

SUSTAINABILITY

2014



HAGLÖFS

HAGLÖFS' 2014 SUSTAINABILITY REPORT

Sustainability is about taking responsibility – responsibility for ensuring that what we do today will also be possible tomorrow. It also includes ensuring that our actions do not have an adverse impact on the opportunities of others – purely and simply, being a fair company. Sustainable behavior is often based on reducing environmental impacts, and this is also the case for us at Haglöfs. However, the issue is much larger than that and dimensions such as how we relate to those who work at our company and for our partners are at least equally important.

Haglöfs made an early decision to integrate sustainability into business development, and back in 2008 we wrote about both our business concept and our vision in order to clarify this. The goal was clear – we would also be a leader in sustainability.

As we close the books for the 2014 sustainability year, we can affirm that Haglöfs is one of the world's leading companies in the area of sustainability, both in terms of the outdoor industry and the garment industry as a whole. Haglöfs is now often an advisory party to others with whom we initially sought contact in order to learn more – from authorities to standard-setting organizations.

We have worked consistently – and with a somewhat low profile – to ensure our performance. Now we are taking steps to add visibility to our work. In fall 2014, we labeled products where we have come furthest in terms of sustainability with Take Care as a guide for our customers and consumers. More than 60 percent of our products were given the label. This was implemented in all our markets. We have also started the process of finding global initiatives that are close to our heart as a complement to the local projects we support in one way or another.

Our sustainability work also includes an economic dimension, and we must be clear about the fact that we are now a large company. We are also a company that is growing in a tough and competitive industry – and we are

doing this with an increasing proportion of sustainable products. We all have every reason to be proud of this.

Haglöfs' sustainability work is currently fully decentralized. Our designers and product developers work on the basis that all products must be able to carry the Take Care label. Our sourcing and procurement organization has non-negotiable requirements in place for materials suppliers and manufacturers – and our sales team educates retailers' store staff in our approach and functioning.

Today, we are seeing not only growing interest from the retail side, but also increased requirements. In future, sustainability will be a prerequisite for doing business. Haglöfs is well positioned, and we still have more we want to achieve. You can learn more about this, and much more, in this year's sustainability report.

Lennart Ekberg, Director of Sustainability.



ABOUT HAGLÖFS

Haglöfs develops clothing, footwear and equipment for people who invest in an active outdoor lifestyle. From small-scale backpack manufacturing in 1914, Haglöfs has developed into one of the world's leading suppliers of technical and sustainable outdoor products by means of modern product development and strategic distribution.

The entire range is characterized by functional design, highly technical materials, advanced construction, high usability, good fit, light weight, durability and long life. The Haglöfs brand is primarily marketed to about 25 European and Asian markets. Products are distributed through carefully selected sales channels comprising outdoor specialists and sports retailers. Haglöfs has been owned by ASICS Corporation since 2010.



HAGLÖFS AND SUSTAINABILITY

SIGNIFICANT EVENTS IN 2014

- Haglöfs delivers the first Take Care-labeled collection to the market in fall. Take Care products represent more than 60 percent of the range and the initiative is attracting keen interest.
- Haglöfs is named "Sustainability Brand of the Year" by the Swedish trade magazine Sportfack.
- Haglöfs delivers its new product segment, Basecamp, with the main item being a range of bluesign®-approved sleeping bags.
- Haglöfs starts a move towards sourcing leather from the Leather Working Group – an initiative to create a more sustainable leather industry.
- Haglöfs begins the process of RDS (Responsible Down Standard) accreditation.
- During spring, Haglöfs completes the phasing out of C8 technology (PFOA) as a water-repellent treatment, meaning that all Haglöfs products are PFOA and PFOS-free. Haglöfs also launches a non-toxic, bluesign®-approved anti-odor treatment as a replacement for the previous antibacterial treatment which the Company stopped using.
- Haglöfs introduces a training app during the spring. Each week during a 10-week period, users are given various challenges and in return Haglöfs donates money to Vi Agroforestry for planting new trees in East Africa. The activity will generate a total of 10,000 trees. Haglöfs is also running a project with Outnorth and Expeditionsresor, in which Haglöfs donates boots to 150 Sherpas in Nepal.
- Haglöfs is the only outdoor company to be invited to the Ministry of the Environment by Lena Ek to discuss issues concerning chemicals in textiles.
- Haglöfs carries out six Fair Wear Foundation audits. At the end of the year, 86 percent of Haglöfs' total production volume at its manufacturers' production facilities have undergone audits, meaning that the target of 90 percent is very close.



INCREASED INTEREST FROM RETAILERS

Interest in sustainable products is increasing at the retail level. In Germany, Sport 2000 initiated a project called Green & Fair. The aim is to label products that are considered most sustainable and showcase these to end consumers. Haglöfs is one of the brands invited to participate in the project, which was initiated during the year and will be launched in fall 2015.

SPORT 2000 International GmbH is a leading buying organization encompassing more than 3,500 sport and outdoor retail outlets in over 25 countries in Europe. When such a major player takes this kind of initiative, there is every justification to assume that it will have a big impact.

Being aware and taking responsibility are expressions that have been important to Haglöfs for a long time. Reducing the Company's environmental impact and establishing good working conditions and human rights throughout the supply chain have been important issues throughout Haglöfs' modern development. The Company acknowledged at an early stage that, like many other companies, its operations have impacts – both positive and negative – on the environment.

In 2008, Haglöfs made a strategic decision to integrate sustainability into the Company's future development. The decision was based on two objectives working in tandem – to ensure long-term profitable growth and at the same time to contribute towards a sustainable society. Since then, Haglöfs' business concept and vision have contained a clear definition of the Company's position on sustainability issues.

WORKING IN A SUSTAINABLE WAY

For Haglöfs, there is a clear and obvious interplay between the environment, ethics and the economy. It is the Company's firm belief that working in a sustainable way and conducting responsible operations is conducive to long-term success. This is also natural for Haglöfs, as a thriving natural environment and healthy people are fundamental to an active outdoor life.

However, sustainability is much more than just a label on a product or using a particular material. How the product has been manufactured, transported and packaged are issues that are relatively easy to grasp. However, it is much more difficult for a consumer to know whether a product labeled as sustainable and manufactured using eco-friendly materials has involved factory workers in Asia being forced to work unreasonable hours for low wages. For a product to be "truly" sustainable, it is important that people know the best way to use, care for, wash and keep the product so that it does



"With growing interest in sustainability, we are seeing a clear increase in demand from our customers for bluesign® products and products made from recycled materials. As the retailers now put together their plans for the coming seasons, it is clear that sustainability is a focus area."

Herbert Horelt, Country Manager Germany

not affect the environment more than is necessary.

Haglöfs' sustainability is an ongoing process that is fully integrated into day-to-day activities, with the Company's employees constantly looking for opportunities to create improvements. Haglöfs' Director of Sustainability has overall responsibility for this process, although sustainability issues are now such a natural part of the Haglöfs culture that most initiatives are generated by Haglöfs' employees out there in the organization. In 2014, sustainability managers were appointed at Haglöfs' subsidiaries around the world in order to strengthen local work in each market.

SUSTAINABLE DESIGN

A product's environmental impact is largely determined by its development and design. This includes everything from choice of materials and manufacturing methods to durability, quality and long life. Haglöfs' offering is based on developing high-quality products with a long lifespan.

Designing a product with a long-term perspective in the initial stage makes a big difference. Thinking about how to make a zipper easily replaceable when it wears out or not confusing technically advanced designs by making them complex are examples of questions and choices that occupy Haglöfs' design department. Other examples are discussions in the product development phase about whether a product that initially has a lower environmental impact but wears more and requires more frequent washing really is a better choice than a product that can be used more times between washes and can also withstand far more washes without losing quality and fit. Whatever the choice, it is a fundamental concept that design should allow for the material to be recycled eventually.

SUSTAINABLE PRODUCTION

The recent currency fluctuations are an example of another dimension to the complexity of sustainability issues. A large number of the world's producers nominate their prices in dollars (USD), which means increased costs for many brands, among them Haglöfs, in regions such as Europe. The majority of

HAGLÖFS' SUSTAINABILITY STATUS 2014

% of products sold in Clothing that are bluesign® products	65%
% of sold backpacks that are Take Care products	20%
% of total production volume at the Company's manufacturers' production plants having had an FWF audit	86%
% of sold regular sleeping bags that are bluesign® products	23%

inputs are similarly priced in dollars. Material represents the largest part of an outdoor product's cost. However, it is not uncommon for brands to press their manufacturers to work faster (which often means more overtime) and to lower their prices at the same time.

Haglöfs has chosen a different path and is now looking for deeper relationships, dialogue and partnership with its manufacturers. This approach means that Haglöfs will increasingly be on site and working in the factories. This will enable Haglöfs and the manufacturers to select the right production solutions and manufacturing methods at an early stage without any detrimental effect on conditions for the workers. This information can then be relayed back to designers and pattern makers so that new products are developed correctly from the start. A deeper partnership and local presence will also allow earlier identification of potential prototype errors, which can then be rectified on the spot, thereby saving time and creating conditions for bringing new products to market more quickly.



“Take Care labeling has made it easier to address the issue of sustainability with customers in the stores. As they stand there choosing between different products, it also makes a big difference. Questions arise more natural, and Haglöfs' responsibility is easier to explain.”

Malin Elfving, Store Manager & Retail Coordinator



Take
care

TAKE CARE

Haglöfs markets its sustainability program through the Take Care concept. The concept symbolizes the Company's commitment and summarizes all aspects of Haglöfs' responsibility. In addition to the work on Haglöfs' products, Take Care also involves continuous efforts to reduce energy consumption and greenhouse gas emissions. It also includes guidelines for business travel and company cars, choosing conference and meeting venues where the premises and accommodation have an ecological profile, recycling programs and providing organic fruit and fair trade coffee at all workplaces.

In fall 2014, Haglöfs introduced Take Care to retailers, which meant that a large proportion of the range was given a guide for consumers seeking Haglöfs products that are most advanced in terms of sustainability. In order for a product to carry the Take Care symbol, it must meet at least one of the following criteria:

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

HAGLÖFS AND THE ENVIRONMENT

Haglöfs develops high-quality products designed to have a long life. Outdoor enthusiasts must be able to rely on their products – to know that they give 100 percent, whether it is a day in the mountains or a run in the forest. Consequently, material quality and function are top priorities for a brand like Haglöfs. At the same time, Haglöfs endeavors to minimize each product's negative environmental impact. A long lifespan is what makes the most difference in terms of a product's life cycle, but there is much more that can be done.

DEVELOPING SUSTAINABLE PRODUCTS

During the years in which Haglöfs has worked on sustainability, the Company has constantly sought solutions, mainly in the form of materials, for making its products sustainable. During the development process for each new product, one of the questions has been whether there is scope for using bluesign®-approved or recycled materials. Haglöfs is now conducting a paradigm shift that will change the entire way in which the Company works. With effect from the 2016 season – the process was initiated last year – Haglöfs will work on the basis that all products developed will be sustainable products that can be labeled with the Company's Take Care symbol. For various reasons, not all products will be able to achieve this level, but they will be exceptions by definition.

BLUESIGN® A REQUIREMENT

Before a new collection is developed, Haglöfs assesses how the Company can achieve the best possible quality and function with sustainable materials. Environmental impacts are a general problem in textile production. This is why Haglöfs has decided to use materials that are produced with minimal adverse environmental impacts. Haglöfs has been a bluesign® system partner since 2008.

At present, Haglöfs is unable to cover its entire needs with bluesign®-approved materials. Ever since Haglöfs became a bluesign® system partner, the Company has been working actively to get its material suppliers to improve

RANDO BARRIER JACKET WOMEN



their material production so that they are able to supply bluesign®-approved materials to Haglöfs' production. This has varying degrees of difficulty depending on the supplier's location. Some countries have an industry with clear vertical integration, where there are short distances between those who spin and weave yarns and fabrics and those who finish them. Sometimes the different parts are under the same roof, in which case the approval process is easier. In other countries, the distances are great, and becoming a bluesign® system partner is then a much more complex process.



"If we look at our insulated garments, we can feel proud, as we have done everything that is possible there. The Barrier range's outer material and lining are bluesign®-approved and the synthetic insulation consists of bluesign®-approved, recycled polyester. All of the Bivvy and Essens styles have bluesign®-approved traceable down."

Eva Mullins, Material Manager

bluesign®

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.

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. In 2014, 65 percent of all products sold in the Clothing business area were bluesign® products.



"A product containing 90 percent or more bluesign®-approved materials and at least 30 percent approved trims qualifies for classification as a bluesign® product"

It has long been virtually a requirement for a company to be a bluesign® system partner in order to be accepted as a new material supplier to Haglöfs. Haglöfs imposes far-reaching conditions for existing suppliers who have not yet taken that step. Those who do not have an explicit sustainability commitment are gradually being phased out.

RECYCLED MATERIALS

Another of Haglöfs' goals is to increase the percentage of recycled fabrics. Several of Haglöfs' product lines are already made mainly of recycled polyester, and many of the materials the Company uses are fully recyclable. Haglöfs uses fabrics with recycled fibers from a number of suppliers which include Teijin, Shinkong, Pontotorto and Polartec. Some come from waste materials in industrial production (post-industrial), while others are from recycled consumer products, such as PET bottles (post-consumer).

SUSTAINABLE BACKPACKS – A CHALLENGE

For some products, it is still difficult to manufacture in a sustainable way. Unfortunately, it is currently not possible to get a sufficiently high percentage of bluesign® material into a backpack for it to be classified as a bluesign® product. The main reason is that there are not enough bluesign®-approved backpack materials. In other words, it is not possible to manufacture technically advanced bluesign®-approved backpacks with Haglöfs' product requirements as the situation is today.

The Corker backpack range, which is made of recycled fabrics, is as sustainable as is possible. As in the other business areas, the issue has high priority and Haglöfs is actively looking for material suppliers that are, or have the potential to become, bluesign® system partners.

For sleeping bags the situation is completely different. In 2014, Haglöfs launched a number of sleeping bags, including some in the premium segment, that are classified as bluesign® products. The main reason why development is easier for this product group is that it largely uses the same materials and technology as clothing.

WATERPROOF OR WATER-REPELLENT

In many cases, the use of chemicals is a prerequisite for creating functional materials that are waterproof or water-repellent and at the same time breathable – qualities which are in demand from end consumers. Haglöfs uses fluorocarbons for functional reasons, but only on products with a need for optimal water-repellent properties. The fluorocarbons used are confined to type C6, which do not contain PFOA. Haglöfs aims to phase out all use of fluorocarbons and the Company is involved in a number of projects designed to find alternatives to chemicals that are detrimental to the environment.

It is important to find a good balance between a product's technical features and a product having the right qualities for a particular activity. For example, a down jacket is not primarily meant to be used for activities with a high physical load for a long time in high humidity environments. For a number of product lines that do not need to have optimal water-repellent properties, Haglöfs has chosen a treatment that is completely free of fluorocarbons.

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



HAGLÖFS RECYCLED

Haglöfs uses recycled polyester and polyamide. To qualify for the "Haglöfs Recycled" symbol, more than 50 percent of the material must be recycled.



Take
care

CORKER LARGE



L.I.M ESSENS
JACKET WOMEN

THE DOWN IN HAGLÖFS' PRODUCTS

Haglöfs uses goose and duck down to insulate some of its jackets and sleeping bags. Haglöfs' down supplier is a bluesign® system partner and has signed the Haglöfs code of conduct, which clearly states that the down used in Haglöfs' products must be a by-product of food production and not plucked from live birds. Haglöfs has written assurances from the supplier that this is the case, and personnel from Haglöfs have visited the supplier's facilities. Haglöfs and its supplier have set up a system for tracing the origin of the down. Haglöfs provides each of its down garments with an ID number. The system allows traceability of the down back to the slaughterhouse (food production) and enables Haglöfs to guarantee the origin of the down. In 2014, Haglöfs began the process of RDS (Responsible Down Standard) accreditation.



SUSTAINABILITY BRAND OF THE YEAR

Sportfack is the leading Swedish trade magazine for sport and outdoor. Each year, the magazine presents awards for the best products and most prominent brands in a number of classes under the heading "Gear of the Year". The magazine names three finalists in each class and a jury of 50 people from all parts of the industry chooses the winners.

Haglöfs was named 2014 Sustainability Brand of the Year, and the jury's citation reads as follows:

"Step by step, but faster than most competitors, they have changed a 100-year old company into a fundamentally environmentally focused company. Yet they are still not satisfied and that is what impresses most."



"Sustainability is on the way to becoming effectively a matter of eligibility in the future. It has always been our goal to integrate sustainability into our communication, in the same way as in other parts of the business, and I think we are now better at making our goals and aims transparent. Haglöfs' award of Sustainability Brand of the Year is clear evidence of this."

Fredrik Kjellberg, Global Marketing Manager

SUSTAINABLE FASHION ACADEMY

To provide employees with additional tools, Haglöfs arranges for its designers, product developers, buyers, materials managers and other staff to undergo training in sustainability issues. One of the training providers is the Sustainable Fashion Academy (SFA).

SFA is a non-profit association founded by fashion and design representatives, environmental organizations, universities and similar bodies. SFA's founders and partners include companies such as H&M, Lindex and Filippa K and outdoor brands such as Haglöfs, Fjällräven and Peak Performance.

SFA's vision is an apparel industry that creates happier people, stronger communities and a resilient planet. SFA's mission is to accelerate the innovations needed to ensure this happens. SFA works at both the industry level and the company level. At the industry level, SFA initiates activities that will accelerate innovation during the next decade. At the company level, SFA works closely with brands that aim to be leaders in the industry.

SFA offers a number of training programs. In addition to basic foundation training, there are a number of modules that focus on specific areas of work such as design, supply chain or marketing and communications. During the training programs, a number of representatives of different brands and other industry players meet to discuss and exchange experiences. The actual training covers everything from lectures, case studies and group exercises to special projects. Over the years, Haglöfs has trained a large number of employees, both at the basic level and in specific subject areas – and Haglöfs has also participated by delivering lectures on several occasions.

Eight of Haglöfs' employees received SFA training at various levels in 2014. In total, about 30 Haglöfs employees have undergone SFA training.

HAGLÖFS NO:1

When Haglöfs decided to develop a commemorative product, the Company made the relatively quick decision that this would be a backpack and that it would be manufactured in Sweden, with materials from Swedish suppliers. Producing a "100% Made in Sweden" backpack in 2014 would prove both easy and difficult for the same reason – there were not so many suppliers to choose from. Many of the solutions that the Company's development team came up with also meant a trip back in time and Haglöfs had the privilege of working with many skilled craftspersons in the Swedish tradition of craftsmanship. Haglöfs succeeded in its task. All of the backpack's components, from leather straps and fabrics to metal buckles and buttons, come from companies around Sweden. Final production took place in Borlänge, not far from the cabin where everything began once upon a time – and not so far from Haglöfs' head office in Avesta. Haglöfs No:1 backpack is a tribute to the Company's 100-year history – and in its own way perhaps the world's first "locally grown" backpack!



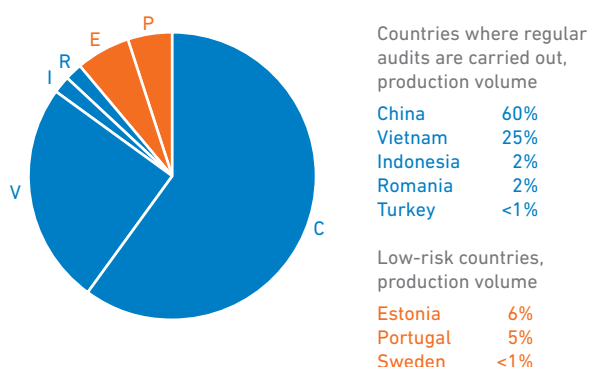
HAGLÖFS AND ETHICS

Haglöfs does not have its own factories. All production takes place at the facilities of external manufacturers. Considering the position of production in the supply chain, the direct environmental impact is relatively low. Haglöfs therefore focuses on issues concerning the working environment, human rights and other ethical issues such as prohibition of child labor.

It is important for Haglöfs to have manufacturers that take their own responsibility. To produce items for Haglöfs, a company must have documented aims with regard to labor conditions in its factories. In general terms, the conditions are good at the factories Haglöfs uses. Haglöfs' products are advanced and require both highly skilled production personnel and a qualified production process.

Haglöfs has been an affiliate member of Fair Wear Foundation (FWF) since May 2012, which means that Haglöfs' manufacturers are bound by FWF's Code of Labour Practices. The work on ethics within the framework of FWF is presented below.

HAGLÖFS PRODUCTION COUNTRIES 2014
PRODUCTION VOLUME, %



"We are now moving towards forming even stronger relationships with our suppliers and entering into more types of partnerships. This means that we shall be working increasingly with them on site at the factories. This will make us more efficient and also more aware of their challenges so that we can contribute to good working conditions by doing the right things."

Katarina Stenman, Sourcing & Development Manager

FAIR WEAR FOUNDATION – REPORT FOR 2014

In May 2012, Haglöfs became the first Swedish outdoor brand to join Fair Wear Foundation. FWF is an international initiative for independent control, with the aim of improving labor conditions for garment workers worldwide. FWF is organized as a non-profit organization with about 80 member companies that manufacture clothing and other sewn products, and takes responsibility for their supply chain.

As Haglöfs' product philosophy is to make high-quality products with a long lifespan, a close relationship with the Company's manufacturers is essential. Once a good relationship has been established to the satisfaction of both parties, it is not in Haglöfs' interest to break off such cooperation. The cost of production is obviously an important factor, but even so it has a limited effect on the end product's price as most of the cost element lies in materials rather than in labor.

All of Haglöfs' manufacturers have accepted FWF's Code of Labour Practices and 65 percent of them have worked with Haglöfs for longer than five years.

Audits

At the end of the year, 86 percent of Haglöfs' total production volume at its manufacturers' production facilities had been audited under the FWF framework or was produced in a country defined by FWF as low-risk and not requiring audits to the same extent. The majority of Haglöfs' manufacturers received at least one visit by the Company's personnel during the year. Six factories were audited during the year and all of the audits were conducted by FWF.

FACTORY P9053 AUDIT

The factory is located in China and manufactures shell garments. Haglöfs began its collaboration with the factory in 2006. The factory accounts for 8 percent of Haglöfs' total production volume and Haglöfs utilizes 10 percent of the factory's annual capacity. The audit was conducted in March 2014 together with German brand Jack Wolfskin and Mammüt of Switzerland.

This was a re-audit to monitor the improvements that have been implemented since the first audit in 2011. The result of the audit was good. The general opinion was that this is a well-organized factory with good overall conditions. Wage levels are well above the legal minimum levels for the area, but are not yet at the living wage level. There were some minor complaints concerning health and safety, which have now been remedied. Excessive overtime is a problem in peak seasons. The workers need to be better informed about their rights.

AUDIT OF FACTORY P9084

The factory is located in China and manufactures clothing. Haglöfs began its collaboration with the factory in 2013. The factory accounts for 7 percent of Haglöfs' total production volume and Haglöfs utilizes 5 percent of the factory's annual capacity. The audit was conducted in April 2014 together with the Swiss brand Kjus.

This was a re-audit to check that improvements have been implemented since the first audit in 2012. The result of the audit was good. The workers say that this is one of the best factories in the region. Wage levels are well above the legal minimum levels for the area, but are not yet at the living wage level. There were some minor complaints concerning health and safety, which have now been remedied. Excessive overtime is a problem in peak seasons. The workers need to be better informed about their rights.

AUDIT OF FACTORY P9002-2

The factory is located in China and manufactures insulated clothing and sleeping bags. Haglöfs began its collaboration with the factory in 2009. The factory accounts for 4 percent of Haglöfs' total production volume and Haglöfs utilizes 22 percent of the factory's annual capacity. The audit was conducted in October 2014 together with German brand Jack Wolfskin.

The general opinion was that this is a well-organized factory with good

overall conditions and management is willing to improve conditions further. Wage levels are well above the legal minimum levels for the area, but are not yet at the living wage level. There were some minor complaints concerning health and safety, which have now been remedied. Excessive overtime is a problem in peak seasons. A workers' committee has been set up to deal with issues concerning workers' rights.

AUDIT OF FACTORY P9064

The factory is located in Vietnam and manufactures technical clothing. Haglöfs began its collaboration with the factory in 2006. This was a follow-up audit to check that the CAP (corrective action plan), drawn up during the October 2012 audit, had been implemented. The factory accounts for 3 percent of Haglöfs' total production volume and Haglöfs utilizes 2 percent of the factory's annual capacity. The audit was conducted in October 2014 together with German brand Schöffel.

The result was in certain respects not satisfactory. A number of issues raised during the 2012 audit had been corrected, but not all. Factory management have announced that they will remedy the remaining issues in the first half of 2015. For this reason, Haglöfs will closely monitor progress during 2015. Haglöfs is also holding a WEP (Workplace Education Program) seminar for workers and management in October 2015. The seminar will be on the topic of workers' rights.

AUDIT OF FACTORIES P9058-1 AND 9058-2

These two sister factories are located in Vietnam and manufacture technical clothing. Haglöfs began its collaboration with the factories in 2008. This was the first audit. The factories account for 4 percent of Haglöfs' total production volume and Haglöfs utilizes 8 percent of their annual capacity.

The result of the audit was very good and no major issues were noted. Wages were on average relatively high and were, including benefits, in many departments above the living wage level. There were also no major overtime problems and the factory pays all social security contributions. The workers need to be better informed about their rights.

Education and training

FACTORY P9076 INITIATIVE

In October, FWF held a one-day WEP (Workplace Education Program) training seminar for workers and management, which covered workers' rights, FWF's Code of Labour Practices and FWF's complaints procedure.

The seminar was initiated by Haglöfs and OSC (Mountain Equipment) and was very much appreciated by workers and factory management alike.

Complaints

FACTORY P9100 OBSERVATIONS

Workers at the factory had made complaints about incorrect payment for overtime. FWF conducted an audit in April 2014, and found that the complaints had some grounds. The calculation model for overtime pay is complex and difficult for the workers to understand.

The producing brands, FWF, the workers, and factory management have agreed on a solution and a new audit will be carried out in July 2015 to ensure that the improvements have been implemented.

BRAND PERFORMANCE CHECK

In March 2014, FWF conducted an evaluation of Haglöfs to ensure that the Company's management system leads to better working conditions in the supply chain. This was the FWF's second evaluation of Haglöfs but the first time that the Company had received a scoring. Haglöfs met most of FWF's requirements and was given an overall score of 72 points, which puts Haglöfs in the category of "good company". To be classified as "leading company" requires at least 75 points.

FAIR WEAR FOUNDATION'S CODE OF LABOUR PRACTICES

- **Employment is freely chosen**
There must be no use of forced labour.
- **There is no discrimination in employment**
The employer should treat all employees equally, regardless of their race, color, sex, religion, political affiliation, trade union membership, nationality, social origin, or disabilities.
- **No exploitation of child labour**
There must be no use of child labour. Workers must not be recruited until they reach the minimum school-leaving age and, in any case, not below the age of 15. Teenagers (aged 15-18) must not perform work which is likely to harm their health or safety. For example, they must not engage in excessive overtime or work at night.
- **Freedom of association and the right to collective bargaining**
Workers have the right to negotiate as a group with their employer ("collective bargaining"). The employer must not punish workers who express their opinions and wishes. All workers have the right to form and join trade unions of their own choice ("freedom of association"). When the right to freedom of association and collective bargaining is restricted under law, the employer must not hinder other forms of collective bargaining and workers' organizations. Workers' representatives must not be discriminated against and must have access to all workplaces necessary to carry out their roles.
- **Payment of a living wage**
Wages must meet at least the legal minimum wage, if there is one. Wages for a standard working week should always be sufficient to meet the basic needs of workers and their families and allow for some savings. Deductions from wages, which are not provided for by national law, are not permitted. Workers should be informed about how their wages are made up, including wage rates, pay periods, and deductions from pay. Workers should receive a pay slip, which provides this information.
- **No excessive working hours**
Hours of work must be in line with the law. In any event, workers must not be required to work more than 48 hours per week on a regular basis and must have at least one day off for every seven-day period. Overtime should be voluntary, and working hours including overtime should not exceed 60 hours per week. Overtime should not be demanded on a regular basis and must always be paid at a premium rate, in accordance with the law.
- **Safe and healthy working conditions**
The employer must provide a safe and hygienic working environment. The employer should provide protective equipment where necessary and train workers to use it. The employer should also take steps to prevent accidents and minimize health risks. Physical abuse, threats of physical abuse, unusual punishments, sexual and other harassment, and intimidation by the employer is strictly prohibited.
- **Legally binding employment relationship**
Every worker should receive a written contract, and all legal social security charges should be paid.



HAGLÖFS AND CLIMATE

Climate-related issues are an important part of Haglöfs' sustainability efforts. There is of course an obvious danger that the climate impacts of people and companies may also pose risks to Haglöfs' business. Perhaps the most obvious risk is that a changing climate would have a radical effect on the conditions for the outdoor industry and limit the scope for pursuing an active outdoor life. However, negative climate change is on a much larger scale than this and Haglöfs is working on this critical issue in the context of the Com-

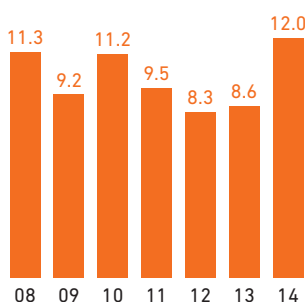
pany's Climate Action Plan. As Haglöfs does not have its own production, the Company focuses on limiting greenhouse gas emissions in four priority areas:

- 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.

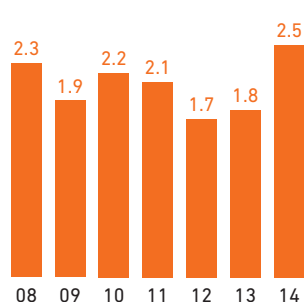
	2008	2009	2010	2011	2012	2013	Tonne CO ₂ 2014	% 2013-2014
Energy consumption	132	182	148	61	64	54	56	4
Business travel and company cars	412	375	* 31	** -10	*** 238	**** 229	***** 259	13
Transport	582	538	1,225	1,304	922	1,060	1,725	63
Total	1,126	1,095	1,404	1,355	1,224	1,343	2,040	51

* Carbon-offsetting of 375 tonnes. ** Carbon-offsetting of 404 tonnes. *** Carbon-offsetting of 342 tonnes. **** Carbon-offsetting of 395 tonnes. ***** Carbon-offsetting of 353 tonnes.

GREENHOUSE GAS EMISSIONS TONNE CO₂/EMPLOYEE



GREENHOUSE GAS EMISSIONS TONNE CO₂/SEK MILLION SALES



Haglöfs conducts carbon offsetting of its business travel through a partnership with 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 and is located in an area dominated by power plants that generate coal-based electricity. The project means not only a cleaner source of electricity with fewer CO₂ 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 both the Kyoto Protocol's CDM and Gold Standard.



ENERGY CONSUMPTION

The majority of global greenhouse gas emissions come from energy production and more than half of all electricity is generated from the burning of coal, oil or natural gas. As part of a collaboration with Gävle Energi, Haglöfs has moved to exclusively using Källmärkt® (source-labeled) fossil-free electricity, which means that the total electricity consumption in Haglöfs'

offices, warehouses and stores in Sweden is from renewable energy sources such as wind, water and biomass. Haglöfs also works with Gävle Energi to identify measures for further energy savings. In addition, Haglöfs' employees undergo training with a focus on reducing energy consumption.



	2008	2009	2010	2011	2012	2013	Tonne CO ₂ 2014	% 2013-2014
Greenhouse gas emissions from energy consumption								
Heating	42	49	71	57	60	50	52	5
Electricity	91	133	77	4	4	4	4	0
Total	133	182	148	61	64	54	56	4

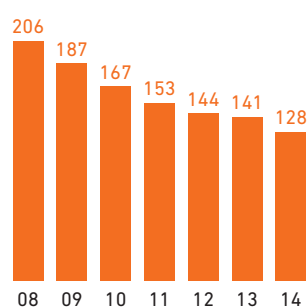
	2008	2009	2010	2011	2012	2013	2014	% 2013-2014
Key figures, premises								
Emissions/employee (tonnes CO ₂ e)	1.3	1.5	1.2	0.4	0.4	0.3	0.3	0

BUSINESS TRAVEL AND COMPANY CARS

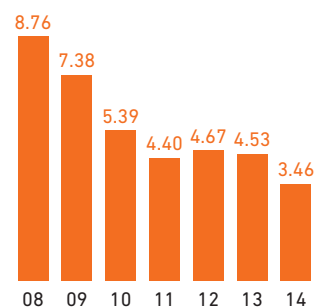
Haglöfs' sustainability policy stipulates that business travel must be undertaken using the method of transport with the lowest environmental impact. In many cases it is not practicable to choose modes of transport other than air or car, in particular because of the Company's global presence. Haglöfs has established a company car policy which involves tougher CO₂ emission requirements for company cars each year. From 2015, emissions from newly ordered company cars must not exceed 117 grams CO₂/km.

Average emissions from company cars during the year were 128 grams, which is an improvement of 9 percent compared with the previous year. The reduction in emissions per driver was 24 percent, which means that Haglöfs has cut its emissions by almost 2/3 compared with 2008.

COMPANY CARS, AVERAGE CO₂ EMISSION/KM (GRAMS)



COMPANY CARS, AVERAGE CO₂ EMISSION/DRIVER (TONNES)



	2008	2009	2010	2011	2012	2013	2014	Tonne CO ₂	%
Business travel									
Air	304	276	323	303	486	538	537		0
Company cars	108	99	84	91	94	86	75		-12
Total	412	375	* 32	** -10	*** 238	**** 229	***** 259		13

* Carbon-offsetting of 375 tonnes. ** Carbon-offsetting of 404 tonnes. *** Carbon-offsetting of 342 tonnes. **** Carbon-offsetting of 395 tonnes. ***** Carbon-offsetting of 353 tonnes.

Haglöfs carbon offsets its use of company cars and air travel. The carbon offsetting is based on the previous year's emissions, which amounted to 353 tonnes of CO₂.

TRANSPORT

It is estimated that almost 30 percent of global greenhouse gas emissions come from the transport sector. Most of Haglöfs' shipments from Asia to its main warehouse in Avesta are in containers, which are transported to Gothenburg by sea. From Gothenburg they go by rail to Örebro or Fagersta for reloading onto trucks for final delivery to Avesta. Although this is not the fastest method of transport, it is the most effective way of minimizing greenhouse gas emissions from transport as far as possible.

For environmental reasons, Haglöfs endeavors to keep the proportion of air transportation to an absolute minimum. This is also a crucial parameter in

achieving greenhouse gas emission targets. Unfortunately, air freight doubled in 2014, accounting for 6 percent of the total transported volume, and was responsible for 77 percent of total emissions. The increase is due to a combination of the Company's growing collection and customers' delivery requirements. However, Haglöfs has taken action to reverse the negative trend.

Haglöfs' deliveries of products to customers are by truck, as this is the only suitable mode of transport in most cases. In this area, Haglöfs works exclusively with responsible logistics partners.

	2008	2009	2010	2011	2012	2013	2014	Tonne-km
Air	275,051	246,301	697,282	728,418	510,279	537,856	1,076,911	
Road	667,932	657,517	783,014	981,329	729,711	910,914	827,951	
Sea	11,067,279	10,971,964	11,643,083	15,608,413	11,049,265	15,865,899	16,833,940	
Rail	164,360	164,920	172,680	252,620	168,140	235,220	248,860	
Total	12,174,622	12,040,702	13,296,059	17,570,780	12,457,395	17,549,889	18,987,662	

	2008	2009	2010	2011	2012	2013	2014	Tonne CO ₂	%
Air	408	366	1,035	900	631	665	1,331		100
Road	52	51	61	174	129	161	147		-9
Sea	122	121	128	230	163	234	248		6
Rail	0	0	0	0	0	0	0		0
Total	582	538	1,224	1,304	923	1,060	1,725		63

HOW MUCH CO₂ 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. In the example, greenhouse gas emissions are actually lower in shipments from China than from Portugal, as a result of a better transport mix.

Journey	Distance (km)	Transport mode	CO ₂ /tonne-km (gr)	CO ₂ Total (kg)
Lousada-Avesta	3,400	Road	77.8	264.5
Total				264.5
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
Total				234.3

* Carbon-neutral transport by rail in Sweden.

HAGLÖFS' STAKEHOLDERS

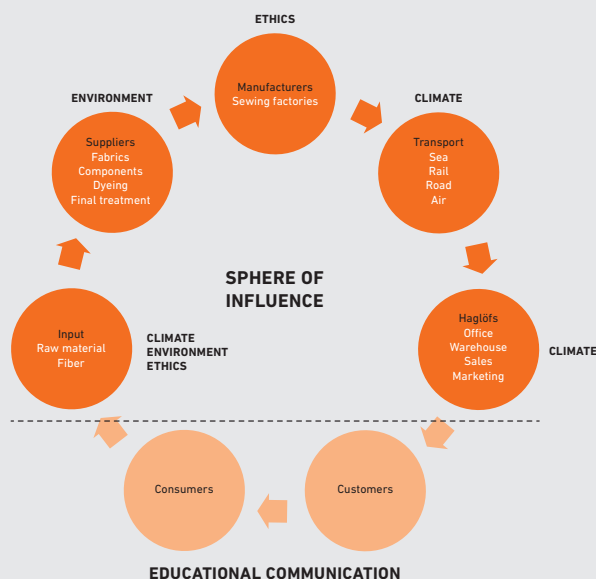
In the same way as other companies, Haglöfs has a large number of stakeholders. The ones with which Haglöfs has most contact outside the organization are found in the Company's supply chain. Other stakeholders include the state, municipalities, government agencies and different interest groups. Haglöfs has daily contact with many of its stakeholders and there are few occasions when some form of sustainability does not enter into the dialogue and cooperation.

Haglöfs is involved in several research and development projects. Haglöfs' successful sustainability initiatives have made the Company a popular speaker and a sought-after party in different dialogues. Below is a list of current major projects and dialogues.

- The Swedish Textile Water Initiative.
- The Chemicals Agency textiles dialogues.
- The Swedish Chemical Group.
- The Sustainable Fashion Academy Steering Group.
- EOCA (The European Outdoor Conservation Association).
- OrganoClick's fluorocarbon project.
- SUPFES.

SUSTAINABLE SUPPLY CHAIN

Haglöfs' sustainability work encompasses the entire supply chain. In the concept phase, the Company focuses on developing each new product so that it meets the Haglöfs Take Care labeling requirements. With clear goals, bluesign® partnership and a commitment to using recycled and recyclable materials as far as possible, the process is well structured. In the production phase, the focus is on ensuring that the Company's manufacturers have ethically sustainable operations. Close cooperation with suppliers and Haglöfs' membership of the Fair Wear Foundation are a basis for ensuring that this dimension of sustainability also measures up to the Company's high requirements.



ABOUT THE REPORT

Haglöfs' sustainability report is published annually and summarizes the Group's work on the issues of environment, ethics, climate, society and economy which are relevant to Haglöfs and its stakeholders. It is Haglöfs' aim that the report will follow the GRI principles as far as possible. Any questions about Haglöfs' sustainability work and the report should be addressed to Haglöfs' Director of Sustainability, Lennart Ekberg.

E-mail: lennart.ekberg@haglofs.se. Telephone: +46 (0)70-584 15 01.

