avoidance of production peaks. Production peaks are the main cause of excessive overtime and have been seen as problematic in a number of the audits we have conducted.

### Haglöfs production countries 2017 (by production volume, %)

China	29%	
Vietnam	49%	
Indonesia	11%	
Cambodia	2%	
Romania	1%	
Turkey	1%	
Estonia	Low risk country	1%
Portugal	Low risk country	6%
Sweden	Low risk country	<1%

## Integration monitoring activities and sourcing decisions

New factories are normally visited before production to secure product quality, and also to assure that general standards are high and to confirm that the supplier code of labour practise will be upheld. We choose not to produce in countries where we find workers legislation to be highly dubious, where working conditions are very insecure, or where civil war factions roam. As mentioned previously in this report, completion of the Questionnaire affirming adherence to the FWF CoLP is compulsory before commencement of bulk production.

Some manufacturers have newly started production for Haglöfs in 2017: this is due to quality issues at one mill, and the closure of another factory making headwear. As a result of our factory consolidation efforts, we now work with fewer manufacturers than before. In 2017, though, we realised that — for some of the production sites we are working with — capacity issues have arisen with our larger orders. As a result, we have been forced to spread production over a few more factories. It goes without saying that, when working with highly technical products, the balance between consolidation and leverage gain with capacity issues needs to be considered.

Good supplier relationships are essential to improve any issues that arise in monitoring activities. They also allow us to resolve any complaints in a constructive way. The common lack of democratically elected committees in the workplaces — an unsurprising factor, given that workers' unions are unusual in several of our production countries — can be initiated and formed once the benefits of an improved worker-employer relationship are spelled out to manufacturers — provided Haglöfs is an important enough customer to them.

As a rule, Haglöfs does not use any subcontractors apart from in the production of logo embroidery and prints. However, during 2017, we see that subcontractors are still being used by our suppliers, despite this being explicitly prohibited — as a result, we need to continue to work on the issue. Any mill with subcontractors that are authorized by Haglöfs (e.g. to avoid excessive overtime or unacceptable delays) will also need to sign the FWF CoLP. We also normally visit factories ourselves, so that we can check production conditions.

## Organisation of the sourcing department

Six product developers, the business area managers and the product director from the Haglöfs Head Office in Stockholm visit our production sites frequently to monitor the quality of products and manufacturing conditions. We require the addresses of all



our manufacturing sites and visits are, as a rule, made on annual basis, with additional visits from our local affiliates in Vietnam and Indonesia made more frequently. Additionally, design and pattern team members have made on-site visits to several production sites during 2017. Following the FWF Brand Performance Check recommendations from the last two years we have also worked more closely with our owner to audit and follow-up CAPs at joint factories.

## Main activities undertaken in 2017

In 2017, all major production sites were visited by Haglöfs staff. As well as this, meetings with the management teams of factories has taken place (in production offices etc.) — often multiple times. Additional focus has been placed on some suppliers where recurring issues with overtime and capacity issues have been noted.

More third-party audits have been carried out than in previous years: mainly by the Fair Wear Foundation, as well as by other accredited auditors. In 2016, FWF monitored 85% of our production.

The internal education of the Haglöfs team that was carried out in 2016 was strengthened during 2017 — this happened through the development of an increased focus on social conditions in production sites. Follow-up sessions and remediation of issues from the Corrective Action Plans (CAPs) became more integrated into our meetings with manufactories and were intensified across all business areas in 2017. More site-specific meetings are made prior to travel, and we have set up and implemented a routine for preparing travelling staff or conducting Skype sessions prior to trips where we meet with production staff.

In Vietnam and China — where vast majority of Haglöfs production occurs — the legal wage levels keep increasing and the gap between minimum wage and living wage is slowly shrinking. This is a positive development for the workers.

### Participation in the Fair Wear Foundation Living Wage Incubator

Since January 2017, more than a dozen FWF brands — including Haglöfs — have joined the FWF Living Wage Incubator where participants have experimented with exploring various methods and cutting-edge approaches to raising wages within their supply chains.

The incubator offers support on complex living-wage related topics; like what the most appropriate living wage benchmark to use in a particular factory is, how we can integrate trade unions and workers into this process, how we can find financing for living wages, and how we ensure all of the money paid actually reaches workers. These kind of questions need to be answered together, while strictly adhering to competition law. Work in the incubator has included workshops, guidelines and webinars: all of the findings feed back into the Living Wage project currently taking place in Vietnam (see below).

### Participation in a Vietnamese Living Wage project

In early 2017 a living wage project was started at one of our largest suppliers in the Thai Binh region of Vietnam. The project is run by three FWF member brands; Kjus (LK International), Schöffel and Haglöfs. The factory consists of two locations employing just under 3000 workers in total. For Haglöfs, the factory manufactures soft-shells, taped garments and down garments. The project is a good learning process for Haglöfs due to the

challenges that arise and need to be solved as it progresses. Factors that contribute to the complexity of the project include the large size of the factory, cultural differences, and limited leverage at the mill, even when we work with other FWF member brands. Additionally, this is all extraordinary work for the mill, taking place on top of its day-to-day activities.

#### During the year the project has achieved the following:

- Studies to estimate living costs for the Thai Binh region conducted on a living wage benchmark via consultation with local staff, relevant Vietnamese contact people, and a selected number of workers
- Consultation with workers' committee in-factory onsite VN (one occasion: hosted by Kjus) regarding the project, as well as discussion with the factory at a trade show and with the management team
- A target living wage (LW) for the region was set, based on expenses from workers in the region. After the target living wage was set, the project found that 16% are below it, but well above the minimum wage for the region. 84% of the workers already receive the set target LW or above
- Meetings with the brands included in the project were carried out to discuss next steps, either monthly or every six weeks

#### Next steps and challenges remaining to overcome include:

- Re-evaluation of target wage levels, since: 1) new minimum wages for the region have been prescribed in early 2018, and: 2) the increases in social costs, once higher wages will be paid, will also need to be adjusted
- Evaluation of sourcing process to clarify how to carry out financing and payments for better wages

## Signing the Freedom Of Association Protocol, Indonesia

In December 2017 Haglöfs signed the Freedom of Association (FoA) Protocol initiative, an effort to facilitate and promote factory-level social dialogue in Indonesia. We did this after discussing the initiative with the Fair Wear Foundation — a principal stakeholder in the protocol.

As a signatory, Haglöfs affirms a joint commitment to uphold the right to freedom of association as part of the body of universal human rights; something that is associated with issues and problems in the implementation phase, specifically in Indonesia. The FoA protocol aims to give workers the freedom to form unions within the company premises, and signatories acknowledge the existence of the various unions in the company without discrimination or intimidation in any form whatsoever (including demotions, transfers, wage reductions, criminalisation etc.). In signing the FOA, Haglöfs joins local trade unions, suppliers and international labour rights organizations to review the progress of the FOA Protocol and its successful implementation; via our relationships, we will promote the application of the FOA Protocol as a model approach within the footwear and garment industry in Indonesia. Signing the FoA protocol was done via video link at a multi-stakeholder event in Jakarta on the 8th December.

### Monitoring and remediation

Several audits were carried out during 2016 and a total of 85% of the production volume (by value) was audited according to the Fair Wear Foundation framework or produced in a country that has been assigned by FWF as low-risk. Low-risk countries are places where the legal framework is strong enough to ensure and enforce basic Human Rights. FWF still requires its brands to monitor activities in these countries, through factory visits and posting of worker information sheets.

In 2017 we aimed to follow up and accelerate all points of the Brand Performance Check 2017; auditing more sites, monitoring factories shared with our owners and following up on CAPs more diligently.

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#### **FAIR WEAR FOUNDATION AUDITED FACTORY – VERIFICATION AUDIT (P9108), 22–23 June 2017**

A verification audit – in association with FWF member brands OSC and Mammüt – was carried out at this mill outside Shanghai that manufactures knitwear on behalf of Haglöfs.

Compared to the previous audit, slight improvements were noticed in paid annual leave, food quality and fire safety. The factory does not make use of subcontracting, but several points still need to be improved. For instance, the trade union which exists at the factory is not fulfilling its intended function – to promote social dialogue between workers and management – but instead is more of a ‘feel-good’ activity organizer. Additionally, the chairman of the trade union should be democratically appointed, and has a big role to fill – most workers are not aware of the FWF CoLP or the right of freedom of association. Another major issue to address is that of excessive overtime; workers are exceeding legal limits at times. The living wage is not yet met, so this needs to be discussed on an ongoing basis.

#### **FAIR WEAR FOUNDATION AUDITED FACTORY (P9041), 26–27 June 2017**

This factory, in the Guandong province in southern China, has manufactured gloves for Haglöfs for over nine years. An audit was carried out with FWF member brand OSC.

Compared to the last audit, several positive changes were noted. For example, the local minimum wage for the annual leaves and statutory holiday leaves are now paid. Furthermore, the factory no longer pays temporary workers below the legal minimum wage – because the factory no longer hires temporary workers. All workers receive social security benefits.

Issues still to resolve include the fact that there is still excessive overtime with workers working more hours, and consecutively up to seven days without a day off: both of which are not allowed by law. The factory has a trade union, but it is neither very active nor functional; for instance, most workers are not aware of the FWF Code of Labour Practices. An educational training programme was planned for October 2017, but was postponed to 2018 – by FWF – due to time constraints.

It was also suspected that the factory management had tampered with records concerning wages and working hours; as a result, the audit team was not able to draw clear conclusions on these topics and no wage ladder could be created. This needs careful monitoring – something which is, at present, ongoing.

#### **FAIR WEAR FOUNDATION AUDITED FACTORY – VERIFICATION AUDIT (P9110), 24–25 July, 2017**

This audit at a mill producing outerwear for Haglöfs was a verification audit to follow up on results from 2016, and was carried out with FWF member brand Kjus. Some issues that have been remediated since the last audit relate to the FWF CoLP, which is now posted on the workfloor, and the fact that all firefighting equipment has been made accessible again.

However, there are a lot of issues that have not yet been addressed since the last audit. These include: the awareness of the existence of the factory trade union & right of freedom of association; delays in payment; and excessive overtime. The latter, a recurring matter, will need to be addressed promptly.

There were also some new findings regarding a lack of PPE for down filling workers (this has since been fixed and verified by Haglöfs employees in September) and a lack of registration of workers complaints and factory responses. There is also still some work to do before living wage levels are reached.

#### **FAIR WEAR FOUNDATION AUDITED FACTORY – VERIFICATION AUDIT (P9053), 18–19 September, 2017**

This factory that manufactures outerwear for Haglöfs has been a long-term collaboration partner, with a relationship that stretches

back more than 12 years. The factory has had repeated issues with excessive overtime, which is one of the major reasons for this verification audit. The audit was carried out in conjunction with Mammüt.

Lead time given by the FWF members has improved, and are generally sufficient for the factory to arrange production. Some OH&S matters have been addressed.

However, the audit team discovered this time that the attendance records were not complete (and minimum wage and OT premiums cannot be verified) which indicates that the issues persist. Worker interviews will confirm this situation. This matter has been brought up with management again as a matter of urgency; remediation and discussions are ongoing between factory and FWF member brands.

Another urgent issue was that workers’ social security deductions are not used by the factory to provide workers with social security cover. To address this issue, and more, workers organized strikes in March and July. After more urgent discussions with factory management on this topic, the money is said to have been paid back and workers were enrolled into the social security system, as originally intended at the end of November 2017.

Other important issues that still need remediation are issues relating to payment; late wage payments, low piece rates, not being paid for sick leave or statutory holidays. There is also still some work to do before living wage levels are reached.

#### **FAIR WEAR FOUNDATION AUDITED FACTORY (P9064), 18–19 October, 2017**

An audit at this mill in Vietnam, manufacturing outerwear and insulation products for Haglöfs, was carried out with FWF member brands Schöffel & Kjus.

Several factors have improved since the last FWF audit which was made in 2014. For instance, there is no longer any work carried out on Sundays, excessive overtime was found, and toilet cards (limiting workers’ rights to use the bathroom) are no longer used. However, there are still things to address; the most urgent ones relating to overtime issues including forced overtime, which are currently being monitored closely. Workers interviewed in conjunction with the audit are also unaware of the FWF Code of Labour Practices, the complaints handling mechanism and the CBA. Furthermore, there is no effective grievance system in place. To help improve overall worker awareness, a FWF Workplace Education Programme has been planned for July 2018.

Median wages at this factory are above the legal minimum wage level and the trade union demand; but living wage levels have not yet been achieved.

#### **FAIR WEAR FOUNDATION AUDITED FACTORY (P9036), 1–2 November, 2017**

This Vietnamese factory, producing outerwear for Haglöfs, is affiliated with a Chinese supplier that the company has been working with for over 13 years; however 2017 was the first year of production at this location. This factory has not undergone a third-party audit previously, so factory management was not used to the level of detail of information which had to be provided and scrutinized by the audit staff. As a result, the audit team found the audit difficult to perform due to a lack of cooperation in providing the required information. Factory management also lacks the basic required knowledge of the CoLP – which needs to be posted in the factory also in the local language – as well as Vietnamese Labour laws.

The audit showed significant results that need to be remediated promptly regarding several payment issues (overtime, statutory leave etc.), number of workers, insurance payments and the workers’ contracts. Procedures by which workers to refuse overtime



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and correct annual leave allowance are also in need of improvement. Monetary deduction as a form of discipline must stop immediately.

The social dialogue system must be improved: there is no grievance system, no labour union and no official dialogue between workers and management is ongoing. The workers who were interviewed are not aware of the CoLP. Training will be offered in this factory in 2018. Several occupational health and safety matters including inadequate fire readiness have to be improved.

#### **FAIR WEAR FOUNDATION AUDITED FACTORY (P9120), 9–10 November, 2017**

This manufacturer in Turkey makes knitwear styles for Haglöfs: 2017 is the first year of production at this site. The audit was carried out by Haglöfs and another FWF member brand: follow-ups have been carried out separately. It is suspected that the factory has been carrying out unauthorized subcontracting, which has to be stopped immediately: if this is happening, it means that it is impossible to ensure that work towards the CoLP is carried out at those sites. Overall, though, the audit report and CAP show very few non-compliant issues. The main non-compliant findings are as follows: the internal dialogue mechanism has to be improved, some documents from personnel files of workers are missing, and employment contracts have non-compliant articles. There are as yet no refugees working at this site: this is to be encouraged once the proper documentation is in place. Additionally, the paid annual leave dates of some workers were recorded incorrectly. There is also still some work to do before living wage levels are reached.

#### **FAIR WEAR FOUNDATION AUDITED FACTORY – VERIFICATION AUDIT (P9094), 24–25 November, 2017**

This Vietnamese Factory manufactures footwear for Haglöfs and has done since 2014. This audit was a verification audit to follow up on a previous audit. The factory has recurring issues with excessive overtime, as well as the problem that workers do not always get their compulsory day off in every seven-day period; issues that will need to be addressed urgently. Additionally, toilet visits are restricted – this also needs to stop immediately.

The factory's internal dialogue and communication systems can be improved; the workers are not aware of the collective bargaining agreement, dialogue meetings, or the FWF complaints procedure. Additionally, labour disciplinary measures are not in compliance with local law. Training has been offered to remedy this. There is still work to do before living wage levels are reached.

#### **FAIR WEAR FOUNDATION AUDITED FACTORY (P9001), 1–2 December, 2017**

This audit was made at a production site affiliated to the supplier with the longest-running relationship to Haglöfs; a producer of backpacks in Vietnam.

This site had no major overtime issues and no other wage issues: this may be to do with the fact that the mill is currently shifting its capacity to another location. The major issue concerned the union – most workers were not aware that there is a Collective Bargaining agreement (CBA) in place and that the union fee is deducted automatically without employees' consent. This has been acted on by the factory with CAP-monitoring, and money shall no longer be automatically deducted from monthly salaries. Additional safety training work needs to be accelerated and safety warnings and/or instructions need to be made in the local language. There is also still some work to do before living wage levels are reached.

#### **FAIR WEAR FOUNDATION AUDITED FACTORY (P9083), 5–7 December, 2017**

This factory is a very large production site in Indonesia that manufactures footwear for major global sporting goods brands. The part of the site that was monitored in this three-day audit manufactures footwear for Haglöfs as well as for our mother company. As a result, any improvements in working conditions achieved as a result of this audit and monitoring will go beyond Haglöfs' own production.

In all, many things are in good order when it comes to documentation. However, there is a lack of an internal grievance mechanism (one that was in place earlier, and actioned via SMS, is no longer active) and a log. This should be improved promptly. Some wage issues, relating specially to terminated workers, were found. OH&S matters to address are numerous; including several relating to fire safety (multiple and urgent), chemical storage and safe work. These all need addressing urgently. The factory needs to accelerate training in areas such as first aid, fire, hazardous waste handling, workplace physical conditions, sanitation and Personal Protective Equipment.

Additionally, the Fair Wear Foundation code of labour practice (COLP) needs to be made more visible in this large site, both in English and Bahasa Indonesia. Living wages are also an area of improvement.

#### **NON-FAIR WEAR FOUNDATION AUDITED FACTORY (P9115), 22–23 March, 2017**

Third party verifier Sumations made a full audit at this Vietnamese manufacturer, that makes backpacks for Haglöfs. This was originally an audit for two other FWF member brands Fond Of and Jack Wolfskin, but Haglöfs was kindly allowed to partake in the audit report and carry out follow-up on CAP. The factory's management has years of audit experience – through Fair Wear Foundation and many others. The site is visited frequently, and – as a result – monitored very closely by Sumations. The latest report from a FWF audit was shown and the corresponding CAP follow-up has been diligent, so by now there are very few things left to look into.

The only major comment to follow up is that a new union president needs to be elected, as the old one was transferred – of her own accord – to another factory in the concern. Also, although the company pays well – much more than legally required – the wage level is not yet on par with the Asia Floor Living Wage; so, work is set to continue on this factor.

#### **FACTORIES AUDITED UNDER THE SA8000 PROGRAMME**

SA8000 is a social certification standard based on the UN ILO conventions as well as national laws. It is run by Social Accountability International, an organisation that measures social performance in eight areas important to social sustainability in workplaces, anchored by a management system element that drives continuous improvement in all areas.

**AUDITED FACTORY P9102** – Consists of two locations: both have been audited under SA8000 during 2017 and CAP is under monitoring.

**AUDITED FACTORY P9095** – Third party audited by 'Elevate' Limited on September 2016. CAP is under monitoring.

**AUDITED FACTORY P9113** – Mill is SA8000 certified and was audited during 2016. CAP is under monitoring.

## Complaints handling

All factories that Haglöfs produces at should have the Fair Wear Workers Information Sheets posted visibly at the production site. These sheets describe the process for lodging a complaint. Production workers based in locations where member brands of FWF are sourcing should have several routes to lodge a complaint, if they believe any of the eight labour standards are being violated. The primary route is to report the problem via the local trade union/workers committee or factory grievance mechanism to factory management to solve the issue. These routes are supported by FWF, and this is often highlighted in corrective action plans after an audit has been performed.

If this primary solution route is not viable, the workers have a secondary option: they can make an anonymous complaint to FWF, in their local language, using the contact details on the workers information sheets. Once a complaint has been investigated by FWF, and is grounded, all FWF member brands producing at the factory must investigate what has occurred what needs to be remedied.

A scheme for complaints remediation routes, produced by the Fair Wear Foundation and used with permission, can be seen here. Progress on any complaints – including a final report once resolved – is continuously published on the FWF website.

## Primary and secondary systems

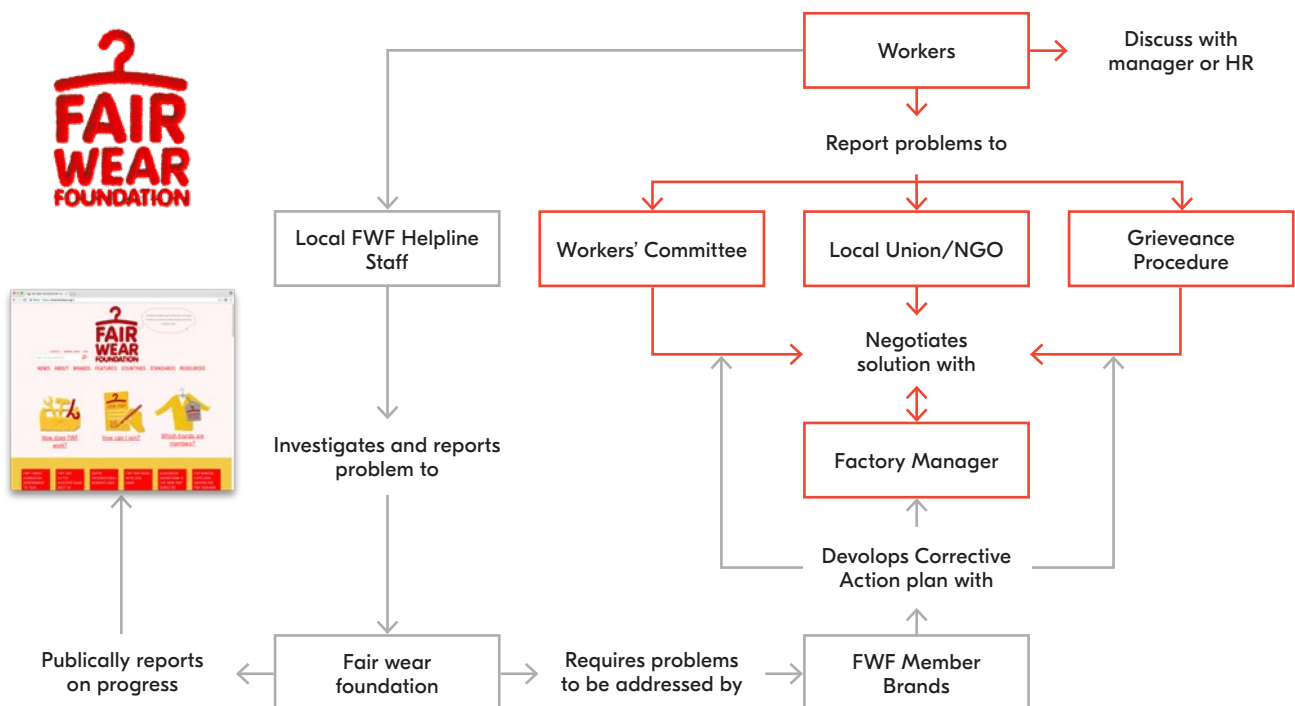


Figure: Scheme for complaints remediation routes produced by Fair Wear Foundation and used with permission  
**Red** = primary complaints route **Grey** = secondary complaints route

## Complaints lodged via the FWF Anonymous Complaints Mechanism during 2017

### Complaint at factory P9036

An anonymous complaint was lodged just weeks before the Spring Festival – equivalent to the Chinese New Year celebration – at a mill where Haglöfs has been producing for over 13 years; stating that the factory management was deliberately withholding wages. After this was reported to the factory management, the wages were paid in full within days. The complaint was closed in August 2017.

### Complaint at factory P9083

An anonymous complaint was lodged via the FWF mechanism in December 2017, regarding an incident allegedly occurring in March 2017 where a Line Supervisor was physically assaulted by

a section supervisor. This complaint indicates that there has been a violation of the Code of Labour Practise Standard relating to 'Safe and Healthy Work conditions'. A routine needs to be in place where the management addresses any allegations about workers feeling unsafe at work in a thorough manner and that any issues are remedied accordingly. The complaint is still open and under investigation.

### Complaint at factory P9083

An anonymous complaint was lodged via the FWF mechanism in December 2017 regarding an incident allegedly occurring in December 2017, where a worker was physically assaulted by another worker in the factory toilet. The incident also led to a police report. This complaint indicates that there has been a violation of the Code of Labour Practise Standard relating to 'Safe and Healthy Work conditions'. A routine needs to be in place, where the management addresses any physical assaults in the correct way and where any perpetrator will be held responsible for his/her actions.



## Training and capacity building – Workers Educational Programmes (WEP)

### **Workers Educational Programme Factory P9108, 27th Oct 2017**

A workers' educational programme (Level I) was performed with FWF member brands OSC and Mammut. Management were interested in the training as it was the first time that they had been trained on social compliance and communications. Management thought that an effective in-house complaint mechanism was very helpful in solving labour disputes. Workers expressed the hope that the factory management would listen to their opinions and try to solve any problems that arose; perhaps with the help of workers representatives, who could help them with disputes and labour benefits. When arranging the WEP, the size of the factory was overlooked: as a result, the number of workers trained was not sufficient to meet FWF requirements. Another day of worker training will be carried out during 2018.

### **Workers Educational Programme Factory P9036, 3rd Jan 2017**

A workers' educational programme (Level I) was performed. It was the first time that management employees had been trained like this; they expected to learn more about FWF and its Code of Labour Practices and hope to set up a formal and effective internal grievances mechanism to solve workers' problems in a timely manner. Workers hope to have regular meetings with management to discuss labour related issues and to be able to raise their complaints. Unfortunately, too few workers participated in the training for it to count; a new training session may be required.

### **Workers Educational Programme Factory P9076 Oct 28th 2017 & P9076 Oct 22nd 2017**

These two WEPs were planned together with FWF member brand OSC, but the planning schedule was too tight and – as a result – both training sessions were shifted to the year 2018 on FWF's initiative.

### **Workers Educational Programme Factory P9041, Jun/Oct 2017**

This WEP was planned together with FWF member brand OSC, but the planning schedule was too tight and – as a result – training was shifted to the year 2018 on FWF's initiative.

## Training and capacity building – Other

**Fair Wear Foundation Supplier Seminar – How to build an effective grievance system – Vietnam, 8th and 9th December 2017** – Suppliers were encouraged to attend the seminar focussed on Wage levels, Social dialogue & complaints handling. The seminar took place within the framework of the Strategic Partnership for Garment Supply Chain Transformation, funded by the Ministry of Foreign Affairs of the Netherlands.

**Fair Wear Foundation training opportunity for local staff in Vietnam – Ho Chi Minh City, 24th February 2017.** This training gave Vietnamese staff, and agents of FWF member brands more familiar with the monitoring and remediation requirements of Fair Wear Foundation, the opportunity to improve working conditions in the textile industry jointly.

**Fair Wear Foundation Supplier Seminar – Controlling risks of working with hazardous substances – Ho Chi Minh City, 22nd March 2017** – Representatives from four suppliers and one agent from Vietnam attended the training session, which was arranged by the Vietnam Chamber of Commerce and Industry (VCCI) together with two representatives of the Dutch Occupational Hygiene Association.

**Fair Wear Foundation Supplier Seminar – Jakarta, 14th December 2017** – Suppliers were encouraged to attend this seminar, with topics covered including Wage levels, Social dialogue & Prevention of gender-based violence.

**Dialogues on Root Causes of Overtime Fair Wear Foundation – 5th September 2017** – Dialogues between FWF team members and the Haglöfs Sustainability team on how to address the root causes of overtime in factories.

**Internal training on Root Causes of Overtime, Haglöfs – 13th September 2017** – internal training for the Haglöfs Sourcing and Development team and Logistics team, held with the goal of implementing suggestions for finding the root causes of overtime.

**Internal training on Fair Wear Foundation Code of Labour Practise** – internal training for new Haglöfs employees on FWF CoLP. This training is given every two months.

**Internal training on Corrective Action Plans (CAPs)** – Training for the Haglöfs development team

## Social responsibility in our own operations

The amount of female workers in our own organisation is currently at 65%, and the amount of women in the management team is 40%. Around 8% of the fulltime employees worldwide are on maternity leave: they are able to take out over 400 paid days per child, as well as having the opportunity to share the leave evenly between both parents.

Several unions are represented in the company: these include Unionen, IF Metall and Handelsanställningens förbund (Retail and Trades Union). There are multiple CBAs in place for these different unions. All union members are allowed to use company localities to carry out union work; they can attend meetings during work hours and are able to freely distribute union material in the company. The union representatives are democratically elected by the members of each union. The safety ombudsman in the company is, by law, allowed to have some reduction of their normal working hours and tasks to enable them to carry out safety inspections and other related work during work hours. Safety checks and inspections by the local fire brigade are carried out regularly.

The Haglöfs Engagement survey for 2017 shows that the company is in the top 10 (out of 110 companies) in the service companies category. The net promoter score has improved by almost 30% from the previous year, giving Haglöfs a total of 48 points – where the benchmark score for all companies participating is at 9. This has meant that Haglöfs has placed as finalist (top three) in the category relating to biggest improvement out of the 65 companies in the survey system.

## Transparency and communication

This report will be published, and available to all stakeholders, on the Haglöfs website and the Fair Wear Foundation website. It will also be distributed to our supply chain partners. Haglöfs' work with corporate social responsibility, and details of the collaboration with the Fair Wear Foundation, are also described on the company's webpage under the Sustainability section, where you can find an open supplier list.





Planet



# Working for the good of our planet

One of the most important questions around sustainability is how people and companies contribute to climate change, and then – subsequently – how climate change affects nature. We care deeply for the welfare of our planet in every respect – and, of course, climate change that has a radical effect on the climate will limit the scope for pursuing an active outdoor life.

Our aim is to always make high quality, versatile products with a long lifespan. Long lifespan is the key to a low carbon footprint per product.

## Recycling

During 2017, 450kg of office paper was consumed. Our office also recycled material via collection. The total amount of recycled material from our head office was reduced in all areas apart from cardboard (compared with the previous year). Full stats can be found below (divided by type of material):

Recycling type	2017 (kg)	2016 (kg)
Hard plastic	785	885
Soft plastic	430	505
Cardboard	820	730
Paper	40	50



## Closing the loop – working towards a circular economy

Making high-quality products with long lifespan is a good start: but additionally, we are working with initiatives for a more circular economy.

One example is the products that are specifically designed for reparability – for instance the recycled, recyclable and two-fold award-winning ECO Proof Jacket with a waterproof shell jacket featuring a zipper that anyone can replace on a domestic sewing machine. Another example is that large parts of our collection is developed in monomaterial, allowing them to be recycled, or made in in all-natural materials that are biodegradable. We also make sure that any unused materials at our suppliers do not go to waste by producing new products made from these leftover materials, which are then sold in our brand stores and in our outlets. And clothing with small functional or aesthetic defects is sent to our Haglöfs repair center in Avesta, Dalarna, Sweden for repair or refurbishment – after which the products are retailed in our brand stores under the name 'Second Chance' for around half of the original price. Our claims handling team in Avesta also facilitates product repairs. Should a product become worn beyond repair we material-recycle details and materials from it and provide this to repair centers throughout our markets. Furthermore, we provide education about how to prolong the lifespans of our products via workshops about Care and Repair – to our own staff, and to our customers.

## Green Friday

Haglöfs refused to take part in the consumption-driven sales and the "Black Friday" initiatives that took place worldwide on November 24th 2017. Instead, we repeated our own initiative from 2016 – only this time, we made it even better. We celebrated "Green Friday" in collaboration with Protect Our Winters (POW) Sweden – a non-profit organization that educates the public about climate change, and how to counteract it. Through this initiative we donated 100% of the retail value of all Sustainable Choice-labelled products sold in our brandstores and e-com that day, and donated it to the enthusiasts at POW – who, in turn, used it for information and education initiatives.

## Limiting the release of microplastics

Microplastics is a global problem that has been shown to be a major cause of pollution in lakes and seas. Reports have also indicated that microplastics have started entering the food chain through plankton and other aquatic animals. Even if it isn't the largest source, the global textile industry is a major contributor and it is our responsibility as an industry to be part of the solution.

At Haglöfs we are taking a number of steps to minimize the amount of microplastics that can be released from our products. For instance, we only use high quality, bluesign® certified textiles with high environmental standards and excellent process control. This ensures that we are using the most stringent guidelines available when it comes to our use of chemicals, water purification and water reclamation. We have studied our apparel products garment after washes and, based on the results, we aim to make guidelines for our fabrics even stricter and replace materials that have unacceptably high levels of fiber loss. A close dialogue with our material suppliers about this matter is also essential to see how we can together help stem any release. Additionally we are engaging actively in multiple research projects entailing testing, evaluation and guideline setting for reducing the global problem (read more on page 11 of this report).

A significant portion of microplastics emissions occurs when the garment is washed. We're proud to say that we might be the first company in Sweden to offer the 'Guppy Friend' laundry bag – an item that helps collect microplastics from all your synthetic garments. The bag has been available for purchase via our e-com and brand stores since July 2017. Even if this is not the ultimate solution, it reduces the release of microplastics immediately while we continue to look for more sustainable and long-term solutions.

## Helping conserve the great outdoors

For all of us that enjoy the great outdoors, and the vast range of activities on offer in it, it is vital to safeguard the outdoor environment we want to enjoy.

The European Outdoor Conservation Association (EOCA) is a group of businesses in the European outdoor industry who have come together to raise funds to put directly into conservation projects worldwide. Over the last 11 years, the EOCA has funded 94 projects in 44 different countries to the tune of €2.3 million. As a not-for-profit organisation, 100% of the EOCA membership fees go directly into the conservation projects that are nominated by and voted for by its members.

Haglöfs is one of 130 members of EOCA. As a charitable organization directly funding specific projects, the association wants to show that the European outdoor industry is committed to giving back to the environment, and that if we work together, a real difference can be made in conserving nature.

## Reducing our own carbon footprint

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

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



Unfortunately, for the year 2017, Haglöfs' overall climate impact increased. The main reason for the increase is that transport by air has been continuously high. Logistics is the largest cause of emissions in this process – one thing that needs to be stated is that, historically, this has been an area at high risk of fluctuation. The goal is to continuously lower the total CO<sub>2</sub> emissions on a year by year basis with an aim to reduce the global consumption of the group by 5% until 2020.

### Energy consumption

Haglöfs collaborates with Gävle Energi, meaning that we can use Källmärkt® (source-labelled) fossil-free electricity for all of our own operations (apart from the Barkarby Outlet store, which has small fraction of non-renewables in the energy mix). The Barkarby locality, where we are leasing the locale and, as a result, have accepted a generic choice of electricity supplier, has some non-renewable energy mixed in the energy delivery. Here, even a very small electrical contribution from fossil-based energy, in one retail area, has a significant impact on an otherwise completely renewable consumption.

However, this all means that the total electricity consumption in our offices, warehouses and stores in Sweden comes almost exclusively from renewable energy sources such as wind, water and biomass. The energy consumption at the Barkarby locality, which is the only unit that has a non-renewable component in the energy mix, was reduced by 10% during 2017. Our goal is to switch to 100% renewable energy at this outlet – as soon as the current electricity fixed plan is due for renewal.

Energy consumption for heating increased sharply in our Avesta office/warehouse during the first months of 2017, meaning that we needed to take action. The energy specialists from our collaboration partner Gävle Energi went through the premises and conducted an energy inventory in May 2017: as part of this, they fine-tuned the system so that in the second half of the year, the values for heat consumption was actually lower on a monthly basis when compared to previous years.

In all, the energy for the heating of our own premises increased slightly (2.2%). At the same time, the energy consumption in the Avesta premises was reduced by 7.9%; this was a result of the fine-tuning of systems in the month of May, as well as a shift to the more energy-efficient district heating. The recalibration of the system shows a downward trend in energy consumption for 2018 – hopefully, as a result, our CO<sub>2</sub> footprint in the coming year will reduce. Electricity consumed in the Stockholm Brandstore increased by around 10%, when it was relocated to a site almost twice as large as the previous one in November 2017. This increase included all work conducted on the building site. Added together, the total energy consumption for all retail spaces in Sweden was reduced by 2.5%.

### Business travel

Our travel policy prescribes that the least carbon-intensive mode of transport shall be used unless this extends the travel time excessively. Travel within Sweden, of distances under 500 kilometres, should normally be done by train. If car rental is necessary, an environmentally friendly option should be chosen when possible: carpooling is preferred.

All air travel that we undertake with our travel agency partner is automatically climate compensated via Tricorona (see box below). We also constantly strive to reduce air travel in our company. In 2017, we climate compensated 279 tons CO<sub>2</sub> for our company air travel.

### Carbon compensation of all business air travel

Haglöfs conducts carbon offsetting of its business travel through a partnership between our travel agency and Tricorona Climate Partner. The carbon offsetting helps to fund the Jilin Zhenlai Mali Wind Power Project in the Jilin Province in Northeast China. China has the highest energy consumption in the world, and its electricity production is mainly coal-based. Jilin Mali consists of 33 wind turbines located in an area dominated by power plants that generate coal-based electricity. The project provides not only a cleaner source of electricity with fewer CO<sub>2</sub> emissions and less local air pollution, but also a more stable electricity supply. The wind farm is expected to deliver 101,696 MWh to the electricity grid in the area on an annual basis. Jilin Mali is approved and certified under the Kyoto Protocol's CDM and Gold Standard.

During 2017, we introduced several advanced videoconferencing systems for our Stockholm offices that allow us to work globally without having to travel to see counterparts and stakeholders in person. By replacing physical meetings with digital ones we can further decrease the carbon footprint from our business travel.

### Company cars

Our internal car policy states that cars shall only be made available to employees who travel as significant part of their work: e.g. sales staff. When choosing cars, consideration must be given to the negative environmental impact, with the overall aim being reduction of the use of fossil fuel. By 2020, our goal is to achieve an average CO<sub>2</sub> emission of below 115 g/km for our company cars, which must be achieved through annual reduction. Bio-gas cars or electric cars are, as a result of this, preferred options.

Additionally, employees of Haglöfs should drive cars that have been awarded the highest safety rating (five stars in Euro NCAP). If exceptional reasons apply for having a car with extra loading capacity, a deviation from this policy may be approved, and a larger vehicle or a car of a different make can be chosen. In such instances, the car must still have a high safety rating and low levels of CO<sub>2</sub> emissions.

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

Company car travel in 2017 has been reduced: altogether, the carbon footprint has been reduced by 12.1% from the previous year.

The number of nights our employees spent in hotels (for work) during 2017 was reduced by over 20%, reducing our CO<sub>2</sub> impact by roughly 10.4 tonnes.





## Transport and logistics

In 2017, as in all previous years, Haglöfs' import logistics accounted for a vast majority of total emissions from operations — by far, our greatest source of CO<sub>2</sub> emissions.

Most of the shipments from Asia to Haglöfs' main warehouse in Avesta come in containers, which are transported to Gävle by sea. From Gävle they then travel by rail or truck for the final delivery to Avesta. Although this is not the fastest way to move shipments, it is the most effective way of minimizing greenhouse gas emissions from logistics.

Our usual harbour in Sweden was changed in 2017, from Gothenburg to Gävle: this was to avoid serious delays due to an extended harbour employee-employer conflict. From EU-based producers the goods are usually freighted on trucks, although we are now keeping an eye on the development of rail logistics in the EU — something which has already been made possible for passenger traffic.

In 2017, our total tonne kilometres (1 tonne transported 1 km = 1 tonne kilometre) decreased slightly by 1.4% — from 14,837,499 tonne km to 14,631,808 tonne km.

However, due to setbacks caused by fabric delays and planning issues that led to a sharp increase in the need for air freight, the transport by air increased by 28% — resulting in an overall higher climate impact, as air is the mode of transport with by far the largest impact on the climate.

	Change in 2017 from 2016 (%)	2017	2016	2015	2014
Sea	3.6	12,538,501	12,106,509	14,286,981	16,833,940
Air	28.6	1,785,142	1,387,379	576,763	1,076,911
Road	-65.7	231,676	675,513	665,006	827,951
Rail	-88.6	76,489	668,098	218,680	248,860
<b>Total</b>	<b>-1.4</b>	<b>14,631,808</b>	<b>14,837,499</b>	<b>15,747,429</b>	<b>18,987,662</b>

Journey, tonne km

### Analysis of increased emissions and actions for improvement

Even though the total transport in tonne-km for 2017 was reduced, airfreight was an even larger contributor to CO<sub>2</sub> emissions this year, due to a number of reasons. The most significant were as follows:

- Significant delays in production due to over-forecasting, and extreme weather with soaring extreme temperatures in some production sites, causing necessary but unexpected leave for

- workers. These factors added up to longer production times
- Risk of excessive overtime at large suppliers resulting in longer lead-times: to avoid delays, a significant amount of goods was needed to be shipped by sea/air freight or air freight.
- Defective footwear that needed to be replaced and re-shipped
- A harbour strike in Gothenburg that dragged on for months: this meant that we needed to find a new shipping harbour, and caused significant general delays and back-ups in the harbour
- New environmental laws in the European Union forcing the majority of container ships to lower their speed in EU/international waters

Altogether, this meant that Haglöfs' logistics in 2017 had a larger CO<sub>2</sub> footprint than in 2016 — this is, of course, something that we are not proud of and that we need to work to rectify going forwards.

### The total footprint from logistics was as follows:

	2017	2016	2015	2014
Sea	184	178	210	248
Air	2205	1714	713	1331
Road	41	120	118	147
Rail	0.0067	0.0059	0.019	0.022
<b>Total</b>	<b>2430</b>	<b>2012</b>	<b>1041</b>	<b>1725</b>

Tonne CO<sub>2</sub> produced by total logistics (conversion factors from 2016 has been used)

We have now hopefully worked through the most significant challenges, and taken the following actions to do improve our results for 2018:

- adjusted the production planning with new input
- complied with new EU regulations for emissions from sea freight: this leads to longer lead times but saves on CO<sub>2</sub> emissions
- arranged new logistics solutions in Sweden to avoid queues on inbound deliveries
- improved communication with logistics partners and factories
- introduced staged buying for an improved production flow

Our goal is to reach the same carbon footprint levels we had in 2015 within the coming year, by minimizing high-impact air freight.

### How much CO<sub>2</sub> is generated during transportation of one tonne of freight?

It is a common misconception that production in Asia has a more adverse effect on the environment than production in Europe. In many cases, trucks are the only practical mode of transport available for deliveries in Europe. The example below compares Haglöfs' production in Portugal with production in China.

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

\*Carbon-neutral transport by rail in Sweden.

