THE PROGRESSIVE JOURNEY

Vagabond
Sustainability Report 2018
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VAGABOND SUSTAINABILITY REPORT 2018

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WE ARE VAGABOND

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

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

There are many challenges on our journey, but we aim to face them with an open mind and embrace the fantastic opportunities to make a positive difference for the people that engage in our brand and the places where we locate our business. We are dedicated to consciously build our brand and grow our global family. This is our sustainability story for the year 2018. We are happy to share it with you and warmly invite you to follow us on our progressive journey.

Vagabond Shoemakers
Varberg April 2019
A WORD FROM OUR CEO

We have always focused on quality and on paying attention to the details that count. It was our core 25 years ago when we started, and it still is. We work with resource optimization in our everyday operations: finding the best possible materials for each shoe with the least material waste in production, and with a maximum of durability within our price point.

Notwithstanding the unique features of leather material for shoes, the search for new and innovative materials goes on. We are also at the forefront in using recycled post-consumer rubber in our outsoles, which is a direct result of the shoes brought back into the loop by our Shoe Bring Back initiative. Hence, the necessary steps towards a more circular future can only be achieved where we involve our retail dealers and consumers and together work for better consumption conditions and habits.

Our sustainability strategy also includes integration of sustainability throughout our organization, minimizing emissions and for us to be a preferred business partner/employer/brand. This strategy derives from internal dialogues and rests on the UN’s Sustainable Development Goals. We will continue to develop our business but always aligned with long-term sustainability goals and with the best interest of our stakeholders worldwide.

Anders Odén, CEO
Varberg, April 2019
SUSTAINABILITY FOR VAGABOND

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

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

We want to set good examples by sharing both achievements and challenges and openly report about the way we work. Understanding that we cannot make this journey on our own, we partner up with other companies and organizations as well as suppliers and customers to realize our targets. We are humble before the great challenges ahead of us, but we believe that by commitment and steady work we will reach beyond expectations.
HIGHLIGHTS 2018

CONSCIOUS DESIGNS
Focusing on materials

We are committed to select material with less strain on planet and people (page 12-16). These were our achievements in 2018:

- Chrome-free tanned leather, selected for all components close to bare skin to prevent allergies.

- Organic GOTS-certified cotton replaces conventional cotton for linings and insocks for less environmental impact.

- Recycled polyester replaces new polyester to save natural resources.

PRODUCTION & ENVIRONMENT
Minimizing emission & use of natural resources

The use of fossil energy must be reduced. And so must the use of processed water from our industry (page 18-20).
This longterm commitment and for 2018 we report:

- In 2018 we stated that we aim to reduce our CO2 emissions deriving from goods transport by 50% until 2030.

- The learnings from the STWI cooperation was used both in hands-on factory projects, and in the education about energy and water usage.

PRODUCTION & SOCIAL
Continuous improvements of the working environment

Safety in the working environment is improved by close cooperation with our suppliers (page 10, 22-23 and 32-33).
These are the main achievements for 2018:

- Further commitment to share know-how widely, by education both to management and to our co-workers in the production.

- During 2018 we have been proceeding with our innovative “glue project” aiming to replace harmful chemicals in production. First tests conducted during the year with promising results.
In 2018 we have been focusing on further actions to close the loop within production – distribution – consumption (page 3, 8, 12 and 24).

- During 2018, our remaining stores joined the Shoe Bring Back program. This means that you can leave shoes for systematic reuse and circular recycling in all our concept stores.

- We made continuous trials with post-consumer rubber, directly deriving from our Shoe Bring Back volumes, to take further steps towards closing the loop.

We continue aiming to enable each person and function within our business to make conscious and sustainable everyday choices (page 8-9, 12 and 27).

- Circular design framework was applied to strengthen sustainable material choices within our product development.

- Our international sales representatives were trained in sustainability from a global perspective, including Agenda 2030.
THE SUSTAINABILITY STRATEGY 2030

In 2018 we developed a new 2030 sustainability strategy to guide us in our sustainability efforts in the years to come. Our strategy sets an ambitious agenda that reflects Vagabond's most significant economic, social and environmental impacts, and our most pressing sustainability challenges. Following an analysis of the challenges in the process flow/value chain, aligned with stakeholders' highlighted points of interest, the major areas where identified by the Sustainability group.

Our 2030 sustainability strategy is based on our material sustainability topics and corresponds with the UN Sustainable Development Goals (SDGs). The strategy encompasses 4 mains areas: 1) Integration of the sustainability work, 2) Circularity – ‘Close the loop’, 3) Minimize emissions to air and water, and 4) Preferred employer/partner/neighbour/brand. These areas are interconnected and many of our significant impacts relate to several areas, but having an overall strategy helps us place our sustainability work in the wider sustainability context and to clearly communicate our priorities both internally and externally.

To ensure we are managing our sustainability efforts and that we are on track with our long-term targets we have identified relevant sub-targets and concrete action steps in each category, assisting us on our progressive journey towards our 2030 vision.

Integration of the sustainability work
Integration of the sustainability work within the entire organization, one of the main areas identified, is crucial to achieve our overall sustainability targets. By making sustainability an integral part of our business activities across all countries, operations and departments, we ensure that our sustainability strategy translates into concrete actions and results.
Circularity - “Closing the loop”
We aim to incorporate a circular approach throughout all our activities, starting with the design of our shoes, use of recycled and reusable materials and minimizing waste. We realize that succeeding with closing the loop is not something that we can achieve on our own. No matter how ambitious we are, we still need the efforts from our other brands, government and customers. Closing the loop is high on our agenda, which is why we have several initiatives on-going, like our Shoe Bring Back initiative and the trials with recycled rubber in outsoles. You can read more about that here.

Minimize Emissions to air and water
We are committed to make our climate footprint as low as possible and we aim to decrease our transport emissions of CO2 with 50% by 2030. This goal will mainly be achieved through increasing our use of energy deriving from transitioning to more efficient transportation solutions (such as combined transportations with other companies) and a careful selection of transportation partners.

Preferred Employer/Partner/Neighbour/Brand
Our most significant social impacts relate to our engagement with people. Being a preferred employer, an appreciated partner and neighbour, and a trusted brand is crucial for us. We aim to offer a great working environment for our employees, ensuring good working conditions in our supply chain and establish good relationships with our partners and customers. Our core business philosophy is to be long term and to establish strong teams. This means that there is also room for trial and error in all our relationships, to discuss what went wrong and make it better. We know a lot about shoemaking that we can share, but we also have an organization that is always willing to learn and move forward.

The Sustainable Development Goals (SDGs)
In 2018 we did an extensive mapping of our activities against the SDGs, identifying our concrete actions, measures and initiatives that contribute to promote the 17 development goals. As a next step we identified the SDGs that are connected to our material topics and thus, which SDGs Vagabond can have the most impact. This systematic mapping of our most significant impacts with reference to the SDGs, constitutes the foundation of our 2030 sustainability strategy and will guide us in our sustainability work in years to come.
ENSURING SUSTAINABLE BUSINESS DEVELOPMENT

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

A circular approach for sustainable growth

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

Engagement in the supply chain

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

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

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

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

Creating customer awareness for a more conscious consumption

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

We realize that one of our most significant impacts relate to consumption. Mass-consumption takes a toll on our planet and threatens to impact the lives of future generations. Vagabond strives to contribute to increased awareness by empowering customers to make conscious purchasing choices. We want our customers to think twice before making a purchase, promoting a culture where you only buy products that you need and genuinely love. We do this by making conscious decisions about our campaigns and offers, and the way we communicate about sustainability to our clients and consumers. The nature of a Vagabond shoe is a design with a lot of attention paid to important details and the quality that will pre-condition a long-lasting product. Not just is the material long-lasting, the function and design of the shoe is time-less and meant to last for a long time. On a more concrete note, instead of offering discounts on Black Friday, we decided to devote 10% of all Vagabond’s net sales over the Black Friday weekend to charity. In this way we hope to stimulate reflection about the global culture of mass-consumption while at the same time supporting charities that contribute to making the world a better place.

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

Our homepage is the official main “hub” for the brand, our story, our products and our ambitions. The continuous development of our site is to assure that our new and loyal customers from all around the world are served with relevant and informative facts about our product, as well as our CSR achievements and challenges. The customer journey is in focus to enable the best possible brand experience and to invite to dialogue.
Since 2016 we have worked actively to encourage more communication on our sustainability initiatives in our own stores. We have received very positive feedback on the subjects we highlighted, such as the chrome-free tanned leathers, the organic GOTS certified cotton, the Non-Animal collection and the new more natural shoe care provided in the shops.

As part of the Shoe Bring Back initiative, we have made broad efforts to communicate and encourage customers to bring back their used shoes for reuse and recycling. The response to this initiative from customers has been very positive. We are happy to have started our journey to a more circular resource management, with Shoe Bring Back setting the course. A challenge we face is the decreasing traffic to physical shoe stores, thus also to our concept stores. Although we from 2018 can offer Shoe Bring Back in all our stores, with our concept stores being represented in selected European bigger cities, we realize that a lot of our consumers do not get full access to Shoe Bring Back. For this reason, it is important that we further discover and offer this solution for our clients, partners and other recycling options that would be convenient and easy for shoe-consumers to use.

**Ethics and Anti-corruption**

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

It is important that we recognize and do our best to eliminate any ethical obstacles within our business. Our Ethical Policy sets standards for ethical behavior in the workplace and guides our employees in their daily work. We have zero tolerance for all kinds of discrimination and harassment, and for alcohol or drug abuse at work.

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

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

At Vagabond, we therefore work to counteract all forms of corruption and bribery. No one acting on behalf of Vagabond may accept or offer bribes or engage in any other corrupt practices. As a global actor, we are present in many countries where corruption can be part of the daily business life. An important insight is that with such diversity, the definitions of corruption and unethical behavior can vary. By clarifying what corruption and unacceptable business behavior is to Vagabond, we hope to erase any eventual doubts within our organization and with our business partners. Currently there is a hotline for all suppliers, and thus a number to call to raise any concerns of misconduct within our own organization, for example related to unethical behavior and corruption. We are also...
MANAGING THE PLANETARY RESOURCES

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

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

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

In 2020 we hope to launch our first collection with rubber-soles made from post-consumer recycled shoes, directly derived from our Shoe Bring Back program.

In 2017 we signed the Global Fashion Agenda 2020 Commitment, an initiative that strives to increase the number of fashion brands and retailers acting on circularity. As part of the initiative we will report on our circularity efforts until 2020. Being part of the Global Fashion Agenda 2020 Commitment is a great way to exchange knowledge and experience among brands, which will add to our efforts towards a circular product and closing the loop.

A circular approach to the use of materials

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

*Sustainable materials incorporate chrome-free tanned leather to prevent chrome allergies, organic, GOTS certified cotton for environmental care and healthier cotton farming, recycled materials for a more circular approach, Tencel for a significantly reduced usage of water in the manufacturing process and other materials from renewable sources.
Realizing that a shift of mindset towards a more circular approach comes with both effort and time, we focus on a step-by-step approach. It also means that we prioritize to apply each improvement on the full product range, raising the possibility to measure and to communicate each achievement. In 2018 we held four trainings in circular design for our designers: two trainings in our headquarters in Varberg and two trainings in our unit in Vietnam. Ensuring our designers are equipped with the necessary knowledge and tools is the first step towards closing the loop, by implementing a circular approach already in our designs. We are also looking into the use of materials that can be recycled several times, striving towards creating a fully circular product.

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

We work hard to develop more sustainable selections like organic, GOTS certified cotton, chrome-free tanned leather, tencel and recycled polyester. We set the target in 2015 that by 2018, 100% of our textile linings and insocks will come from more sustainable sources. In 2018 the number of shoes with sustainable textile lining increased significantly compared to previous years, from 2,386 pairs in 2015 to 2,201,515 in 2018 and shoes with chrome free tanned leather insocks from 96,181 to 2,038,843 pairs, reaching 99,2% sustainable textile linings, which we consider an acceptable result as we emptied our storage shelves from old stock of conventional cotton during spring 2018.
The number of shoes with chrome-free tanned leather insock increased to 2,038,843 pairs in 2018, representing 99.55% of all our shoes produced in 2018. For 2019 we are aiming for 100% chrome-free leather. The number of shoes with recycled material content decreased in 2018, from 401,005 pairs in 2017 to 366,129 pairs in 2018. This due to less usage of synthetic linings in preference to GOTS cotton.

We count in pairs, not volume or kilos, because this creates clarity and more possibilities for comparison. We are also looking into measuring the environmental impact per shoe. This will allow us to communicate more effectively to our customers about the environmental impact of their purchase.

We have started to investigate more sustainable alternatives for outer materials as well, setting inspiring ambitions for the years to come. This will be even more challenging for us as the need for variation of outer materials, set by trends and the coherence with each product design, is far more extensive than for linings and insocks. Therefore, we will most likely not be able to standardize in the same scale as we are doing for the linings and insocks.

We have already started making trials with more technical and innovative materials from renewable sources. A good example of this is our wood material that have been used in some mens' shoe models since 2017. We have also switched from new to recycled polyester in warm linings.

Another exciting new material that we have made trials with in 2018 is Tencel. Tencel is a fabric made from wood fibre, has an equal comfortable feeling as cotton and can be used instead of cotton. Tencel only requires a small amount of the water compared to cotton production. Tencel is therefore more sustainable both in terms of its production and its longevity. We plan to introduce a line containing Tencel in the autumn of 2019 and hope to gradually expand our use of Tencel as a substitute for cotton in the coming years.

Another exciting development during 2018 is our use of chrome free tanned-sheep fur linings and suede. We have been able to source sheep fur free from added chrome, which is a sustainable natural material. Offering warm lining products is important, not the least for our customers in colder climates.

To minimize waste of resources we are working closely with our suppliers to optimize our use of resources, e.g. by producing as many shoes as possible from one piece of leather. This is both more cost-effective and resource efficient, thus minimizing waste.
THE PROGRESSIVE JOURNEY

Shoes with chrome-free tanned leather insock (pairs)

- 2015: 96,181
- 2016: 1,318,141
- 2017: 1,414,894
- 2018: 2,038,843

Shoes with recycled material content (pairs)

- 2015: 0
- 2016: 0
- 2017: 59,1
- 2018: 401,005

Shoes with sustainable textile lining (pairs)

- 2015: 0
- 2016: 238,444
- 2017: 464,044
- 2018: 2,044,389

Total: 2,201,515
ORGANIC GOTS CERTIFIED COTTON IN COTTON LININGS 2018

Conventional cotton 1.0%

Organic GOTS cotton 99.0%

TEXTILE LININGS 2018

Organic GOTS cotton 82.7%

Conventional cotton 0.8%

Recycled polyester 16.5%

CHROME FREE TANNED LEATHER IN LEATHER INSOCKS 2018

Chrome tanned leather 0.5%

Chrome free tanned leather 99.5%
Ethical Material Considerations

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

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

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

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

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

At Vagabond we are committed to minimize our negative impact on the climate. In 2018 we set the goal to reduce our goods transport emissions with 50% by 2030. Achieving this target requires cooperation and joint efforts with our suppliers and sub-suppliers, transport partners, fellow shoe brands, customers and our employees. While we realize this is not an easy task, we are dedicated reducing our negative climate impact through targets and efforts both within our own operations and through impacting our suppliers, sub-suppliers and through our choice of transport partners.

Continuous efforts for water management

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

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

We continuously search for partners to help us build knowledge and to cooperate on improving the water management together with our sub-suppliers. In September 2016, we became members of Sweden Textile Water Initiative (STWI and encouraged one of our important leather suppliers to join a hands-on project with water management together with a local STWI expert team. The project continued in 2017 - 2018, focusing primarily on efforts to reduce consumption of water, energy and chemical substances. When the project ended in March 2018 the supplier had significantly reduced its energy consumption.
These positive results could be attributed to the implementation of a more effective ventilation system, recommended by STWI, which highlights the value of cooperative projects and knowledge sharing. We hope to have the opportunity to be part of the next STWI project which is intended to kick-off in 2020 and would like to include more leather suppliers. While it is not possible for every sub-supplier to take part of such projects, we encourage both our suppliers and sub-suppliers to attend local STWI workshops when possible. These workshops are excellent opportunities to access information that can lead to the implementation of more environmentally friendly and cost-effective solutions.

We look forward to following the process of measuring and improving the water management in the leather factory, but also understanding the positive synergies between good water management, energy and chemical usage. While reducing water usage in the production, this also brings opportunities to reduce the needs for both energy and chemicals, which in turn can cut production costs significantly.

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

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

In 2018, we analyzed and investigated what additional actions we could take to reduce the energy use in our head office in Sweden and our production office in Vietnam. An interesting area has been to investigate possibilities for installing solar panels at our HQ and in Vietnam, and what producing some of our own energy would mean for us with regards to cost and energy savings. We will continue to explore this area and see the signs of possibilities increasing in Vietnam to invest in solar power in the future.

Optimization of box materials
An important part of our sustainability work is the optimization of packaging and the choice of packaging materials. During many years, we have worked intensely to optimize our box sizes to reduce the transport volumes and thereby decrease our transport needs. We strive to use recycled materials in our shoe- and cardboard boxes as well as in the filling materials. For 2018 our cardboard boxes and filling materials were made of 100% recycled material, while the different parts of our shoe boxes were made of 80-100% recycled material.
Transports – our impact

Employee transport
Being a global organization, the transport of our own employees on the job can be quite significant. Our policy is to choose digital meetings as our preferred meeting forum instead of travelling to external meetings. Whenever travelling is needed, our first choice is to go by train. In 2019 we plan to investigate how to reduce our climate footprint because of due to business travel.

Product transport
We continuously review the carbon dioxide emissions of our transport and carefully select logistic partners with a responsible and proactive environmental agenda. In addition, all our transport partners are required to sign our Code of Conduct. We have a consolidated logistics base in Vietnam. By having one consolidated warehouse, we can ship more products at the same time and thereby reduce emissions and costs. We also work actively with improving our filling ratio for transport worldwide. Our filling ratio in containers is 78-82% which is high compared to the average, considering that the maximum filling ratio possible is around 82-84%. Moreover, we generally use 40 feet high cube containers to use the transport space as efficiently as possible. This means we can transport more pair of shoes per each transport, which reduces our carbon footprint.

We are interested in further investigating transport by train for some of the transport options on land as a possible future solution for us. We are continuously keeping track of the development in this area, especially train transport from the production in Asia. One challenge for us is that most of our production is in Vietnam, whereas almost all trains depart from China. For the future, we would also like to see more cooperation between companies and brands, for example when it comes to co-packing of goods and co-transport, as a solution to minimize carbon emissions. In 2019 we intend to drive these questions in some of the industry networks that we are part of, in pursuit of collaborations that are mutually beneficial and reduces the environmental footprint in the industry. On our radar is also the possibility of using ‘intermodal transportation’ solutions, where train and boat transportation is combined when train transportation is not possible for the entire route. To transition to these kinds of solutions we are dependent on our transportation partners and available/their infrastructure.

Consumer transport
An indirect environmental impact of Vagabond’s activities are the emissions generated by consumers’ travel to and from our physical stores. While mapping our consumers’ transports and their environmental impact remains a challenge.
CO2e Emissions (tonnes) 2018

SHARE OF TOTAL CO2E EMISSIONS - SEA, AIR AND LAND 2018

Land 32%
Sea 46%
Air 22%
Reducing our chemical footprint

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

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

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

When introducing more sustainable materials we get better chemical control as a bonus factor. By requiring GOTS (Global Organic Textile Standard) certification for our cotton lining and insock materials, we also contribute to less exposure to chemicals in the farming and manufacturing processes. In 2018, near 100% (99%) of the cotton used in our production was GOTS-certified. In 2019 we will reach 100% as we now have used up our old stock of conventional cotton.

Furthermore, changes to chrome free tanned leathers reduces the need for heavy metals such as chromium in the tanning process, thus reducing the risk for primarily chrome allergies but also environmental pollution. One of the most challenging sustainability tasks in shoe production is the use of many strong glues and additives in the production. We cannot allow compromises on quality that could cause soles to come off or, in the worst case, cause injuries for our consumers. At the same time, we do not approve of the usage of chemicals that require the shoe factory workers to wear uncomfortable protective equipment during all working hours to ensure their personal safety.

There are many good reasons for why we should engage in a substitution of process chemicals in the glue products, not least to improve the working environment in the factories where our shoes are made. We continuously search the market for improved glues which can meet our standards, both for durability and restrictions of chemical, but so far, we have not been able to find any suitable product. Although we are up for the challenge and one way for us to help tackle the difficulties is through our engagement in a glue project together with the Swedish Research and Test Institute Swerea IVF. The main purpose of the project is to enable substitution of the current glue products to healthier and more environmentally friendly alternatives. All this without compromising on the good quality that is one of Vagabond’s corner stones.
The glue project with Swerea IVF entails two main phases, which we have worked on in 2017 and continued with in 2018. In the first phase we identified high-prioritized substances, and initiated efforts to get our suppliers to make substitution of unhealthy chemical substances. In the second phase, which started in 2018, we investigated what other industries are doing, and investigated if there are other products and processes that we can use for the bonding of shoes. Simultaneous to this, we work with improvements of ventilation and encourage our suppliers to pay attention to the importance of good ventilation in the chemical areas.

We always strive to find better, safer and more sustainable methods for our shoe production. This is an exciting development and we hope to eventually be able to transition to more sustainable glues and joining methods in our entire shoe production.
Extending the life-time of the shoe

We are determined to support our consumers to extend the lifetime of their shoes, but also to reduce their environmental impact of shoe maintenance by using more natural and sustainable shoe care products. We offer a small sustainable shoe care line in our own shops and we have reduced the selection of shoe care articles to a minimum.

From waste to new resources

We are committed to reduce the amount of waste that our production is responsible for. This commitment includes optimized material usage and construction, increased recycling of production spillage, usage of recycled materials in boxes and shop interiors, and looking at the period after the products have left the shelves. Aiming to help find a new purpose for shoes that are ready for reuse and recycling, we began engaging in a recycling pilot project in the end of 2016. In cooperation with the German company I:CO we collect used shoes to avoid them ending up in the household garbage. This project developed into our Shoe Bring Back program. Shoe Bring Back is a way for us to enable a more responsible consumption and means to consume wisely and contribute to reducing waste. The initiative has been very well received by our consumers and will continue during 2019 and onwards. For example, in 2019 we will launch Shoe Bring Back in Russia. By 2020 we aim to collect used shoes for reuse and recycling in all Vagabond shops around the globe.

Collected volumes are slowly increasing. In 2018 we received 1.185 kg shoes, and in total consumers have turned in 2.043 kg shoes since the initiative was launched in 2016. We continuously work to increase the quality of the materials extracted from recycled shoes and hope to launch a collection in the fall of 2019 using recycled, post-consumer rubber soles. We aim high and our long-term ambition is to use recycled soles in all our shoes and product lines.
ENGAGING WITH PEOPLE

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

Policies that guide us
To help us in this work, we have policies, routines and action plans in place. For example, we have policies and documented approaches for issues like alcohol and drugs, business ethics, threat and violence, equality and diversity, harassment, insulting treatment, bullying, rehabilitation and work adjustment. Other central documents include our Code of Conduct, and Child Labor Policy and Action Plan. In 2019 we will launch a new internal portal which will serve as an information hub for our employees, providing easy access to policies and implementation instructions to all Vagabond sites across the globe.

A Shoemaker’s Handbook
In 2017 we developed a cultural staff handbook – ‘A Shoemaker’s Handbook’ – focusing on who we are, what we believe in and stand for, how we work and how we envision the future. The handbook has been spread to all our co-workers and training sessions have been held in several Vagabond offices around the globe. The Handbook is also given to all new employees as an introduction to Vagabond and our values.
Diversity at the core
We see the great potential in different individual skills and backgrounds coming together. Our own global team is multi-cultural and working together to learn to see the world from different angles is truly enriching us. We believe that everyone deserves the right to prosper, regardless of who you are. As a modern company, we strive for equality, diversity and respect for human rights through the entire value chain. Including the opinions of our stakeholders in our sustainability work, we focus our engagement on topics related to both our own people and people in the supply chain.

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

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

Education and engagement

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

For our progress in the sustainability field, it is important that all employees are continuously updated on what is going on in the business, what steps we are taking and how we tackle the challenges that we meet. To reach all our co-workers and enable involvement, we schedule regular information sessions as well as tailored sustainability dialogues for smaller groups of co-workers and departments. In 2018 we held in total 27 training sessions on Sustainability for our co-workers and our sales agents and distributors. Additionally, tailored training sessions were held both in the spring and autumn season with our co-workers in the stores. In 2018 we also included understanding of how we incorporate the Agenda 2030 and the SDGs as an integral part of our international salesman training that is provided to our sales representatives twice a year.

Competence development

Our employees are our main assets. We believe that personal and professional development is key for job satisfaction, and it is essential for us that our employees enjoy and find their work meaningful. We have an annual budget per employee dedicated towards training and competence development. Every employee has a continuous dialogue with their manager concerning performance, long-term goals and career interests. We strive to enable growth within the organization and many of our employees have changed roles and responsibilities within the company over time. We also offer external career advisory, and other related, services to guide our employees in their career.
Welcoming new employees
We are always excited to welcome new employees to Vagabond. For example, we regularly organize seminars where new employees can engage with the managers from respective departments. In this way our new employees receive instant insights into how our company operates, the activities of each department as well as getting the opportunity to socialize with fellow new staffers. The introductory seminars also include an introduction to Vagabond’s sustainability work, values and culture.

Creating a healthy working environment
The health and well-being of our employees is essential for us. We believe that happy employees go together with improved performance and our ambition is that our employees should feel happy and excited to go to work.

Creating a healthy social working environment is one of our top priorities, and we intensified these efforts in 2018 and will continue to do so in the years to come. A healthy social working environment entails a sense of community, inclusion and mutual respect, as well as minimal stress levels and a culture that promotes a healthy work-life balance. We understand that promoting a healthy social working environment is a shared responsibility. Therefore each individual employee contract and role description define this as a shared, mutual responsibility.

We work actively to minimize stress levels, to treat the causes of stress when it occurs and to mitigate stress-related diseases. Our managers engage in continuous dialogue with our employees about their work situation and where stress is reported, we review the possibility of shifting workloads and priorities. We also offer our employees access to occupational health services, such as cognitive therapy treatment (CTT). At Vagabond we do not encourage working overtime and it rarely occurs that our employees work above their regular working hours. In addition, to support a healthy work-life balance our employees do not have company mobile phones, and thereby cannot be reached outside working hours.

Our “Well-being committee” in our office in Varberg is responsible for organizing fun activities for our employees every month. This is a great way for our employees to get the opportunity to bond, feel more connected to their colleagues and to create a sense of community, which contribute to increased happiness levels in the workplace. In 2019 we will dedicate time and resources to promote healthy social working environments in our other offices and in our own factory in Vietnam.

Supporting our leaders
In 2018, we held training sessions at the head office in Varberg, Sweden. All managers at Vagabond participate in training about the work environment. In 2018 we developed a leadership handbook intended to support our managers in their leadership. The handbook is based on Vagabond’s values and guiding principles and promotes inclusive leadership based on professional development and non-hierarchy. The handbook addresses topics such as conflict management and promoting equality. In 2019 efforts will be made to distribute the handbook in combination with continued leadership trainings to all of our managers.
Health and Safety

Healthy and happy co-workers help make Vagabond a stronger, more successful brand. The wellbeing of our co-workers is a top priority and we are committed to providing a safe and healthy working environment in all our units. In 2018, we had two reported work-related injuries in total, both in Vietnam. None of these were serious injuries. Both injuries were hand injuries, both employees were women and have recovered and are back to work. In 2016 we improved the control and extraction of hot air from the production in Vietnam, and in 2017-2018 we implemented further cooling systems to better handle the warm and humid climate in our own production and to make it more comfortable for our co-workers to wear the necessary personal protective equipment.

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

In 2018 we initiated a comprehensive review and risk analysis of the physical working environment in our head office in Varberg, with emphasis on safe handling of machines and chemicals. We continuously strive to improve both our physical and social working environment, and this work will continue in 2019 with the aim of including all Vagabond units.

Facilitating engagement at the workplace and in the community

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

Enabling and inspiring a more sustainable way of living

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

By running an internal volunteering program at the head office, we aim to enable more people to engage in the important volunteering work connected to causes that our employees are passionate about. Employees have the opportunity to engage in volunteer work three days every year with organizations of their choice. For each hour of volunteer work outside of working hours, the co-worker will receive half an hour flex time to encourage more personal engagement. In 2019 we intend to set up organized and joint volunteering projects to encourage more employees to take the opportunity to volunteer. With this initiative, we hope to create occasions together with the local society that will make it easier to participate and to facilitate our employees to combine volunteering with their family lives and obligations.

Charity donations

Part of our engagement in a changing world is manifested by our donations to charity and helping organizations. We want our co-workers to feel that their work has generated profit not only to the company but also as a means for helping people in difficult situations and for restoring the planet. Our charity focus areas are a) health, b) the wellbeing of the young or exposed, and c) the environment & climate. Some of the organizations that we donated money to in 2018 included Doctors without Borders, SOS Children Villages, WWF and WaterAid.

In 2018 we reserved part of our profit for charity donations, of which some is reserved for urgent support of crisis situations coming up during the year. As we are a global team, part of the share will be fixed for country specific donations chosen by each country unit. In 2017-2018, we gave our employees the possibility to directly impact parts of our choices for charity donations by a democratic vote, resulting in donations to organizations such as My Special Day, Aldrig Ensam and We effect. These selected organizations were also supported in 2018 to ensure long term support. During 2019 the employees will be given the possibility to again suggest and vote for what the local funds will be used for.

Welcoming trainees and students

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

The people in our supply chain

Vagabond acts in a diverse, global network with several thousands of people in the supply chain engaged in the making of Vagabond products. Considering both direct suppliers and sub suppliers, there is production for Vagabond in more than 20 countries. Our sub-suppliers include mainly material suppliers such as textile producers, leather suppliers and outsole manufacturers. Most of our textile are produced in Taiwan, most outsoles are produced in Vietnam while the leather is manufactured in different countries. We are committed to working together with our suppliers to create decent jobs, support human rights and to have a positive impact on the lives of the many people in the supply chain.
To enable a sustainable development, we need to ensure long-term business relationships where we can build mutual trust and a good understanding of what makes the lives of the people in the production better. We aim to cover a high percentage of our suppliers’ production volumes. In this way, we can be more engaged in our suppliers’ operations and have greater possibility to positively influence the conditions in the factories.

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

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

Freedom of Association
In 2016 we developed the union work at our own factory, Vagabond Vietnam. We introduced a yearly general labor conference, where the factory manager reported to the employees about the financial status of the company and the new regulations regarding compensation, social insurance and working hours. The main tasks for the union at Vagabond Vietnam during 2016 - 2018 have been to consult the employees in matters related to the Vietnamese work legislation, advise the employees regarding any questions about the company regulation but also to support the employees in cases of sickness or work-related issues.

Promoting employee well-being in our own factory
Owning our own factory in Vietnam means we have the possibility to directly influence the working conditions in our production. For example, when it comes to wages, benefits and working conditions Vagabond goes beyond what is required by Vietnamese labor legislation.

Vagabond’s Code of Conduct
To become a business partner of Vagabond, the supplier needs to be a skilled shoemaker and pass our strict quality requirements. The sustainability criteria are as important as the quality outcome of the supplier. Signing Vagabond’s Code of Conduct (CoC) is a precondition for doing business with us. Once the CoC is signed an initial CoC inspection visit takes place in the factory before any production commences. As soon as a supplier is accepted for Vagabond production, the supplier will immediately be included in the inspection scheme.
Training on the Code of Conduct and chemicals
In 2018 we held several training sessions for our suppliers, focusing on chemicals and the Code of Conduct. The Code of Conduct trainings, directed towards the managers at our suppliers and in our own factory, focused on how to understand the Code and the different advantages it gives suppliers who implement it. The chemical training centered around handling of chemicals and learning how to use chemicals. The training has covered many sustainability aspects and has been very well received by the suppliers. Because of the good, long-term relationships we have with our suppliers, we received access to share our ‘know-how’ not only to managers but also to the employees working on the factory floors. As a result of the trainings we have noticed a significant improvement when it comes to awareness of chemical safety. Suppliers regularly ask our advice before adding new chemicals and additives to their manufacturing processes, also related to other customers’ orders. In coming years, we want to continue to hold and to develop these and similar training programs.

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

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

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

2. Minimum age and Regulations for Young Workers
   Vagabond does not accept child labor.

3. No Forced labor
   Employment shall be freely chosen.

4. No Discrimination
   All employment relationships shall be based on the principle of equal opportunities, regardless of race, color, sex, religion, political affiliation, union membership, nationality, pregnancy or childbirth, social origin or handicaps.

5. Freedom of association and the right to collective bargaining
   The right of all workers to form and join trade unions shall be respected. Workers’ right to negotiate collectively must not be prevented in any way.

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

7. Working hours
   There must be no excessive working hours.

8. Safe and healthy working conditions, no harassment or abuse
   Vagabond requires that suppliers provide safe and healthy workplaces for their employees.

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

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

* Vagabond’s CoC in brief. The complete code can be read on vagabond.com/about us.
Vagabond’s CoC is based on the UN Human Rights Declaration, The UN Declaration on the Rights of the Child and the ILO Conventions on Workers’ Rights. The CoC also includes our environmental requirements. Our CoC is currently translated into Vietnamese and Chinese.
General Process flow of the CoC inspections
Full inspections are made in the suppliers’ factories in the period between low and peak seasons and cover the complete CoC, including interviews with managers and workers. At the end of the inspections, a corrective action plan (CAP) with prioritized findings is agreed upon with each supplier. We make sure to allow enough time frame to implement long-lasting improvements. After a Full inspection, we would normally follow-up to verify that the CAP findings have been closed. We follow up on the actions of improvements in place and we evaluate primarily by interviews with management and workers, and by reviewing documentations. During this period, we also support the factories with training on related issues and advise on best practices. Throughout peak season, our inspectors focus solely on Health and Safety inspections, reminding the suppliers to pay attention to safety measures also in busy production times.

The supplier’s good attitude and engagement in the improvement work is crucial for our continuous business relations. We favor the suppliers that engage in the Code of Conduct work. These suppliers will continue to receive stable production orders from Vagabond. Any supplier that does not take action according to the agreed corrective action plan or which has a questionable attitude to Code of Conduct work would be phased out gradually.
THE PROGRESSIVE JOURNEY

COC INSPECTION RESULTS

- FACTORY A: 82.9%
- FACTORY B: 83.9%
- FACTORY C: 87.7%
- FACTORY D: 79.7%
- FACTORY E: 80.1%
- FACTORY F: 75.4%
- FACTORY G: 75.9%

Legend:
- Result last Full Inspection 2015
- Result last Full Inspection 2016
- Result last Full Inspection 2017
- Result last Full Inspection 2018

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Dealing with challenges of implementation

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

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

As we aim for stable and continuous improvements in the production, we are concerned about these fluctuations. One way to tackle the issue is conducting follow-ups during the peak season and take the opportunity to then remind the supplier to address the most urgent issues. Depending on the nature of the supplier and the length of business relations, we do both announced and unannounced follow-up inspections.

Another means to reduce fluctuations between inspections is to provide training on how to work with compliance within the Code of Conduct and clarify what is expected of a supplier of Vagabond. Trainings implies good opportunities for an open dialogue on difficulties with implementation, between us and the suppliers, but also between the suppliers themselves. During 2018 we have held training sessions related to our Code of Conduct and about chemical handling for all the managers at our suppliers in Vietnam. In 2018 we reached 141 workers at 14 factories and all top managers in 9 of the factories.

The shoe industry is not as experienced as the textile and apparel industry when it comes to cooperation on the CoC work. It has been difficult to find partners among other customers to the same factories that share our values and who are willing to be transparent about inspection records in order to work together towards improved CoC implementation. In 2017 we found and commenced cooperation with other shoe brands, something that we continued in 2018 and will continue to develop in the coming years. Our collaboration with other shoe brands in common factories allows us to streamline our requirements and inspections for our mutual suppliers. This means that the suppliers can dedicate more time and resources towards improving their performance and CoC compliance, rather than catering to divergent needs and requirements from different customers.

We inspect the CoC compliance in our own factory in the same way as we do in the suppliers’ factories. In 2017 we initiated a third part CoC audit at our own factory as a verification of our own inspection work and we plan to revise again in 2019.
Phasing out suppliers that cannot meet our standards
There are occasions where our quality or CoC requirements cannot be met. The supplier is always given a clear explanation of our expectations and time to improve and we will frequently follow-up the improvements made. If the supplier still fails to meet our standards, we would choose to phase out the supplier gradually, giving time to allocate production and thus job opportunities to other customer orders. In 2018 no supplier was phased out due to non-compliance reasons.

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

Grievance mechanisms
Since 2016 we hold a worker hotline that can be used to inform us of any grievances to the CoC compliance in the supplier factory. The hotline number is included in our CoC that is posted in the factories. During the interviews with the workers, our inspectors explain how the hotline works, that the workers feedback will be kept confidential if required and what type of grievances we could support them with. We also explain that grievances should first be addressed to the factory managers, but if the issues cannot be solved, we would like to be informed to be able to support improvements. There were no grievances reported via the hotline during 2018. To ensure workers feel more comfortable using this mechanism if necessary, we are considering outsourcing the operation of the hotline to a neutral third party.
Other suppliers to Vagabond
We do not differentiate between suppliers when it comes to compliance to the CoC but require all Vagabond suppliers to sign our CoC. By doing so we include our transport suppliers, service suppliers, retail suppliers, office suppliers and marketing suppliers in our social compliance work.

Our sub-suppliers include mainly material suppliers such as textile producers, leather suppliers and outsole manufacturers. Most of our textiles are produced in Taiwan, most outsoles are produced in Vietnam while the leather is manufactured in different countries.

SUPPORTING HUMAN RIGHTS

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

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

We have not come across any confirmed incidents of child labor during 2018, but on a few occasions, we have needed to straighten out the specific work rules for young workers together with the suppliers. As a part of our charity work, we support the building of Children's Villages in our production countries. Mainly we have been involved in the family program, with support for children and their families, to enable school for the children instead of work during school age.

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

In many countries, the recruitment processes can be very complex with many external parties involved and very limited transparency. Sometimes the recruitment agencies would not allow sufficient insight into their business which leaves the factories struggling to ensure human rights are met. In these cases, we want to support our suppliers to tackle the issues.
THE PROGRESSIVE JOURNEY

We know we cannot do this alone and that we need to cooperate with local specialists and NGOs to reach long lasting change in the global recruitment industry. We are looking at cooperation with NGOs and other customers for the coming years.

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

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

Engaging in dialogue about the shoe-industry
At Vagabond we believe that sustainable development and societal progress require the active participation of all stakeholders, including business, governments and civil society. Constructive change happens through joint efforts and we welcome collaborations with other stakeholders.

In 2018 we had the opportunity to engage with Fair Action, the Non-governmental organization promoting fair labour conditions, and three fellow Swedish shoe brands in a dialogue about labour conditions in the shoe-manufacturing industry. We participated in two roundtable discussions, discussing the present challenges in the industry and how to address them. The roundtable discussions were partly a result of a 2018 Fair Action report where the NGO shed light on issues related to working conditions in leather tanneries. As part of the report, Fair Action reviewed four Swedish shoe brands and their supply chains.

One of the issues identified by Fair Action was the fact that Vagabond does not publicly list material suppliers (suppliers of textiles, leather etc.), which caused media attention during 2018.

We strive to be as transparent as possible about the way we make our shoes and our stakeholders can find a list of our direct suppliers publicly available on our website. The ability to identify the best possible material for a certain design, is one of our distinctive inhouse product development skills, therefor, at this point, providing the addresses of our material suppliers poses a business risk at the same time, Vagabond welcomes external supplier reviews and we encouraged Fair Action to visit our material suppliers in person. We believe that external reviews from NGOs and other stakeholders are mutually beneficial, providing insights and learnings for all parties, and we are happy to disclose our material suppliers to these actors.

As a result, we aim to strengthen our communication and spread knowledge about how our leather products are made and sourced. We hope this can lead to an even more constructive dialogue about the challenges in the business, and also shed light on what has been successfully accomplished in our factory, our suppliers and sub-suppliers’ factories. This will be a priority in 2019 and in years to come.
OUR BUSINESS

Vagabond Group

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

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

As of December 2018, Vagabond employs 577 people, including 119 at the headquarters in Varberg. Local sales, retail business and manufacturing are handled by 12 subsidiaries, all fully owned by the mother company except for the German branch (50% ownership). The branch offices are staffed locally and report to Vagabond International AB in Sweden. For 2018, the net sales were 860,48 MSEK and the total capitalization was 455,22 MSEK.
Sustainability management
As we are a relatively small company in terms of employees, we team-up internally in different ways to reach our sustainability objectives. All co-workers share the responsibility for a sustainable development in their area of work. The focus areas and objectives of the sustainability work are set by the Sustainability Management Group, chaired by the CSR Manager. This management group brings together a cross-functional team of senior executives and the CEO. Progress or concerns are regularly reported to the group by the CSR Manager who is also responsible for coordinating the Sustainability work in the organization.

The Board of Directors of the Parent Company are briefed continuously on the development of sustainability objectives. During 2018 we held briefings covering sustainability strategies and risks, performance, internal operations and challenges within the fields of health and safety, environment and human rights.
MATERIALITY AND STAKEHOLDER ENGAGEMENT

In 2015, we started to take a structured approach to sustainability reporting. Since then a materiality assessment is therefore conducted by Vagabond’s sustainability team every year. In this process, we collected input from end consumers in our shops, by e-mail and through social media. Key topics and concerns raised by the end consumers were requests for chrome-free tanned leathers, good working conditions in production, possibilities for recycling shoes and animal welfare. We also asked clients and distributors for opinions on Vagabond’s sustainability work, which showed that more transparency about our efforts was desired. Based on the stakeholder input and our own assessment of material issues we identified 20 topics that were of essential strategic importance. Our 2018 materiality assessment provided three new material topics for 2018: Reducing overconsumption, Conscious impact & Creating awareness and good physical and social working environments.

Sustainability risks
Our definition of sustainability risk is an event that has a negative impact on sustainable development. At Vagabond, we conduct continuous assessments of our sustainability risks and how they are managed and do this in connection to our materiality analysis. We use Vagabond’s value chain as a starting point when identifying our sustainability risks and look at Vagabond’s possible impact on areas such as the environment, social circumstances of our employees, human rights and anti-corruption. Risks and opportunities can be found in all parts of Vagabond’s value chain – from the raw materials and the production of products, to the consumption and end-use of our products. In the analysis of our sustainability risks, we also map how Vagabond handles the risks and look at what policies, activities, tools and governance we have in relation to the risk areas. In the final analysis phase, we assess the risks according to their materiality, and do this from an external and an internal perspective. Vagabond’s material risks and related risk management are described continuously and as an integral part of this sustainability report. Some of the policies that we have in place that address these risks include our Code of Conduct (which covers all five areas), Child Labor Policy and Action Plan and our Ethical Policy. Procedures such as the Corrective Action Plan for suppliers and the Grievance Mechanism available for all employees in the suppliers’ factories and at our suppliers allow us to effectively address any identified issues relating to these areas.
Top priority - materiality analysis
The top priority areas with high stakeholders’ interest, and with high possibilities for Vagabond to influence impact are:

- Environmental and Health aspects in the choice of material (Design & Product Development)
- Recyclability of materials / Circular design approach (Design & Product Development)
- Social trends/New customer preferences (Design & Product Development)
- Ethics, leather and fur (Design & Product Development)
- Emissions to air and water (Production)
- Emissions to air and water (Logistics)
- Working conditions (Logistics)
- Providing opportunities for reuse/recycling of products (Stores)
- Supply and information about more environmentally friendly alternatives (Sales/End-consumer/Clients)
- Shoe care and lifecycle approach (Sales/End-consumer/Clients)

Since 2015, the materiality analysis has been reviewed on an annual basis by Vagabond’s sustainability team. We have also continuously developed our approach to stakeholder engagement and strive to have an ongoing dialogue with a wide range of stakeholders through various channels. To define and prioritize our stakeholders, we look at the actors that are affected by Vagabond’s operations, and their need and expectation of information.

The channels for a stakeholder dialogue are mainly through our market places: within the concept stores, our online customer care and other social media platforms. We answer directly, or re-direct the question to the experts at our headquarters. Other tools are clinic training within own stores and key clients, student projects and employee surveys. We also attend round table meetings with non-governmental organizations (NGOs). During 2018 we attended a round table meeting with the NGO Fair Action. Topics for discussions were transparency and the improvement of labor conditions in the shoe manufacturing industry.
There are two main criteria that guide our materiality assessment; stakeholder expectations and our own priorities on how to reduce negative impact and maximize positive impact on sustainable development. When reviewing our materiality assessment for 2018, we paid extra attention to global customer and sustainability trends that affect us as a shoe company. Increasing demands on sustainability information, more emphasis on sustainable consumption and sustainable materials are two examples of such relevant trends.

The intention for 2018 was to gather stakeholder feedback from even more stakeholder groups, to facilitate further evaluation of valuable opinions, and engage in even more directed efforts when it comes to stakeholder dialogue. Unfortunately, we were not able to implement this as planned. However, our ambition is to continue develop this work and put extra focus on employees and owners during 2019.

**Our value chain - applying a circular approach**
At Vagabond we believe that we must take a value chain perspective in our efforts to drive sustainability. Therefore, we build our sustainability program on a circular approach for the entire value chain. We want to enable our customers to buy great shoes, knowing that the production has generated less waste, has had less strain on the surrounding environment and that we have reduced the amount of process chemicals. We are also committed to extending the life-time of shoes by giving our customers advice on how to best maintain their shoes, by continuing to provide less harmful shoe care products, and finally by collecting used shoes for reuse and recycling. Looking ahead, we believe it will become even more important to be proactive and innovative in the search for more sustainable materials.
We are striving to control the entire value chain which is also crucial in allowing us to reach a higher degree of independence. This starts with the design studio at our headquarters, where we make all decisions on design, create our own unique patterns and full-scale prototypes, make product development and strategic choices of materials. By owning our own production facility in Vietnam and working closely with our suppliers, we can work in a hands-on way with sustainability also in the production phase. We aim for a steady base of suppliers and strive to develop good and long-term cooperation. In total we currently have seven suppliers, including our own factory. Five of these are located in Vietnam, one in China and one in Cambodia. The average length of a shoe supplier relationship with Vagabond is 7 years. In addition, we have a number of sub-suppliers that our suppliers deal and communicate directly with.

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

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

PARTNER/COOPERATION
- The Chemicals Group
- Swerea IVF
- STWI
- Nordic Shoe network
- I:CO
- CSR in Western Sweden
- Svensk Handel
- Global Fashion Agenda
ABOUT THE REPORT

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

The information in this report is for the Financial year of 2018, starting from January 1st and ending in December 31st, 2018. This report constitutes Vagabond International AB’s statutory sustainability reporting. The reported data covers the Vagabond Group. We aim to measure and report our impact across our value chain, using our own data in most cases and statistics provided from some of our partners. In each case of external data, this will be notified in conjunction to the text. All data is collected by our sustainability team from the relevant functions within our organization and from external parties such as suppliers and partners. The data is based on the best possible systems that are currently available for us. Wherever limitations have been made, this is described within the chapter. In 2018, three Vagabond stores were closed and one new was opened with the addition of a pop-up store which opened for a short period of time in Milano. There have been changes in the ownership structure in 2018, where two of the former three owners sold their shares to the third owner, who is also the founder of the company.
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<th>Top Priorities</th>
<th>Why?</th>
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<th>SDG*</th>
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<tr>
<td>Reduce the emissions to air deriving from the transport of products and our business trips</td>
<td>Strengthen our resilience to climate related hazards. Reduce the negative impact on the environment, and reduce the risk of climate related taxes and/or fees.</td>
<td>Reduce the CO2 emissions deriving from goods transportations with 50% by 2030.</td>
<td>12 Climate Action</td>
</tr>
<tr>
<td>Access to clean water in the production countries</td>
<td>Reduce chemical usage and improve waste water reuse and treatment. Expand the international cooperations and support the capacity-building related to water in developing countries. Include water harvesting, desalinations, water efficiency, waste-water treatment, recycling and reuse technologies in the internal educations and actions.</td>
<td>Hands-on projects together with STWI, contributing to real and measurable reduction of water, energy and chemical usage in the supply chain. Workshops for building knowledge related to water, energy and chemical management/saving.</td>
<td>6 Clean Water and Sanitation</td>
</tr>
<tr>
<td>Reduce and substitute process chemicals to more environment and health friendly alternatives</td>
<td>Ensure the health of our workers by reducing the risk of potential illness related to the handling of process chemicals.</td>
<td>The glue project, aiming to replace unhealthy chemicals from the production facilities. Training of workers to increase the awareness of the process of chemicals and the necessary safety measures. Promote efficient and safe working tools for chemical handling and encouraging investments in new systems for ventilation and extraction of fumes.</td>
<td>3 Good Health and Well-being</td>
</tr>
<tr>
<td>Reduce overproduction</td>
<td>Decrease costs related to over-production and hence reduce the need for natural resources.</td>
<td>Close cooperation with retail customers to optimize volumes.</td>
<td>8 Decent Work and Economic Growth</td>
</tr>
<tr>
<td>Encourage conscious consumption</td>
<td>Reduce our common environmental footprint by ensuring that our customers have relevant information to make conscious choices. Strengthen our brand reputation by transparent communication.</td>
<td>Sustainability training and information, both internally in the supply chain and directed to clients and consumers.</td>
<td>12 Responsible Consumption and Production</td>
</tr>
<tr>
<td>Good physical and psychosocial work environment</td>
<td>Support a healthy and good life for the people in our own workplaces and in the suppliers’ premises.</td>
<td>Provide training on health and safety in the workplaces, for workers and the factory managers.</td>
<td>3 Good Health and Well-being</td>
</tr>
<tr>
<td>Good working conditions in the manufacturing units</td>
<td>By ensuring good working conditions in a stable and productive workforce, we secure a good quality and hence the brand reputation.</td>
<td>Regular inspections of the working conditions in the suppliers’ factories. Support the actions of improvements.</td>
<td>8 Decent Work and Economic Growth</td>
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<td>The Progressive Journey</td>
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<tr>
<td><strong>Selecting materials with care and consideration for the environment and the health of consumers and producers</strong></td>
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<tr>
<td><em>Ensure the health of consumer &amp; staff</em></td>
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<tr>
<td><em>Reduce the risk of air, water and soil pollution in the local production community</em></td>
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<tr>
<td><em>Reduce the chemical usage deriving from cotton farming and textile production</em></td>
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<tr>
<td><em>Secure resources by increasing water-use efficiency and a reduced risk of water scarcity in the local production community</em></td>
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<tr>
<td><em>Secure future material resources and reduce marine pollution</em></td>
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<tr>
<td><em>Ensure sustainable forestry</em></td>
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<tr>
<td><em>100% chrome free tanned leather linings and insocks</em></td>
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<tr>
<td><em>Substitute process chemicals and educate the managers and workers in the supply chain about accurate chemical handling</em></td>
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<td><em>STWI projects and workshops</em></td>
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<tr>
<td><em>100% Organic GOTS-certified cotton to replace conventional cotton for linings and insocks</em></td>
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<tr>
<td><em>Introduction of Tencel as an alternative cotton-like material with less environmental impact</em></td>
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<tr>
<td><em>Select 100% recycled polyester instead of new polyester</em></td>
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<tr>
<td><em>Select only FSC-certified cork, wood and paper material &amp; chose cellulose based shoe materials</em></td>
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<tr>
<td><strong>Reduce use of new resources/materials &amp; Circular design approach</strong></td>
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<tr>
<td><em>Efficient use of natural resources. To keep your shoes longer, is our main sustainability argument</em></td>
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<tr>
<td><em>A circular approach early in the design process, secures an efficient use of natural resources in our production and manages the future risk of lack of materials</em></td>
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<tr>
<td><em>A reduced waste by recycling and reuse</em></td>
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<tr>
<td><em>Continue to offer good quality products and advice on how to take care of them to extend the product life-time.</em></td>
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<tr>
<td><em>Optimization of material, introduce and increase the usage of more sustainable materials</em></td>
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<td><em>Circular design framework for material selection</em></td>
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<td><em>Increase the collected volumes in our Shoe Bring Back program</em></td>
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<td><strong>Leather/fur/ animal welfare ethics</strong></td>
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<tr>
<td>Engagement in ethical trading and end trafficking of protected species and fauna. To use leather only from animals bred for meat production.</td>
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<td>Commitment to the Fur Free Retailer program and cooperation with other brands on animal welfare issues.</td>
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<td><strong>Provide opportunities for reuse/recycling of products</strong></td>
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<td>Reduce waste through cooperation with customers and partners on recycling and reuse.</td>
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<td>Increase the number of shops and locations included in the Shoe Bring Back program.</td>
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<td><strong>Shoe care and advice on how to extend the lifetime of the products</strong></td>
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<td>Achieve sustainable management and efficient use of natural resources. Keeping your shoes longer is the most sustainable thing each person can do.</td>
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<tr>
<td><em>Offer environmental friendly shoe care products.</em></td>
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<td><em>Recommend regular maintenance and encourage repair.</em></td>
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*SDG=UN’s Sustainable Development Goals*

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<td>102-105</td>
<td>Number of new employees with permanent employment contract</td>
<td>36, 1, 0, 1, 1, 0, 5, 0, 55, 100</td>
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<td>102-106</td>
<td>Number of employees with temporary employment contract</td>
<td>2, 7, 0, 3, 1, 16, 0, 11, 0, 40</td>
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<td>102-107</td>
<td>Number of male employees with temporary employment contract</td>
<td>10, 1, 0, 0, 0, 1, 0, 3, 0, 15</td>
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<tr>
<td>102-108</td>
<td>Whether a significant portion of Vasafood’s activities are performed by workers who are not employees, e.g., consultants</td>
<td>No, No, No, No, No, No, No, No, No, No, No, No</td>
<td></td>
</tr>
<tr>
<td>102-109</td>
<td>Does Vasafood have significant variations in the numbers reported above during the year, e.g., due to seasonal variations?</td>
<td>No, No, No, No, No, No, No, No, No, No, No, No</td>
<td></td>
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<td>102-110</td>
<td>Percentage of female employees working full-time</td>
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<td>102-111</td>
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<td>102-112</td>
<td>Percentage of male employees working part-time</td>
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<td>102-113</td>
<td>Percentage of male employees working part-time</td>
<td>11, 1, 0, 0, 1, 0, 1, 0, 3, 0, 17</td>
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THE PROGRESSIVE JOURNEY
CONTACT US

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