

# THE PROGRESSIVE JOURNEY

VAGABOND SUSTAINABILITY REPORT 2016



**VAGABOND**  
SHOEMAKERS



The Progressive Journey  
VAGABOND SUSTAINABILITY REPORT 2016

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### WE ARE VAGABOND

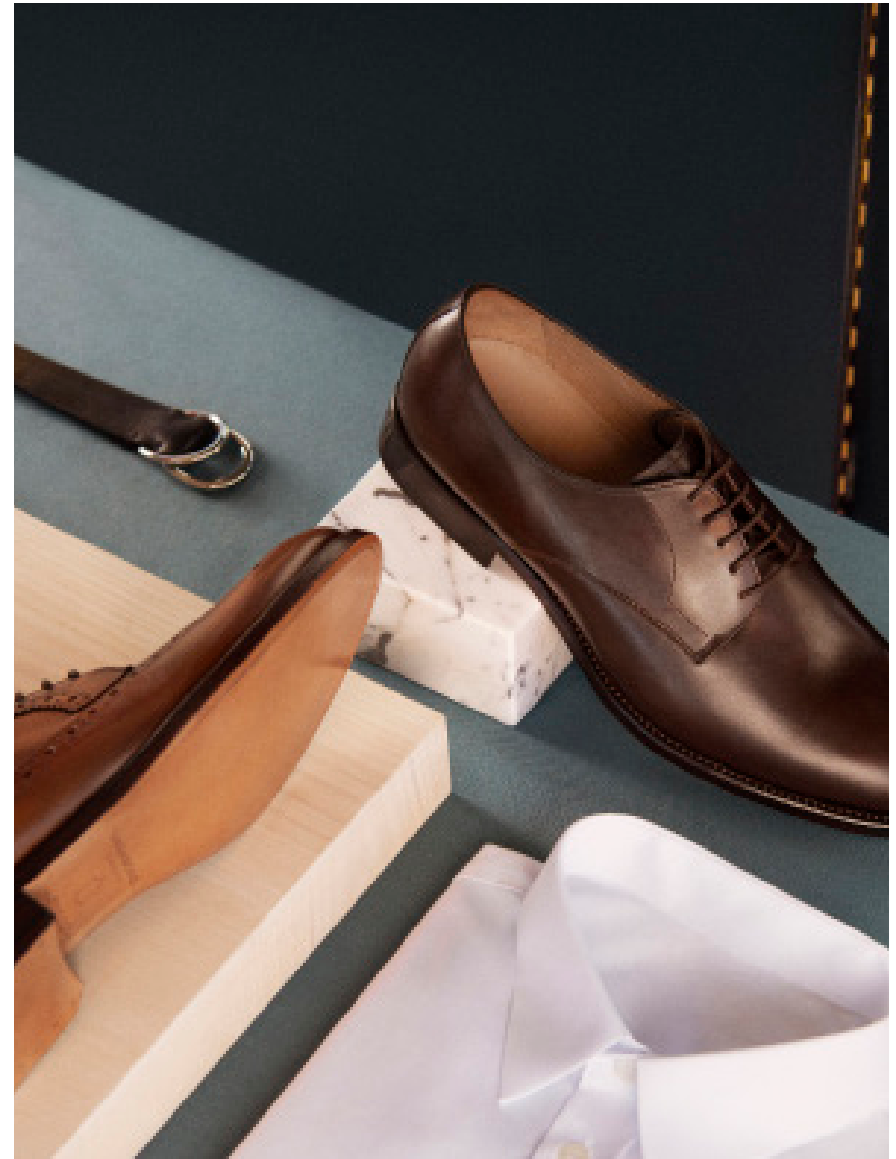
Vagabond is a contemporary success story based on dedication, craft and the undying love for a great looking shoe. The inspiration is drawn from anything from architecture to film, but above all from all the interesting people crossing paths with Vagabond. Each collection is about every day fashion with a lot attention paid to harmonies, sustainable quality and the details that count.

Our philosophy has always been to make a great product 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 2016. We are happy to share it with you and warmly invite you to follow us on our Progressive Journey.

Vagabond Shoemakers

*Varberg April 2017*



### A WORD FROM OUR CEO

#### **Resource management on all levels**

2016 has been a year of many dramatic challenges in the world; the refugee catastrophe and natural disasters which ruthlessly disrupt people's lives and affects us all. Simultaneously, it has also been a year of new ideas, new ways of doing business with a circular approach in mind. We meet a lot of people in our daily business and each encounter is a chance to engage, listen and develop further in a sustainable way. We'll have to embrace every opportunity to make a positive difference, if ever so small.


**Our vision** is to be *A global designer brand bringing shoes and accessories to a diverse audience*. Within this comes responsible design and helping our customers make more sustainable choices.

**Our commitment** is resource management. There is no doubt we know a lot about the art of shoemaking, which in turn gives us good possibilities to make improvements as well as recognize challenges. But we do not rest in our achievements. We want to do better. We know that we can challenge, not only ourselves, but also our suppliers and customers to aim even higher.

**Our tools** are to be innovative, openminded and have a technical approach on all levels. It is also to share insights and make sure they are incorporated into the daily operations. In 2016 we initiated our Shoe Bring Back project, where we will now invite partners to join in. To the Vagabond house we've welcomed young people and the newly arrived to get inspired and learn about possible job opportunities. This initiative has only just started and we want to do more. Finally, we are excited to see how the innovation in high tech material - cherry wood - in our sneaker Paul, will be received amongst our followers.

This is just to mention a few of the projects. And the better we do, the more funds we can share with the fantastic organizations out there who everyday operate within *health, environment, and the wellbeing of the young and outcast*.

Being a Vagabond might sound like a lonely business, but there is nothing solitary about it. We are always a We never an I. Never a Me.



Anders Odén  
Varberg, May 2017



## THE PROGRESSIVE JOURNEY



### Commitment 1 For the conscious end-consumer: choice of materials

- Continuously increase the share of chrome free tanned leather for our inner materials to minimize risk of allergies. For 2016 we reached 70% and we are aiming for 100% chrome free tanned inner leathers in 2018. P. 8-9
- Continuously increase the share of organic, GOTS certified cotton. In 2016 we reached 41%. Significant achievement to contribute to the reduction of chemicals used in the cotton production. P. 8-9
- The introduction of recycled polyester, aiming to eliminate the need for new materials of fossil origin. We aim for 100% recycled fossil materials in 2018. Page 8
- 2016 The Non-Animal collection became a permanent part of our collections. This collection is a response to the growing consumer interest in vegan and climate smart alternatives. P. 10
- We started to evaluate innovative materials from renewable sources and vegetable waste as possible shoe materials. Aiming to reach a more circular approach in the material life cycle. P. 8-10



### Commitment 2 For production & environment: water, chemical requirements and control

- Members in the STWI cooperation. Aiming for a better water management in the manufacturing of our materials. P. 11
- Continuing our glue project together with the test institute Swerea in Gothenburg. Phase 2 initiated, meaning not only the investigation of existing glues, but also new innovative formulas & training. P. 15
- Strengthening our chemical requirements and enhanced controls of process chemicals. P. 14
- Increasing the number of chemical tests. P. 14



### Commitment 3 Production & Social: working environment

- Including also the sub-suppliers (material) in our Code of Conduct inspections. P. 26
- Valuable improvements in the working environment and conditions in the supplier premise. P. 25
- Improving the worker engagement and working environment in our own factory. P. 19 & 23.
- Workers hotline was introduced during 2016. P. 29



### Commitment 4 For the future: circular approach and conscious consumption

- During 2016 the shoe care products were changed to contain more natural ingredients. We promote good shoe care to extend the life-time of the shoes. P. 16
- Our Shoe Bring Back was introduced in our shops. Finally, there is a technique available for the recycling of whole shoes and thus opportunities to bring good materials back into the production loop. P. 16



### Commitment 5 Engagement & Training

- 25 internal training occasions on Sustainability issues during 2016. P. 18
- Volunteering scheme, facilitating community engagement. P. 20
- 2% of profits to donations, democratic vote for part of the donations. P. 21

### In Action 2017

- Vagabond's first shoe with an upper made in recyclable wood- and textile material (Paul in cherry wood)
- The Shoe Bring Back program is extended to include all concept stores
- Detailed material declarations and origin.

## THE PROGRESSIVE JOURNEY

### TAKING THE SUSTAINABLE PATH, ENABLING PROGRESS AND CHANGE

The natural resources on earth are limited and we need to be smart in managing them. We are committed to strive for the best possible resource management, including both planetary and human assets.

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 societies.

Considering the important opinions of our stakeholders in the aim to reach our vision, we map the areas where we can have the largest positive impact. We work with three key areas for which we build our strategies and set our objectives; Ensuring our Sustainable Growth, Managing the Planetary Resources and Engaging in people.

We want to set good examples by sharing both achievements and challenges and be open about the way we work. Understanding 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 but we believe that by commitment and steady work we will reach beyond expectations.



#### VAGABOND SUSTAINABILITY VISION

Vagabond will offer quality fashion products that are made in an economiccally, socially and environmentally sustainable way.

Our vision is to have a positive impact on the people and communities associated with our activities and help to meet the needs of both present and future generations.

Our brand will be associated with a sustainable fashion consumption behavior that meets the demands of our stakeholders worldwide.

*Varberg, December 2nd, 2015*



### ENSURING SUSTAINABLE GROWTH

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 growth.

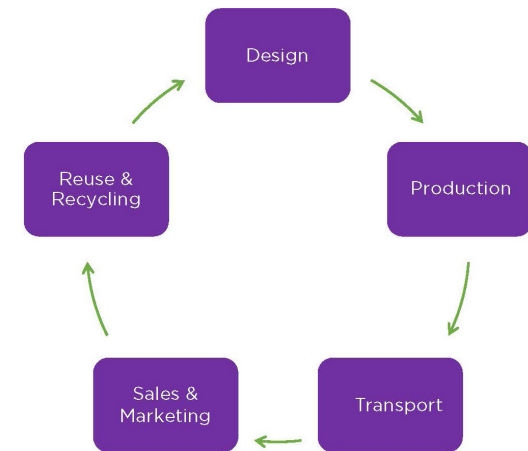
#### Engaging in a more sustainable and circular approach

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 derived from waste products and recycled materials.

We want to enable our customers to buy great shoes, knowing that the production has generated less waste, conserved and re-used water, reduced the amount of process chemicals and enabled people in the production to live a healthy and good life. We are committed to extend the life-time of shoes by giving our customers advice on how to best maintain their shoes, providing more natural shoe care products and finally collecting worn out shoes for reuse and recycling.

#### Engagement throughout our value chain

We strive to make conscious decisions in all parts of our organization and to maximize our influence on our suppliers for a sustainable development. Taking the ownership of every decision in our value chain opens opportunities to make a real difference and we are dedicated to embracing these possibilities. Challenges in the business are in many cases complex. We need to tackle these by making conscious and responsible choices and learning to understand the impact of our business on people and the planet.



VAGABOND VALUE CHAIN



## THE PROGRESSIVE JOURNEY

### **Engagement in the supply chain**

The financial benefits of a skilled and stable work staff in the factories is evident. Skilled workers that work under good conditions in a healthy environment will deliver good and stable quality and the productivity will remain high. To attract and maintain a stable workforce we believe it is crucial that our suppliers have good standards in their factories. We can 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.

### **Investments for sustainable change**

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 for example the glue project, new material development, projects aiming to reduce the water and energy usage in the supply chain and investments in cooling aggregates in our own factory.

### **Communication**

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. 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 hold an important part of the sustainability communication towards our clients, agents and distributors as well our Retail colleagues who help consumers in our shops to make informed choices.



### 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 and energy required for the production, to reduce the carbon footprint of our transportation and to enable more sustainable ways of consumption for our customers. Listening to the voice of our customers, we find that sustainable materials and the possibility to recycle shoes are especially 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, expand while learning how to improve the circularity of materials in our collections. By conscious and dedicated choices of materials in the Design and Product development we prepare for a more sustainable production. By 2018 we aim to use more sustainable materials for the linings and insoles, the close-to-the-skin materials, in all our shoes\*.



\*Sustainable materials such as chrome free tanned leathers to prevent chrome allergies, organic, GOTS certified cotton for environmental care and healthier cotton farming, recycled materials for a more circular approach and other materials from renewable sources.

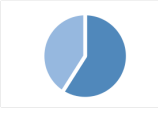

## THE PROGRESSIVE JOURNEY

### Materials

We embrace a sustainable approach from the very first stage in our design- and product development. Realizing that a shift of mindset towards a more circular approach comes with both effort and time, we have decided to focus on a step by step approach. For us it is important to apply each improvement on the full product range and to measure and communicate our achievements to motivate our people.

The materials that we like to use for linings and insoles are quite demanding when it comes to resources like water, energy, chemicals and fossil sources. We decided some years ago 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 chose to develop more sustainable selections like organic, GOTS certified cotton, chrome free tanned leather and recycled polyester. By 2018, 100% of our linings and insoles will come from more sustainable sources.

**Statistics for the production for each season  
(not including eventual left over stock in the shops).**

TARGET	SS 2016	AW 2016	FULFILMENT 2016	EXPECTED SS 2017
All cotton linings will be 100 % organic and GOTS certified by 2018	16 %	41 %		97 %
All leather insoles will be 100 % chrome free tanned by 2018	61 %	70 %		88 %



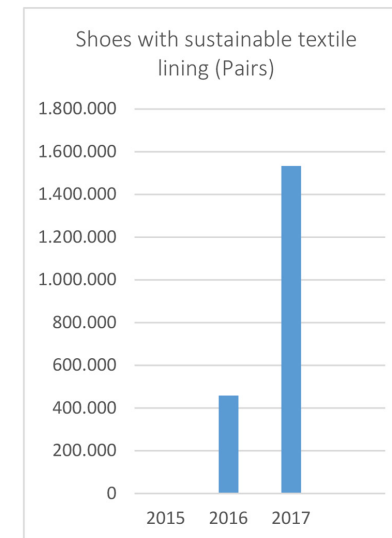
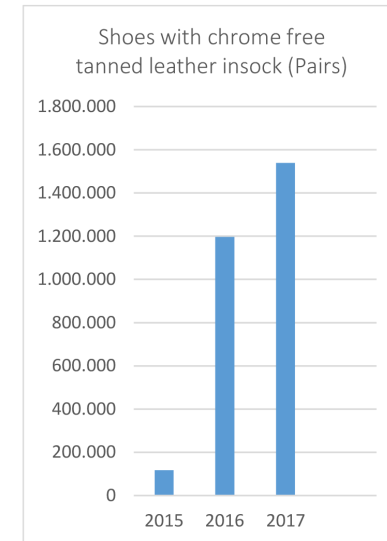


## THE PROGRESSIVE JOURNEY



Once we reach our targets for the lining and insock materials, we will move on to setting inspiring targets for the outer materials for the years to come. This will be even more challenging for us as we need a larger variation of outer materials. 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 new wood material that we are promoting for some of the men's models in springtime 2017. In autumn 2017, we make a change from new to recycled polyester in warm linings. We are inspired by technical materials that are derived from vegetable waste such as for example coffee beans or fruit peels and we follow the development of such innovative materials closely.



### **Ethical Material Considerations**

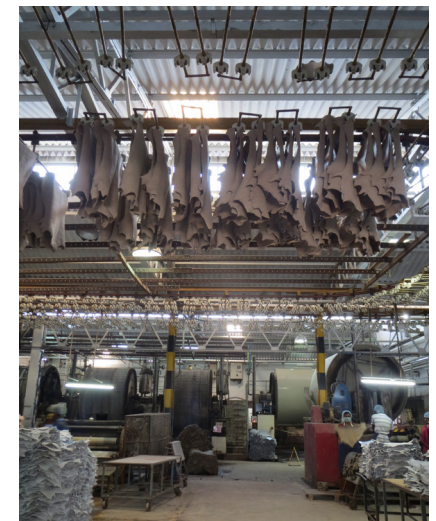
Ethical business is crucial for Vagabond. Integrated in ethical business is a conscious selection of materials. Care for animal rights is a natural part of our requirements, included as a specific section in our Code of Conduct.

We take a stand against unethical materials such as fur or leather from endangered species or 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 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 trace the leather all the way from the tannery to the farm. During 2015 we joined a Swedish initiative for materials derived from animal origin, driven by the branch organization Svensk Handel (Swedish Trade Federation). The initiative works to develop 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 cooperate with other companies that face the same difficulties.

During 2016 we have continued to explore materials that are alternative to leather and decided to make our Non-Animal collection a permanent part of the full collection. The non-animal articles are made with leather-like materials and 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 we have struggled to find leather-like materials of high quality that are environmentally friendly in regards to both origin and production process. Finding more sustainable leather-like materials is currently one of our big challenges.





## THE PROGRESSIVE JOURNEY

### Water

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 the obstacle for people around the globe to gain access to clean water. Learning 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 large consumption of water and energy resources. By working closely with our suppliers and encouraging them to map usages 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 significant. In 2016 we started to collect statistics of the water management from the suppliers of leather and textiles, finding both proactive and positive management but also gaps in knowledge.

We searched for partners to help us build knowledge and to cooperate on improving the water management together with our sub suppliers. In September 2016, we joined STWI (Sweden Textile Water Initiative) and encouraged one of our important leather suppliers to engage in a hands-on project on water management together with the STWI local expert team.

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 a good water management and the energy and chemical usages. While reducing the water usage in the production, this also brings opportunities to reduce the needs for both energy and chemicals which in its turn can cut the production costs significantly. When looking at the full picture, a better water management is an all-win solution for the tannery, us and our customers but above all for the planet.



## THE PROGRESSIVE JOURNEY

### Energy and Emissions from production

Part of our environmental footprint derives from the way we and our suppliers manage 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 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, a job which will continue in 2017. As most of our suppliers are based in Asian countries where the usage of coal energy can be a daily practice, we pay special interest in their choice of energy sources. The usage of coal gives an unacceptable ecological footprint and we continue to encourage to change to renewable energy wherever available. By working together with the STWI organization we hope to gain valuable insights on energy needs and costs that are related to water management in the textile manufacturing factories and the tanneries.



In action: In 2017 we aim to analyze and investigate which other actions we can take to reduce the energy use in our Head Office in Sweden and Production office in Vietnam. An interesting task is investigating possibilities for installation of solar panels and what producing some of our own energy would mean for us in regards to cost and energy savings.

### Box optimization and Box materials

An important part of our sustainability work is the optimization of the 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. In 2016 we further improved our filling ratio for boat transport to 78 % from 77 % in 2015.



### Transports – our impact

During 2016, we hosted an external training on climate effects derived from the transports to build knowledge and to help us to set challenging targets for reduction of our transport footprint. The training enabled a better understanding of our current emission impact and the possibilities to reduce our carbon footprint.

Category	Area	Recycled material i %
Shoe box	Shell board	78-85
	Base board	95-100
Filling paper		100
Wrapping paper		100
Outer box		100

### The carbon footprint of our peoples' transports

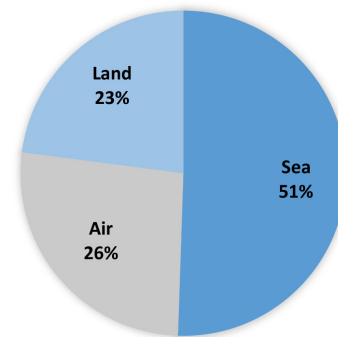
Being a global organization, the transport of our own employees on the job can be quite significant. Our policy is to choose digital meetings as our preferred meeting forum instead of travelling to external meetings. Whenever travelling is needed, our first choice would be train journeys wherever possible.

### The carbon footprint of product transport

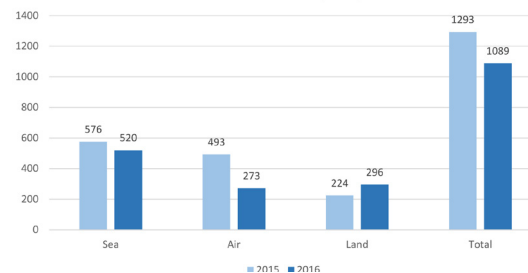
We review the carbon dioxide emissions of our transport methods, carefully selecting logistic partners with a responsible and proactive environmental agenda. During 2016 we consolidated the logistic base to be able to measure and compare the environmental efforts of our transport partners.

We are interested in further investigating train transport for some of the shipments via road as a possible solution for us.

Share of total CO<sub>2</sub> emissions  
Sea, Air and Land transports



CO<sub>2</sub> emissions (tons)



CO<sub>2</sub> emissions derived from transport  
suppliers statistics



### Challenge

For the future, we would like to see more cooperation between brands such as co-packing of goods and co-transports as a solution to minimize the carbon emissions.

### Transport – the impact of our customers' transport

On our to-do list is investigating the environmental impact of customers transport to our stores and the impact of the transports and returns from the E-store. Realizing this will be a difficult task, we are open for cooperation with other companies, focusing on a life-cycle approach.



## THE PROGRESSIVE JOURNEY

### Chemicals

Chemical pollution is one of the big challenges in the modern shoe industry. Processes at both shoe manufacturers and material producers are relatively chemical intense. We are committed to reduce and replace chemicals that can cause harm to people and the planet. Recognizing 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 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 a production with a continuously reduced chemical footprint. By gradually requiring our suppliers to take more responsibility on 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.

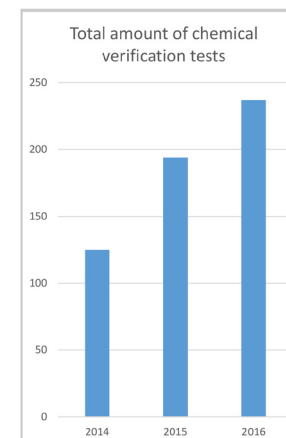
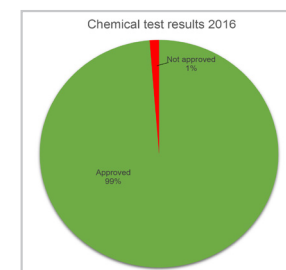
The RSL is based on the EU REACH legislation and additional National requirements of our sales countries.

When introducing more sustainable materials we get better chemical control as a bonus factor. By requiring GOTS certification for our cotton lining and insock materials, we also contribute to less exposure to chemicals in the farming and manufacturing processes.



Changing to chrome free tanned linings and insocks reduces the need for heavy metals such as chromium in the tanning process, thus reducing the risk for both chrome allergies and environmental pollution.

Chemical tests 2016. Focus on selected substances from our RSL







## THE PROGRESSIVE JOURNEY

*Challenge:* 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 and in the worst case, risk of injuries to our customers. 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 to 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 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 Swedish Research and Test Institute Swerea IVF. The main purpose of the project is to enable substitution of the current glue products to healthier alternatives. All this without compromising on the good quality that is one of Vagabond's corner stones.

Working systematically step by step, we prioritized the analysis of high volume glue chemicals in the first stage 2016 and we will move on with analysis of the medium and low volumes and other fixing techniques in 2017. We are committed to change to more healthy chemicals and thus reduce the chemical emissions. By close cooperation between our Swedish and Vietnamese offices, we aim for implementation in our own factory first and in the next step implementation in our suppliers' production.

TARGET	2016	2017	2018	FULFILMENT 2016
Analysis of chemical content in high volume chemicals	100 %	-	-	
Substitution of content in the high-volume glue chemicals	-	50 %	100 %	
Analysis of chemical content in medium and low volume chemicals	-	100 %	-	
Substitution of content in the medium and low volume glue chemicals	-	-	100 %	



## THE PROGRESSIVE JOURNEY

### Extending the life-time of the shoes

We are determined to support our customers to extend the lifetime of their shoes but also to reduce their environmental impact of maintenance by using more natural and sustainable shoe care products. During 2016 we presented a more sustainable shoe care line in our own shops and reduced the selection of shoe care articles to a minimum

### From waste to new resource

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 but also looking at the life after the products have left the shelves.

Aiming to help find new purpose for worn-out shoes and bring used but good materials back in the production loop, we have engaged in a recycling pilot project in the end of 2016. In cooperation with the German company I:CO we collect worn out shoes for reuse and

recycling. The recycling of shoes has been a difficult task, but with the help of new innovative recycling techniques it has now been made possible. We are excited to see that worn-out shoes finally can be split into different material fractions for the making of new products with new purposes.

We want to enable a more responsible consumption and means for our customers to consume wisely and contribute to reducing waste. By our Shoe Bring Back initiative we encourage our customers to bring back their worn-out shoes to our stores and to start regarding old shoes as resources.

By 2020 we aim to collect worn-out shoes for reuse and recycling in all Vagabond shops around the globe.



TARGET	2016	FULFILMENT 2016	2017	2020
Enable reuse and recycling of shoes – pilot phase in Sweden	Shoe Bring Back Pilot project in 4 Vagabond stores			
Enable recycling of shoes in Vagabond stores globally			20 % of Vagabond stores	100 % of Vagabond stores



### ENGAGING IN PEOPLE

Engaging in and caring for people has always been important for Vagabond. We have the possibility to make a positive difference for many people, from the over 500 Vagabond co-workers to the thousands of workers in our supply chain. By 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.

We see the possibilities of different individual skills and backgrounds coming together. Our own global team is multi-cultural and working together. Learning 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 the people in the supply chain.



### THE PEOPLE AT VAGABOND

#### Enabling engagement

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.

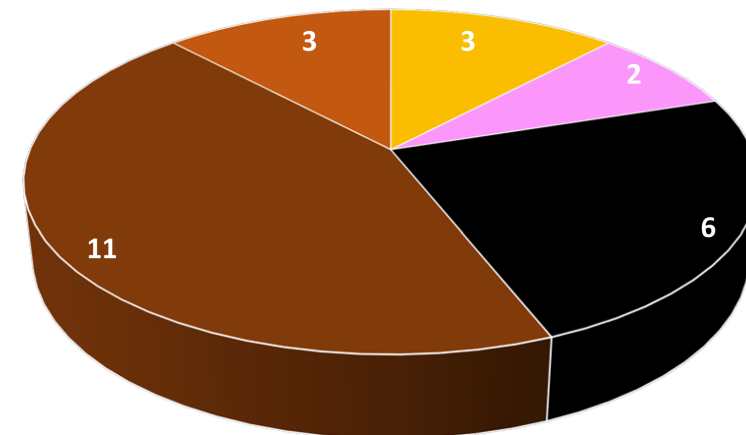
All units and departments feed into our value chain and therefore become part of the sustainability work in different ways. Knowledge is key and we are committed to providing our co-workers with sufficient knowledge on how to create a sustainable development in the daily tasks and to inspire and empower engagement both in the working 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 2016, we held in total 25 training sessions at the Head Office in Varberg, Sweden. Additional training sessions were held directly in our stores and managed by our Retail staff.

Sustainability training sessions at VAGABOND Head Office 2016



■ General update  
■ Sales agents and distributors  
■ Salesman training  
■ Tailored small group dialogues  
■ New employee Sustainability training

### 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.

We provide first aid and fire-fighting training as well as we measuring that light, noise and temperature is within the specific limits for good working conditions. For the producing departments, we also ensure that the chemical emission levels are within acceptable limits. During 2016, we had two reported work related injuries in total, one in Sweden and one in Vietnam. None of these were serious injuries.

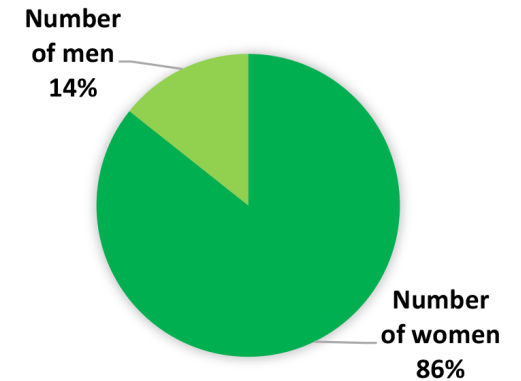
During 2016 we have improved the control and extraction of hot air from the production in Vietnam and we plan to implement further cooling systems in 2017 to better handle the warm and humid climate in our own production and to make it more comfortable for our co-workers to wear the necessary personal protective equipment.

### Gender distribution

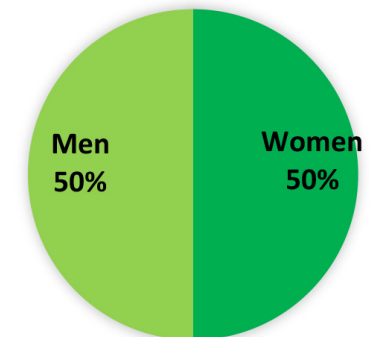
Traditionally, our business attracts more female than male employees. We see this pattern in our global employee statistics. The female majority is also reflected at management level in most of our global units, while the gender distribution of managers at Vagabond Head Office and in the Board is more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



### GENDER DISTRIBUTION 2016



### BOARD MEMBERS 2016





### Company culture and policies

Expansion brings lots of opportunities but also challenges like the implementation of the company culture and values in all units. During 2016 much work has been done to revise and update our common policies that form the basis for the VAGABOND way of doing business. Work has also started to better consolidate the mapping of important KPIs to enable a uniform handling across our units. By analyzing the statistic differences, we see key figures that vary with natural causes but also parameters for which we need to set strategies and objectives for improvements. Sick leave and employee turnover rates are examples of such variations between units.

During 2017 we plan for review and guidance in our policies for all employees, adding room for country specific regulations. Shaping one and the same strong VAGABOND identity together with all our global co-workers is a challenging and inspiring job for the future ahead.

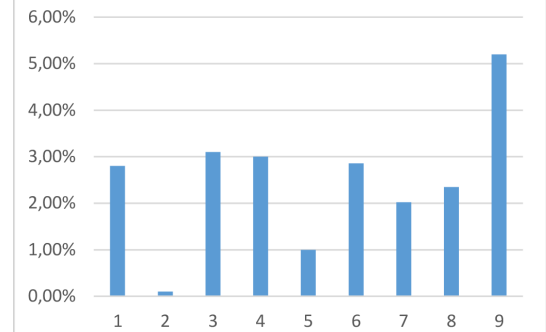
### Facilitating employee workplace and community engagement

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

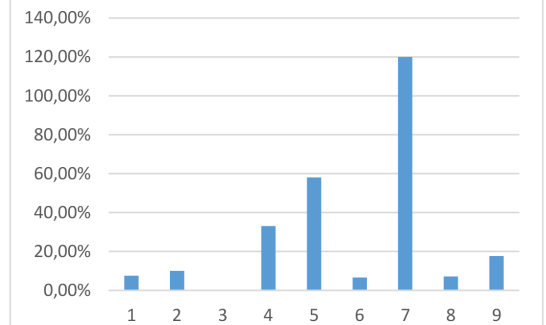
#### - Internal Sustainability projects

Aiming to empower and provide our colleagues with opportunities to make a concrete difference, we initiated Internal Sustainability projects at the Head Office during the autumn 2016. The chosen theme was environment and we have worked department-wise to make many good and inspiring achievements. The presentation of the projects and celebration of good results will be held

Sick leave rates, all VAGABOND units 2016



Employee turnover, all VAGABOND units 2016



## THE PROGRESSIVE JOURNEY

during the spring of 2017. Our aim is to enable similar activities in all units during 2017-2018.

### *- 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*

As a reaction to the refugee crisis in Europe we decided during 2016 to contribute more actively to the integration of refugees in the local society in Varberg, Sweden. By starting up an internal volunteering program at the Head Office we aim to enable more people to engage in the important integration work. 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.

The framework was set late in 2016 enabling only a small number of Vagabond employees to find their means of volunteering and get started.

For 2017 we hope to create occasions together with the local society that will make it easier to participate and to facilitate for 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 help organizations. We want our co-workers to feel that their hard work has generated profit not only to the company but also means for helping people in difficult situations and for restoring the planet.

In 2016 we reserved 2% of our profit to charity donations. We handpick charity organizations within the focus on Health – Environment – The wellbeing of Young and Outcast. We also focus on organizations who do good within areas or geographical areas which are relevant

to us all within the Vagabond group. Some of the charity share is reserved for urgent support to crisis situations coming up during the year.

In action; In 2017 we want to give our employees the possibility to directly impact parts of our choices for charity donations by democratic vote. As we are a global team, part of the share will be fixed for country specific donations chosen by each country unit.



## THE PROGRESSIVE JOURNEY

### **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.

### **Ethics and Anti-corruption**

We always strive to act respectfully to one another, appreciating our differences and various skills. Internal communication shall be open and honest and we encourage co-workers to raise any concerns with their managers. It is important that we recognize and do our best to eliminate any ethical obstacles within our business. In 2016 we revised our Ethical policy to improve any unclear wording and to facilitate for our co-workers to act in the Vagabond way in the daily tasks. We have zero tolerance for all kinds of discrimination and harassment, and for alcohol or drug abuse at work. To enable a deeper understanding of our Ethical policy we will implement internal trainings on interpretation of the policy to all our units during 2017.



The reputation as a trustworthy brand is for any responsible company a top priority for long-term growth. Fair business that respects human rights and strives for equal rights to prosper is crucial for the development of a sustainable world. Corruption is one of the main obstacles to eliminating poverty in the world. Any corrupt behavior in our organization would conflict with our objective to contribute positively to the communities where we operate. No one acting on the behalf of Vagabond may accept or offer bribes or engage in any other corrupt practices. No allegations of corruption have come to our knowledge during 2016.

### *Challenge*

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 different backgrounds, the definitions of corruption and unethical behavior could 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 no trust line available to raise any concerns of misconduct within our own organization, but it is an issue we are investigating to enable critical concerns to be handled in a correct and objective way.



### PEOPLE IN OUR SUPPLY CHAIN

Vagabond act 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. 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 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.

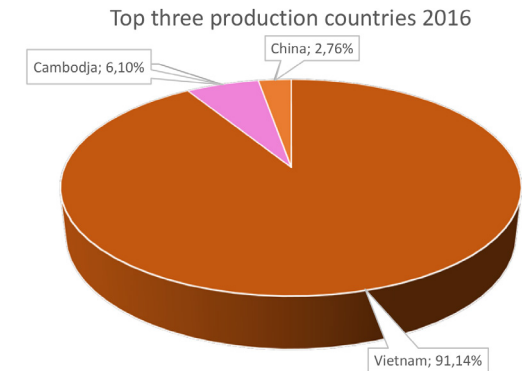
Managing fundamental human rights such as the right to health, education, freedom of assembly and freedom of expression is top priority throughout the value chain. We recognize that our business can give rise to specific human rights challenges as well as opportunities to have a positive impact. The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

#### In our own factory, Vagabond Vietnam

Vagabond has full ownership of our shoe and accessories factory in Ho Chi Minh City in Vietnam. In our own factory, we manufactured 10% of our shoes and 100% of our bags and wallets during 2016. Vagabond Vietnam, is central in our sustainability work. Our factory supplies only to Vagabond and this is where we can take full control of the working conditions and set good examples. We strive to be a good employer and to make continuous progress in the sustainability field with the aim to attract and maintain a skilled and stable workforce.

#### Freedom of Association

In 2016 we developed the Union work at Vagabond Vietnam. During the General labor conference, the Factory Manager reported to the employees about the company financial status and the new regulations regarding compensation, social insurance and working hours. The main tasks for the union at Vagabond Vietnam has during 2016 been to consult the employees in matters related to the Vietnamese work legislation, advise the employees regarding any questions to the company regulation but also to support the employees in case of sickness or work related issues.



Union Meeting at our own factory, Vagabond Vietnam

## THE PROGRESSIVE JOURNEY

### With our external suppliers

Vagabond choose a minor number of handpicked shoe suppliers for the production that is made outside of our own factory. We aim for a steady base of suppliers and strive to develop good and long-term cooperation. The average length of a shoe supplier relationship with Vagabond is currently 7 years.

### Vagabond CoC (Code of Conduct) – striving to ensure human rights and decent working conditions

To become a business partner of Vagabond, the supplier needs to be a skilled shoemaker, passing our strict quality requirements. But the sustainability criteria are as important as the quality outcome of the supplier. Signing Vagabond's CoC is a precondition for doing business with us. Once the CoC is signed an initial CoC inspection visit in the factory will take place before any production commences. As soon as a supplier is accepted for Vagabond production, the supplier will immediately be included in the inspection scheme.

### Our CoC inspections

We have our own local experienced staff in charge of doing the inspections in Vietnam. For inspections, outside of 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 the 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 and 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 inspection is 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.



Factory inspection in Vietnam.

ON THE FOLLOWING PAGE: Vagabond's CoC in brief. The complete code can be read on [vagabond.com/aboutus](http://vagabond.com/aboutus). 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. Our CoC is currently translated into Vietnamese and Chinese.

## 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 labour.

### **3. No Forced labour**

Employment shall be freely chosen.

### **4. No Discrimination**

All employment relationships shall be based on the principle of equal opportunities, regardless of race, colour, 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 sufficient 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.

\* In short, the full text is presented on the webpage



## THE PROGRESSIVE JOURNEY



A full inspection covers the complete CoC, including interviews with managers and workers. At the end of the day, a CAP (corrective action plan) of prioritized findings is agreed with the supplier. We make sure to allow sufficient time to implement lasting improvements.

After a full Inspection, we would normally do two follow-up visits to verify that the CAP-findings have been closed. During peak season, our inspectors focus on Health and Safety, reminding the suppliers to pay attention to safety measures also in the busy production times.

We follow up on the actions of improvements in place and we evaluate the improvements primarily by interviews with management and workers and by documentation. 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.

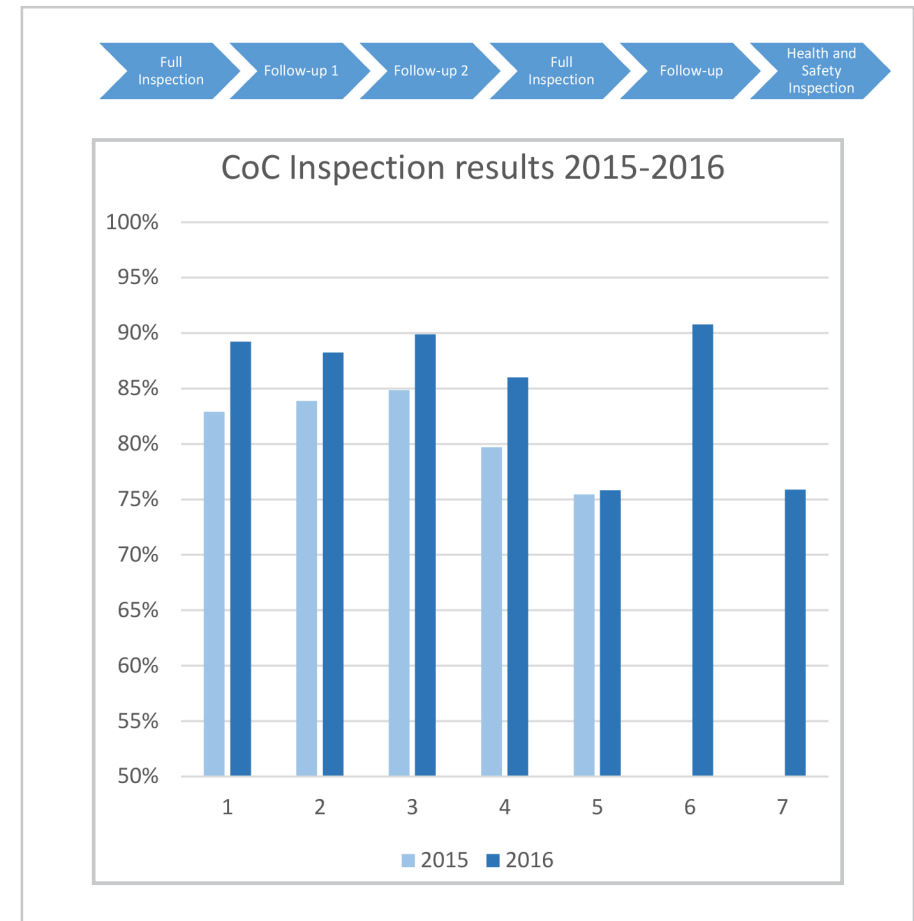
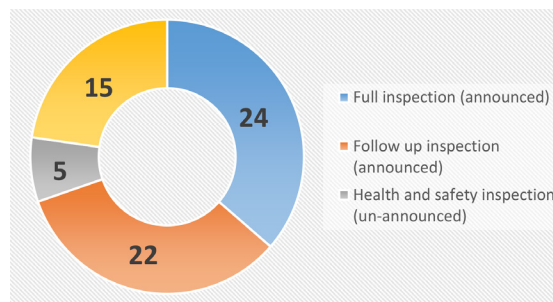


Image in left top corner: Document review during a Full Inspection

### **How do deal with some of the challenges of implementation?**

During the CoC implementation work we have frequently noticed fluctuations in implementation between our inspections. It is a complex work, influenced by many different parameters such as the fatigue of the 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 more set aside 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 more frequent follow-ups between the inspections. Depending on the nature of supplier and the length of business

relation, we do both announced and unannounced follow-up inspections. During the follow-up visits we take the opportunity to remind the supplier to address the most urgent actions.

Another means to reduce fluctuations between inspections is to provide training on how to work with compliance to the CoC and clarify what is expected of a supplier to Vagabond. Training sessions are good opportunities for an open dialogue on difficulties with implementation between us and the suppliers but also between the suppliers themselves. In the autumn 2016 we had planned for two training sessions, but unfortunately we needed to postpone them. These trainings will be conducted in 2017 instead.

*Challenge:* 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 partner factories who share our values and are willing to be transparent about inspection records to work together towards improved CoC implementation.

*In action:* We inspect the CoC compliance in our own factory in the same way as

we plan for a third part CoC audit at our own factory. This will be a good occasion for verification of our own inspection work.

### **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 the supplier out gradually, giving time to locate production and thus job opportunities for other suppliers to fulfil our customer orders. In 2016 no supplier was phased out due to compliance reasons.

### **Order planning - our responsibility**

Part of Vagabond's purchase strategy is to hold 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.

## THE PROGRESSIVE JOURNEY

We need to consider that we sometimes play an important role given the number of job opportunities in 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 give the suppliers time to fill their production and avoid the risk of losing job opportunities if the forecasted order volumes would fail for any reason.





### Grievance mechanisms

During 2016 we introduced 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 in the first place should be addressed to the Factory Managers but if the issues cannot be solved we would like to be informed to support improvements. There have been no grievances reported via the hotline during 2016.

### Other suppliers to Vagabond

We make no difference 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.



TARGET	2016	FULFILMENT 2016	2017
Maintain improvements achieved in the suppliers CoC work	1 unannounced follow-up visit at each direct supplier		2 unannounced follow-up visits at each direct supplier
Expand Vagabond's own CoC inspections to include the sub suppliers (tanneries, sole factories, textile factories and other components)	70 % sub suppliers covered		80 % sub suppliers covered
Vagabond CoC and chemical training offered to suppliers' Managers	4		8
CoC cooperation with other customers to the same supplying factory	2		2



### SUPPORTING HUMAN RIGHTS

We work in a global supply chain and an industry that sometimes bring difficult challenges in respect to 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 supplier factories and making sure that our suppliers have sufficient knowledge and skills in the recruitment process, we strive to prevent the employment of underage workers. In case we would come across child labor with any supplier, our inspectors have been given procedures to follow, ensuring that all actions will be taken in the best interest of the child. We have come across no confirmed incidents of child labor during 2016, but a few occasions where we needed to straighten out the specific work rules for young workers together with the suppliers<sup>1</sup>. 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.

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

#### 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 labor 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. By our inspections we bring the issues of transparency and fair recruitment throughout the supply chain up on the agenda.

*Challenge:* In many countries, the recruitment processes can be very complex with many external parties involved and loss of transparency. Sometimes the recruitment agencies would not allow sufficient insight in their business which leaves the factories struggling to ensure human rights. In these cases, we want to support our suppliers to tackle the issues. We know we cannot do this alone and that we need to cooperate with local specialists and NGOs to reach long lasting change in the global recruitment industry. We are looking at cooperation with NGOs and other customers for the coming years. We communicate the importance of respecting human rights to our co-workers and suppliers by our Ethical policy and by the Vagabond CoC.

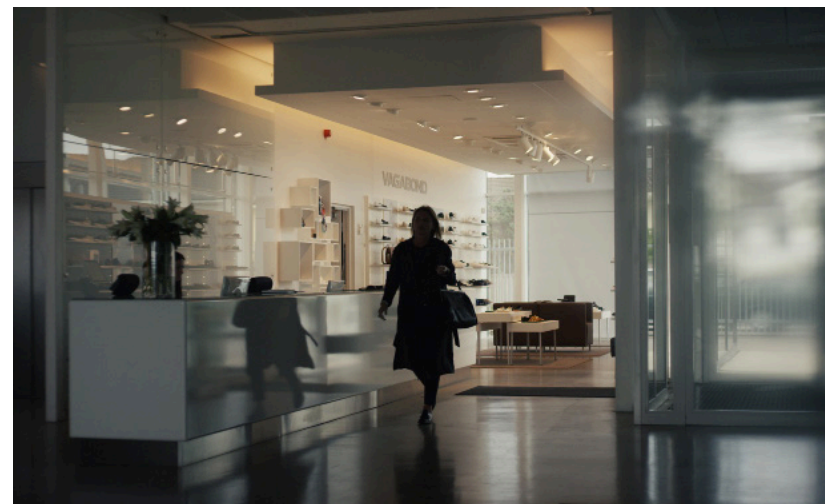


## GOVERNANCE AND COOPERATIONS

A sustainable approach is critical to our long-term success. We strive to work together to set sustainability targets in every part of our organization, to support our co-workers in the decision-making and enable progressive steps ahead. In the strive to have a positive impact on people and the planet, we partner with other companies and organizations to increase our impact.

### Vagabond Group of companies

Vagabond International AB is a family owned private company and Vagabond Shoemakers is one of Europe's leading fashion shoe brands with a production of about 2 million pairs of shoes and accessories annually. Vagabond's design studio, which also includes a full-size prototype production workshop, is located at the worldwide headquarters in Varberg, Sweden. The production is sourced in-house and the products are sold in more than 40 markets worldwide, including Scandinavia, Germany, UK, USA and Russia. The brand is displayed by concept stores, e-shop, shop-in-shops and we also feature within department stores and in carefully selected multi-brand stores.



Vagabond employs approximately 500 people, including 90 at the headquarters. Local sales, retail business and manufacturing is 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 2016, the net sales were 784,63 MSEK and the total capitalization were 659, 55 MSEK.

### VAGABOND INTERNATIONAL AB

**Chairman of the Supervisory Board: Mats Nilsson**  
**President and CEO: Anders Odén**  
**Vice CEO and Creative Director: Marie Nilsson Peterzén**

Group Functions	Production, Sales, Retail and Expansion
HQ Varberg, Sweden	16 subsidiaries worldwide

## THE PROGRESSIVE JOURNEY

### Sustainability Management

Sustainability is crucial to our success. As we are a relatively small company in terms of employees, we team-up internally in different constellations 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.



### Vagabond markets

Brussels	Toronto
Prague	Copenhagen
Riga	Helsinki
Paris	Berlin
Athens	Hong Kong
Budapest	Milan
Amsterdam	Oslo
Warsaw	Bucharest
Reykjavik	Moscow
Bratislava	Seoul
Beijing	Rome
Madrid	Stockholm
Bern	New York
Istanbul	Kiev
London	Ljubljana
Sofia	Pristina
Tallinn	Tel Aviv
Vilnius	Vienna
Luxembourg	Dublin
Port Louis	Auckland



## THE PROGRESSIVE JOURNEY

### Top Level Commitment

The Board of Directors of the Parent Company are briefed continuously on the development of sustainability objectives. During 2016 briefings covered sustainability strategies and risks, performance, internal operations and challenges within the fields of health and safety, environment and human rights.

### Stakeholder perspective

In the process of mapping and identifying the organizations and individuals that are most critical to our business we conclude that we want to increase the interactions, especially with our key stakeholders. We continuously receive feedback and opinions on our sustainability efforts from customers, suppliers, partners, NGOs and other stakeholders. The opinions and advice of our stakeholders give us important insights and we believe that by a more systematic and strategic interaction with stakeholders we can develop our strategies and ways of working further. During 2017 we plan to gather stakeholder feedback in a more systematic way to facilitate the evaluation of valuable opinions.



### Engaging Co-workers and Customers

Engaged co-workers is the key to sustainable progress. By training, dialogue and theme-based projects we encourage our co-workers to get involved in the sustainability work. To come closer to a more circular economy where waste is turned into new resources, we need the engagement of our customers. During 2016 we set out a strategy, encouraging 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. By the time of the launch of the Shoe Bring Back initiative, we made a broad communication effort to encourage customers to bring back their old shoes for reuse and recycling. The customer response to this initiative has been very positive. We are happy to have started up a route to a more circular resource management for the shoe materials with the help of new innovative techniques and our customers' efforts to bring their old shoes to our stores.

### Partnerships

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 end of life of our products.

## ABOUT THE REPORT

This is the second Sustainability report of Vagabond International AB. With this report, we aim to update our stakeholders on the progress of our sustainability work. We measure and report about the areas and issues which are the most significant for our business, where we have the most impact and where we can make the most positive change. We seek to include also the areas that have been of special interest to our stakeholders to meet their expectations. We want to share what is important for us, tell about our progress and the challenges that we face along the way. Sometimes we make mistakes and need to rethink decisions to get things right again, but our ambitions are always high and we try to learn as much as possible from setbacks.

### Defining the boundaries and content of the report

The information in this report is for the Financial year of 2016, starting from January 1st and ending in December 31st, 2016. The reported data covers the Vagabond Group as presented in page 31. We aim to measure and report our impacts 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 in conjunction to the chapter.

During 2016 we opened 4 new stores in Moscow, Warsaw, St Petersburg and Hamburg. The data from these units is derived from the start of operation. No stores were closed in 2016. There have been no changes in the share capital structure or other capital formation, maintenance and alteration operations during the reporting period.

Area	Partner/Cooperation
Chemical Management	The Chemicals Group
Substitution of hazardous process chemicals	Swerea IVF
Water resources management	STWI
Responsible sourcing	Nordic Shoe network
Circular economy & Responsible consumption	I:CO
Cross-industry network	CSR in Western Sweden
Ethical leather	Svensk Handel




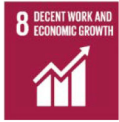


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## THE PROGRESSIVE JOURNEY

### PERFORMANCE AGAINST TARGETS - UNSDG, KPIs AND GRI

#### UNSDG

We integrate the United Nations' Sustainable Development Goals in our Sustainable strategies and objectives.

UN Sustainable Development Goal						
	Eliminate poverty	Ensure healthy lives and promote well-being for all at all ages	Ensure availability and sustainable management of water and sanitation for all	Promote sustained inclusive and sustainable economic growth, full and productive employment and decent work for all	Ensure sustainable consumption and production patterns	Strengthen the means of implementation and revitalize the global partnership for sustainable development
Vagabond standpoint	Our vision is to have a positive impact on people. We want to contribute to develop the communities where we locate our business. We want to make sure that anyone engaged in our business will have decent working conditions and the opportunity to make a living on a regular working week.	We want to make sure nobody suffers from health problems due to the manufacturing conditions or deriving from the materials used in our products.	We are committed to contributing to better water management and access to clean water in the areas where we locate our business.	We enable thousands of job opportunities throughout our own business and supply chain. We are committed to ensuring that the people engaged in the manufacturing of Vagabond products have decent working conditions.	We are committed to driving our economic growth in a sustainable way. We want to make sure that good materials return to the value flow. We will continue to produce quality long-life products and give our customers access to reuse and recycling opportunities as well as knowledge on how to extend the life-time of the shoes.	We will cooperate and engage in partnerships together with other brands and with our suppliers to enable positive and sustainable changes.
Our actions	<ul style="list-style-type: none"> <li>-Strive for living wages, inspections of working hours, salaries, overtime compensations and payments of social insurances during our factory inspections, page 25 and 26</li> <li>-Work with charity to help improve the lives of children and their families in our production countries, page 22 and 30</li> </ul>	<ul style="list-style-type: none"> <li>-Engage in the glue project, page 16</li> <li>-Test for restricted chemicals, page 15</li> <li>-Change leather linings and insoles to chrome free tanned leather to eliminate the risk of chrome allergies, page 8-10</li> <li>-Strive to reduce and substitute chemicals used in production, page 12 and 15-16</li> </ul>	<ul style="list-style-type: none"> <li>-Map the water management of our material suppliers and encouraging better water management, page 12</li> <li>-Encourage the leather suppliers to engage in improved water management projects in cooperation with STWI, page 12</li> </ul>	<ul style="list-style-type: none"> <li>-Enabling work opportunities in developing countries throughout our supply chain and inspecting the fulfilment of our Code of Conduct in our suppliers' factories, page 24-30</li> <li>-Enabling improvements of working environment and working conditions in the supply chain, page 20 and 24-29</li> </ul>	<ul style="list-style-type: none"> <li>-Continue to offer quality long-life products that can be worn for many seasons, page 5-6 and 17</li> <li>-Introduce more sustainable materials in our Design phase, page 9-11</li> <li>-Make strict controls on chemicals in production, page 15-16</li> <li>-Offer more natural shoe care and advise on how to extend the life-time of the shoes, page 17</li> <li>-Offer our customers means for reuse and recycling of their worn-out shoes, page 17</li> </ul>	Cooperate and engage in partnerships for a sustainable development, see page 34



## THE PROGRESSIVE JOURNEY

### KPIs:

Summary of our performance against KPIs

ENSURING SUSTAINABLE GROWTH - TARGETS	2015	2016
By the end of 2016, sustainability training will have been rolled out to all Vagabond sales personnel including agents and distributors	-	Training sessions held with all Vagabond sales personnel including agents and distributors
Shoe Bring Back program integrated in all Vagabond shops by 2020	Pre-studie	10%
MANAGING THE PLANETORY RESOURCES - TARGETS		
By the end of 2018, all our textile linings will be made of more sustainable materials	-	41%
By the end of 2018, all our leather insoles will be made from chrome free tanned leather	-	70%
We will provide our customers with advice and a selection of more sustainable shoe care to help extend the lifetime of the shoes	Partly implemented	Fully implemented
ENGAGING IN PEOPLE - TARGETS		
Our revised Ethical Policy and Training of interpretation will have been rolled out to all Vagabond co-workers by the end of 2017		Release of the revised Ethical Policy
We will inspect the fulfillment of our Code of Conduct of all suppliers (direct suppliers and sub-suppliers) by the end of 2020	71% of direct suppliers inspected 33% of the sub-suppliers inspected 38% of the total supplier base covered	All direct suppliers inspected. 53% of the sub-suppliers inspected 60% of the total supplier base covered
We will conduct 2 yearly trainings on Code of Conduct and Chemical handling with our suppliers	No training occasion planned	Training occasions planned but postponed to 2017

### GRI

This report is inspired by but not fully according to the Global Reporting Initiative Standards (GRI Standards).



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