

THE PROGRESSIVE JOURNEY

Vagabond Shoemakers Sustainability Report 2023



VAGABOND
SHOEMAKERS

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A word from our CEO

Summarising 2023, I'd like to highlight the events of the last day of the year. On that day, the founders and owners of Vagabond decided to donate all their company shares to the newly formed Vagabond Shoemakers Foundation. Starting in 2024, all profits from Vagabond that are not reinvested in the company will be available for the foundation. The foundation will then distribute the funds based on its statutes, instead of just a few percentages allocated to our "We Support" initiative." I believe that I speak on behalf of everyone working for Vagabond when I say how proud we are about being a part of this journey where the sum of our efforts will turn into something good.

Looking back on the year in terms of world circumstances caused by conflicts, energy crises, and inflation, we have focused on developing openness and responsiveness in our value chain. Our direct involvement in all steps, from material sourcing via production planning to our own staff presence during production, logistics, and critical channel distribution, keeps us well-equipped for the future. By transparency and traceability, our goal is legal compliance, resilience, and relevance as a brand and chosen sales partner.

While knowing the derivation of all components is one thing, the next is finding new paths. We are following industry progress step-by-step and are actively looking into new materials and substituting components to replace conventional upper materials and outsoles with more ethical choices. We are not there yet as the replacements are not always durable enough. Therefore, we've entered a couple of exciting collaborations where we will take on the role of testing for wear and tear. Our memberships in LWG and STICA also allow us to stay close to the latest developments to fine-tune our current material sourcing.

In our supply chain, we've had weekly updates regarding production planning—all in close discussions with the suppliers. Thorough planning enables us to place orders consistently or at least book capacity. High delivery accuracy directly results from this job, for which shipping planning is essential. The logistics are all monitored and booked at our Swedish headquarters, giving us the manoeuvring space, which benefits all value chain parties and optimises resource efficiency.

Aligned with this, we've been targeting social topics and green energy transit. In June, I visited all factories and key sub-suppliers with our Sustainability Manager, focusing on both our and their business case and goals from a sustainability point of view. Although we are working closely together, it is also crucial that all actions we take benefit each party's sustainable development. We present our brand values connected to social issues, air emissions, and what the upcoming new CSRD regulations require. However, listening to and understanding their operative challenges and plans is equally important.

The same principle has been applied when working with our clients. Shopping behaviour is affirmed to be routed online in all markets. Stable clients are becoming more prominent, although fewer. Still, regardless of size, our mission has been to be coherent and ensure we have suitable strategies for each customer and channel. The right product in the right place and time has never been more crucial! Added to this comes owning the product presentation; this is where our official online store is also the hub for inspiration. I especially find our consistency in sizing a great advantage, as any derivation from customer expectations risks causing unnecessary returns.

Although caution is the general reaction to irregular market conditions, we also see how the market is more resilient to hectic sales campaigns, and more products, including the carryover stock, are selling at full price. This aligns with our purpose of "Only buy what you really love" and assures us that our products are synced with style and quality, which lasts over time. Our 4 C's initiative was accompanied by a shoe care campaign to prolong product life and the "long-lasting love" message, featuring a few of our wearers in different cities and how our products accompany them over time.

We are moving towards CSRD and a solid Due Diligence approach in all activities: raised awareness and a preventive mindset in all actions. Step by step, we welcome the comparability of the new regulations. Yet, we also stay on top of our absolute vital matters, keep our forward-leaning position, and apply our efficiency thinking already cultivated through our business values.

Anders Odén, *CEO*
Varberg, April 2024

We are Vagabond Shoemakers

Vagabond Shoemakers is a Swedish fashion company making shoes and accessories for people who care about quality, style, and a sustainable way of life. We are driven by caring for the details that really count and always strive to be “a true style hero” for our end-user’s wardrobes. We stay inspired by the many exciting people crossing our path. Our products are made to be worn and to accompany a contemporary look for everyday use. Our shoes should be an investment for our wearers worldwide. The “why” behind each design is communicated, as is the guidance on how to care for your shoes to ensure longevity and what to do after they are worn out. Always providing our customers with a “good deal” and the best quality is essential. We want to guide our end-users to “Only buy what they really love” for sustainability reasons.

Vagabond Shoemakers is active in more than 45 markets worldwide through carefully selected multi-brand stores alongside our concept stores, official online stores, and shop-in-shops. Besides Scandinavia and Germany, the UK and the USA are key markets. In 2023, we also launched in Japan, South Korea and on the Chinese platform Tmall. Selling about 1 million pairs yearly, the company and brand have been successful and stayed solid for many years to keep sustainable business within both new and existing markets for many years.

“We are shoemakers at heart and soul. We want to make great-looking shoes for people in all corners of the world. And we believe that great design does not have to cost a fortune”

- Marie Nilsson Peterzén, Co-founder



The Value Chain

Since the start of Vagabond, the idea has always been to stay close to the value chain. By deciding not just the product's design but also knowing the construction and controlling all steps and actions behind it, we become a professional business partner who can work with improvements proactively. We address environmental and social impacts within each part of our business, and in 2024, we will also identify our materialities further, according to the ESRS (European Social Reporting Standards).

Raw materials: Our primary material, leather, is a waste product from the meat industry. We work with cow and goat leather, and the cattle breed comes from Europe, Turkey, India, the USA, Argentina, India, Pakistan, and some Middle Eastern regions. Our tanneries source the raw materials from here.

Sub-suppliers: The main sub-supplies are the tanneries, textile and outsole factories. We work directly with all these critical sub-suppliers to ensure the factories have a steady supply of components. This corresponds to about 80-90% of the final product.

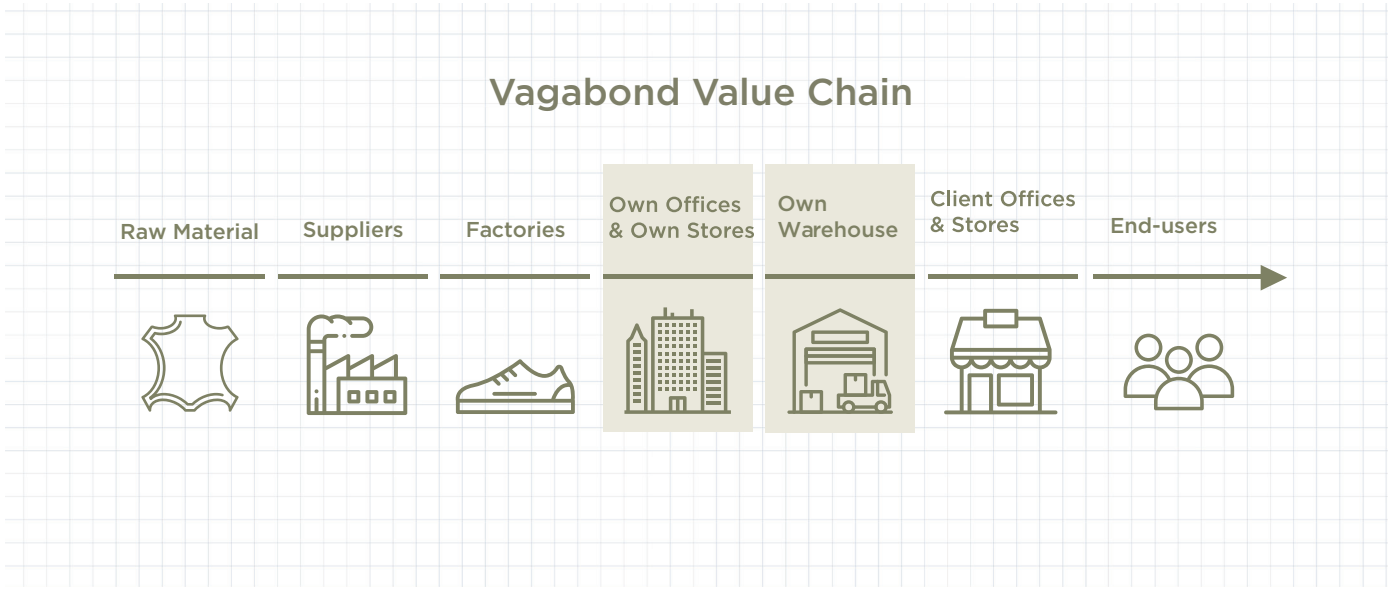
Factories: We work with a handful of factories, in which we always have our staff present during production and with whom we have daily connections, including CSR issues and training.

Own offices and stores: Vagabond's head office is located in Varberg on the West coast of Sweden. We have our own production office in Vietnam, just a few hours from our main suppliers. Lastly, we have small local sales offices and concept stores in Stockholm, Helsinki, Berlin, Copenhagen, Oslo, and New York.

Own warehouse: Just a few minutes from the head office, our warehouse handles all imported goods and distributes them to wholesale clients, our own stores, and customers of our official online store. We also work with a third-party warehouse in the USA for local distribution.

Client offices & Stores: Our clients are spread out in numerous countries and have different business setups.

End-users: Our end-users are worldwide, and we target style- and quality-aware wearers who care about a sustainable way of life.



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. The Sustainability Governance Group set these objectives and focus areas. This management group is a cross-functional team of executives, specialists, and the CEO. The responsibility to comply with our sustainability goals is upon each country or department manager, with the support of the Sustainability Governance Group. In 2023, we took the next step from our focus in 2022 to get our production office closer involved in social and environmental issues with our suppliers and to allocate internal resources for greenhouse gas calculations. The Sustainability Governance Group is led by one coordinator who organises monthly meetings with each relevant function, primarily production/design & logistics, and the HR for the HQ office.

The Board of Directors of the Parent Company is briefed continuously on developing sustainability objectives. During 2023, we held briefings covering sustainability strategies, opportunities, risks, brand sustainable performance, internal operations, strategic cooperation, and challenges in chemical safety, environment, and human rights. In 2023, the main topics were: a) extended policies for all Vagabond staff, b) STI-CA membership, and c) general preparations towards CSRD, ESRS and eventually CSDDD. The new regulations will hit us in 2025, under which transit we will focus on a gradual step-by-step journey towards CSRD adaptation and due diligence compliance.

Vagabond Sustainability Management Group 2023

Anna Fahle Björcke, *Head of Communications & Sustainability Coordinator*

Josefin Jansson, *Sustainability Coordinator*

Anders Odén, *CEO*

Paulo Martins, *Vice President, Vagabond Vietnam*

Marcus Svensson, *Purchase & Quality Manager*

Camilla Nordestgaard, *Technical Coordinator*

Tomas Paepke, *Supply Chain Manager*



Sustainability risk & Risk assessment

Our definition of sustainability risk is an event that harms sustainable development. We use Vagabond's value chain as a starting point when identifying our sustainability risks and consider Vagabond's possible impact on chemicals, the environment, and people.

Risks and opportunities can be found in all parts of Vagabond's value chain – from the raw materials and the production to the consumption and the end-use of our products. In analysing, we also map how we handle the risks and look at what policies, activities, tools, and governance we have about the risk areas. In the final analysis phase, we assess the risks according to their materiality from an external and an internal perspective. Our policies that address these risks include our Code of Conduct (which covers all five areas), Child Labor Policy and Action Plan, and Ethical Policy. Procedures such as the Corrective Action Plan for suppliers and the Grievance Mechanism available for all employees in the suppliers' factories allow us to address any identified issues relating to these areas.

Policies that guide us

To help us in this work, we use policies, routines, and action plans. Examples are policies and documented approaches to alcohol and drugs, business ethics, threat and violence, equality and diversity, harassment, insulting treatment, bullying, re-habilitation, and work adjustment. Other central documents include our Code of Conduct and Child Labor Policy and Action Plan. In 2022, we introduced a secure whistleblowing service where all staff or stakeholders can anonymously address suspected misconduct in our organisation. This is communicated on our website and in our staff handbook. In 2023, we updated our policies to show Swedish and English in a two-column format to enable mutual understanding for each specific topic further when there are language barriers.

Ethics

We always strive to act respectfully towards one another, appreciating differences and a variety of skills. Internal communication shall be open and honest, and we encourage co-workers to raise concerns and speak to their managers. Our Ethical Policy sets standards for ethical behaviour in the workplace and guides our employees in their daily work. We have zero tolerance for discrimination, harassment, and alcohol or drug abuse at work.

All administration workers and new employees have signed the policy. A Shoemaker's Handbook developed in 2017, and our Leadership handbook, set in 2018, are great tools for spreading values to all co-workers.

Anti-corruption

We aim to work preventively at Vagabond and align with "Always a We." We are all ambassadors for our company codes and Code of Conduct when representing the brand.

We 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 global actors, we are present in many countries where corruption can be part of daily business. An important insight is that the definitions of corruption and unethical behaviour can vary with such diversity. By clarifying Vagabond's anti-corruption and what is considered unacceptable business behaviour, we hope to erase doubts within our organisation and with business partners. As a rule of thumb, a junior coworker is joined by someone senior with great experience and understanding of our industry. Learning from your peers is the best way to pass on our company values. For external meetings and presentations, we always aim to have more than one person from Vagabond join, especially in the early phase of the collaboration.

In 2022, we started a new whistleblowing service with Whistlelink to increase security routines and ensure the safe handling of issues. No allegations of corruption came to our knowledge during 2023.

Cooperation

We are convinced we can achieve a much more significant and faster impact when interacting with others. We choose to partner with organisations 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.

The sourcing process

Our team chooses all our shoe factories, and our cooperation is regulated by our purchase agreement and maintained by us, who are always present during production.

For primary materials (tier 2), Vagabond either purchase bulk material (leather) and critical components (outsoles) and supplies the shoe factories or nominates suppliers of textiles and reinforcement components from which the factories can order or the shoe factories order components suitable for production themselves.

The Code of Conduct and Restricted Substances List are mandatory in our purchase and nomination processes. Before starting work together, we conduct an initial Code of Conduct assessment to establish what gaps need to be corrected before placing the first order or plan for a corrective action plan simultaneously with onboarding. For 2023, we started with two new tier-1 factories: Jia Tai and Jands.

The Code of Conduct

Our Code of Conduct (CoC) is based on the UN Human Rights Declarations, the UN Declaration of the Rights of the Child, and the ILO (International Labour Organisation) Conventions on Workers' Rights. Before starting to work with Vagabond, a Vagabond member must sign and review the CoC to ensure mutual understanding.

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 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 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 healthful workplaces for their employees.

9. Environmental care

Vagabond encourages 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 toward animals.

** Vagabond's Code of Conduct (CoC) in brief. The complete CoC can be read on <https://www.vagabond.com/us/about-us/sustainability/>. Vagabond's CoC is based on the UN Human Rights Declarations, the UN Declaration on the Rights of the Child, and the ILO Conventions on Workers' Rights. The CoC also includes our environmental requirements, and our CoC is currently translated into Vietnamese and Chinese.*

Supporting human rights: We work in a global supply chain and industry that sometimes brings complex challenges regarding human rights. We focus on preventing any negative impact on human rights in the areas with the most significant 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 the exploration of children. By frequently inspecting the suppliers' factories and ensuring that our suppliers have enough knowledge and skills in the recruitment process, we strive to prevent the employment of underage workers. When coming across child labour at any of our suppliers' factories, our inspectors have been given procedures to follow, ensuring that all actions will be taken in the child's best interest.

Migrant workers and the risk of Modern Slavery and trafficking: 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 depend on their agents can, in the worst case, also lead to forced labour and human trafficking. All of this goes into the scope of modern slavery and/or the trafficking of people. We want to make sure that any migrant workers involved in the manufacturing of our products have the same rights and benefits as the local workers, that there is no discrimination in salaries, working hours, or benefits, and that the employer or contractor does not withhold ID cards or passports. We bring these transparency and fair recruitment issues up on the agenda during our inspections throughout the supply chain.

The recruitment process can be very complex in many countries, with many external parties involved and limited transparency. Sometimes, the recruitment agencies need more insight into their business, leaving the factories struggling to ensure human rights are met. In these cases, we want to support our suppliers in tackling the issues. We know we cannot do this alone and must cooperate with local specialists and NGOs to achieve long-lasting change in the global recruitment industry. To demonstrate our commitment to fighting Modern Slavery and Trafficking, we renew our statement to the UK Modern Slavery Act every year and sign for the California Transparency in the Supply Chain Act.

Our CoC inspections

Our experienced local CSR staff do our inspection work, both the initial full inspection and the follow-ups on misconduct cases. Using a tool based on the international SA8000 framework for working conditions, we document and measure how well the factories meet our Code of Conduct requirements. The local Vagabond CSR team is primarily responsible for closely following up on these actions. In July, we conducted an external audit with SGS (Société Générale de Surveillance).

Phasing out suppliers that cannot meet our standards

The supplier's good attitude and engagement in improving are crucial for our continued business relations. We favour the suppliers that engage in the Code of Conduct work. These suppliers will continue to receive stable production orders and ongoing interaction from Vagabond. There are occasions when our CoC requirements are yet to be met. We always explain our expectations clearly to the supplier and give them time to improve. If the supplier fails to meet our standards, we will gradually phase out the supplier, providing time to allocate production and, thus, job opportunities

for other customer orders. In 2023, no supplier was phased out for non-compliance reasons.

Grievance mechanisms

Since 2019, we have started a worker hotline that can inform us of any grievances regarding CoC compliance in the supplier factory. The hotline number is included in our CoC, printed and posted in the factories. No grievance was reported via the hotline during 2023.

Fair wage

A fair wage is a complex subject, as there is no universal benchmark for calculating a living wage. We always want to collaborate with the best-skilled factories, so we expect the suppliers to follow nationally legislated salary settings at an absolute minimum. However, legislation must accurately reflect a labour market driven by need and supply. Our ongoing wage scanning shows that our supplier's salary payments exceed minimum standards. Still, validating fair wages as a buying partner is challenging. We stress the importance of a productive dialogue between management and worker organisations, crucial to creating awareness and sound wage development. In the long run, there must be alignment among governments, trade unions, NGOs, buying companies, and producers to qualify for appropriate wage levels.

The Traceability Project 2023

To follow up on our Traceability project from 2022, we want to get a deeper insight into our sub-suppliers. To initiate this, our CEO and Sustainability manager paid visits to all tier 1 and key sub-suppliers in June 2023. One key topic was the importance of full traceability, which was discussed and agreed upon. The goal is complete insights; the steps are prioritising the essential material parts—leather and outsoles.

In the Traceability Project, we aim to secure:

- CoC and RSL compliance on all supplier levels
- The ability to supply emission numbers connected to our orders
- The availability or development of more sustainable articles*

**We define sustainable options as components made using less energy, recycled materials, less material (less consumption/waste of material), and/or less harmful chemicals for working environmental reasons.*

Our business structure

Vagabond International AB has been a family-owned private company since its start in 1993. Vagabond Shoemakers is one of Europe's leading fashion shoe brands, producing about 1 million pairs and accessories annually. Vagabond's design studio includes a full-size prototype production workshop at the global headquarters in Varberg, Sweden.

Production is sourced from a few of our carefully handpicked external suppliers. The products are sold in more than 45 markets worldwide, including Scandinavia, Germany, the UK, and the USA. The brand is displayed in concept stores, online stores, and shop-in-shops and is featured within international department stores and selected multi-brand stores worldwide. The fastest growing channel is our in-house online store, www.vagabond.com, the official hub for product information and sustainability initiatives.

As of December 2023, Vagabond employs 216 people, including 155 at the headquarters and warehouse in Varberg. Local sales, retail business, and manufacturing are

handled by twelve subsidiaries, all wholly owned by the mother company. Among these twelve subsidiaries, 3 are dormant (the Russia, Hong Kong and Czech Republic subsidiaries). The branch offices are staffed locally and report to Vagabond International AB in Sweden. For 2023, the net sales were 821 MSEK, and the total capitalisation was 406 MSEK.

Ownership change: The Vagabond Shoemakers Foundation

On New Year's Eve 2023, and after over 30 years of dedication to building the brand, the founders and owners of Vagabond donated the entire company to a newly started foundation, The Vagabond Shoemakers Foundation, to support charitable projects over time within:

Health, primarily by contributions and grants for research and education.

The Young, especially in or from Varberg, by scholarships and contributions for education, support participating in leisure activities or other support which will enhance the positive development of a young person's life.

The Exposed, by various forms of support for people who are financially or otherwise struggling in society.

Climate and Environment, especially by supporting sustainable development.

Culture, by contributions to cultural heritage conservation or other non-profit cultural activities, especially in or around Varberg.

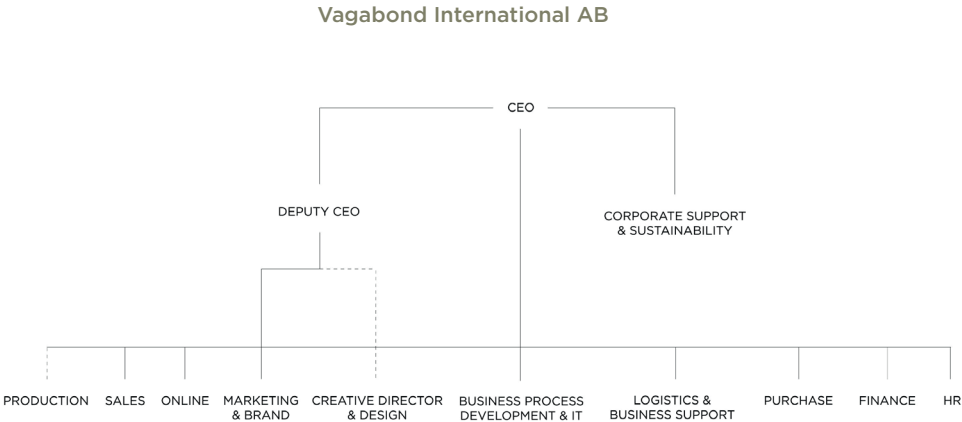
Entrepreneurship, primarily by contributions and grants for research and education.

2024 is the start-up year of The Vagabond Shoemakers Foundation, during which routines and processes will be set. The foundation will start distributing contributions and grants in 2025.

The Vagabond Group continues to be entirely self-financed.

"We have always wanted our achievements to become support for initiatives and projects needed in our present time. A foundation means the opportunity to give continuous and substantial support. Also, it means a lot to us that the company will continue developing according to set goals and intentions,"

- Mats Nilsson & Marie Nilsson Peterzén, founders.



The sustainability strategy

“Our reason-to-be is about being relevant in look, material choices, and quality over time. We want to move forward on our sustainability journey and turn up the speed”

- Anders Odén, CEO

Our sustainability vision declares our ambitions for continuous sustainable business. Aiming for a step-by-step approach towards a positive impact, we follow the sustainability strategies set by our Board: 1) long-term sustainable business and sustainable development throughout our value chain, 2) managing the planetary resources by choosing more sustainable and circular materials, encouraging maintenance and repair, facilitating and supporting improved water, energy and chemical management and reducing emissions and waste throughout our value chain, 3) engaging in the people and communities that are impacted by our business and guiding our end-users to more sustainable choices. Our targets should always be in line with these sustainability strategies.

General target: reducing emissions by 50% by 2030 (single aspect perspective)

After thoroughly breaking down our value chain to identify key event areas and impacts, we decided to “reduce emissions to air” as our overall target since 2018. This is because we can locate emissions into the air as a general risk in all action steps in our value chain. According to the Paris Climate Agreement, Agenda 2030, we share this responsibility with the rest of our industry.

The target setting of a 50% reduction of emissions to air by 2030 was based on the documented and verified emission data, which only included emissions connected to transport at that time.

General target update: value-chain perspective

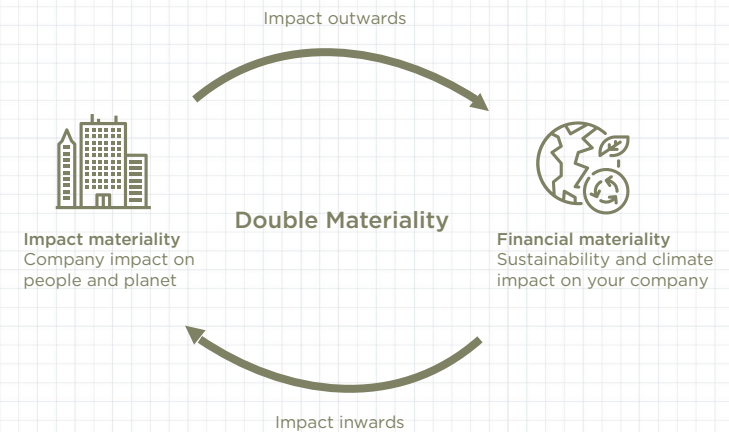
The key learning from base year GHG protocol calculations 2022 clearly shows how our main emission impact is derived from leather as a material and energy intensity connected to shoe production. Therefore, in 2024, we will break down our emission target into more manageable sub-categories. Then, ideally, connect that to each activity/order, but at least towards that goal quarter by quarter or season.

The Due Diligence Approach

Preparing for new ESG reporting standards and CSRD compliance is done with a due diligence approach, which will be the foundation for upcoming CSDDD compliance (Corporate Sustainability Due Diligence Directive). This is a step-by-step journey where we embed responsible business conduct, identify and assess impact, and work to cease or prevent adverse impacts caused by our value chain operations. This involves external inspections, internal inspections, action plans, correction action follow-ups, supplier meetings, training and nudging around Production Working Conditions and Emissions to air for both short and long-term development.

- External inspections for third-party reliability
- Internal inspections for ongoing follow-ups where we can initiate and monitor progression
- Action plans for mutual understanding
- Correction action follow-ups for support of a long-term business relationship.
- Supplier meetings for transparency and traceability
- Training for CSR teams
- Nudging for directing a) towards internal HR policies at the suppliers, b) the green energy transit

We are preparing for the double materiality analysis, which will take place during the first half of 2024 and is our first step towards the new CSRD (Corporate Social Reporting Directive). Hence, we will assess the company’s outward impact and the inward sustainability and climate demands from the outside world.



Stakeholders & Governance

Our stakeholder dialogue is ongoing and reviewed yearly. We build knowledge and awareness of our upstream and downstream value chain through regular meetings, interviews and other activities. Our primary stakeholders are those directly affecting our value chain or those affected by our operations throughout the value chain: staff, suppliers, wholesale partners, and end-users. During 2023, we have been focusing on meeting with our key suppliers in Vietnam, increasing and tailoring customer support, and sharpening the understanding of end-users' behaviours and preferences.

Main stakeholders

Suppliers

Our first-tier suppliers are three shoe factories in Vietnam, close to our Ho Chi Minh City production office. In 2023, our CEO and the sustainability manager visited Vietnam's first-tier suppliers and key sub-suppliers. These meetings were about both parties' immediate and long-term ambitions and expectations regarding social conditions, working environment and emissions into the air (green energy transit). Above all, the purpose of the meetings was to strengthen the position of our local CSR team and technicians who correspond, visit and work onsite at the factories daily.

Customers

Wholesale partners: For 2023, we have focused on a close dialogue around access to sell-out data for the highest possible support and relevancy in re-stock orders for mutually sustainable business development. We've also decided to consolidate Pre-Collection and Main-Collection delivery windows to maintain high accuracy in the filling ratio in shipping.

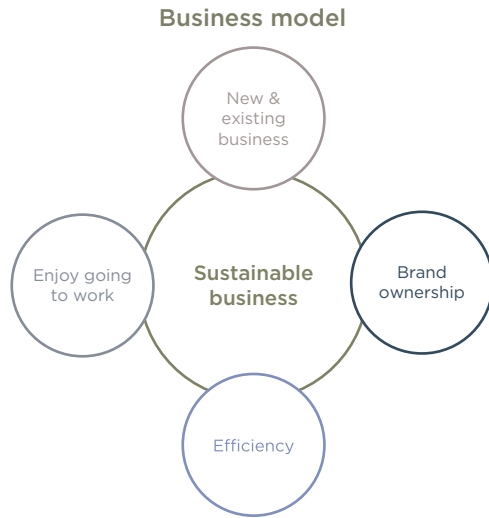
End-users: we've developed the Make Every Step Count message (The Craft, The Choice, The Care, The Change) by elaborating on shoe care tutorials and an alternative message for Black Friday by inviting a few wearers and their stories around LONG LASTING LOVE - Treasured and cared for by true Vagabond.

Customer care & accessibility: Although the core of the wholesale business is essential, we see a growing interest in being in contact with and/or purchasing directly from the brand. One sustainability advantage is offering guidance to reduce return rates, a critical challenge in a growing e-commerce world. Firstly, we've decided to handle translations in-house by hiring local editors for each new online market; this way, we'll ensure we keep the same tone of voice. Secondly, we've extended our service to be 24/7. We cover this set-up by the editors or customer care staff in all time zones.

STAKEHOLDER	DESCRIPTION	KEY PROCESS	MAIN MATERIALITY TOPIC
Co-workers	We are 216 people working with Vagabond globally, at our head office & warehouse in Varberg, Sweden, at regional sales offices, concept stores, and production office.	Own offices & stores Own warehouse	Physical and psychosocial working environment Working conditions and fair wage Knowledge sharing and transparent communication
Owners	Vagabond is owned by the Vagabond Shoemakers Foundation.	Own offices & stores	Physical and psychosocial working environment Working conditions and fair wage Reduction of GHG/CO2 emissions
Suppliers	Our business partners in supply or sub-supply for our production, logistics, stores, and office premises.	Material suppliers Factories	Working conditions and fair wage Knowledge sharing and transparent communication
Wholesale partners	Vagabond products are available through independent multi-brand stores in more than 45 markets.	Client warehouse & distributors Client offices & Stores	Sustainable and circular materials Animal welfare and ethics leather and fur Working conditions in production and fair wage
End-users	The end-users who either buy their Vagabond products from our retail partners or directly from our concept channels.	End-users	Sustainable and circular materials Animal welfare and ethics leather and fur Working conditions in production and fair wage
Partner Organisations	Svensk Handel, AAFA, STICA, the Leather Working Group (LWG), and other industry forums are necessary for a progressive dialogue concerning our business, development, and innovations.	Own offices & stores Factories Material suppliers	Reduction of GHG/CO2 emissions Reduction and substitution of process chemicals Sustainable and circular materials Animal welfare and ethics leather and fur Working conditions in production and fair wage
Public Media	Media that relate to our operations, establishments, and product news. Includes fashion, trade, business, and daily press in all countries where we are active.	Own offices & stores	Reduction of GHG/CO2 emissions Sustainable and circular materials Animal welfare and ethics leather and fur Working conditions in production and fair wage
Press & Collaborations	Independent creators and talents are invited to context or express our product messages in different forums.	Own offices & stores	Sustainable and circular materials Animal welfare and ethics leather and fur Working conditions in production and fair wage
Students & Apprentices	Recurring and creative exchange connected to the head office and designer house activities in Sweden.	Own offices & stores	Reduction of GHG/CO2 emissions Reduction and substitution of process chemicals Sustainable and circular materials
Authorities	Our primary authority communication concerns customs, taxes, and chemical verifications.	Own offices & stores Factories Material suppliers	Reduction of GHG/CO2 emissions Reduction and substitution of process chemicals Sustainable and circular materials
Non-governmental organisations	Organisations working with social responsibility, environment, and animal welfare. Reviewing journalism is closely connected.	Own offices & stores Factories Material suppliers	Reduction of GHG/CO2 emissions Reduction and substitution of process chemicals Sustainable and circular materials Animal welfare and ethics leather and fur Working conditions in production and fair wage

Staff

In 2023, we celebrated our 30th anniversary as a company with grand festivities where we gathered all staff worldwide. The key message was to highlight and summarise our joint accomplishments, and the owners acknowledged some of our long-term staff by talking about how “You are a part of our story”. In addition, the deep dive into the business model from the end of 2022 remained in focus for 2023:



New & Existing Business: Illustrates our business process for easy onboarding and cross-function collaborations.

Brand Ownership: Access to all essential brand learnings/training

Efficiency: Updating of meeting and feedback routines

Enjoy going to work: customised onboarding for new staff and continuous internal knowledge sharing

Partner and membership organisations

We connect with a selection of membership organisations that are not directly involved in our value chain but have made valuable contributions to engaging in it in all aspects. On the one hand, we are part of the textile industry, but our product is not entirely applicable to the specific challenges of textile production. Therefore, the mix

of fashion/textile-oriented and niche leather organisations is best for us.

AREA	PARTNER/COLLABORATOR	TYPE
Chemical Management	Stefan Posner	Consultant
Chemical Management	Kemikaliegruppen	Membership
Water / energy / chemical / social	Leather Working Group (LWG)	Membership
Reuse / Recycling	I:CO / SOEX	Membership
Cross-industry network	CSR in Western Sweden	Membership
Cross-industry network	EMC Sweden	Membership
Cross-industry network	Svensk Handel	Membership
Sustainability risk assessment	HIGG CO	Membership
Climate action	STICA	Membership

Facts LWG (The Leather Working Group)

Leather Working Group is a not-for-profit organisation responsible for the world's leading environmental certification for the leather manufacturing industry. As a multi-stakeholder group, LWG boasts over 1300 members from across the leather supply chain, including tanneries (manufacturers of leather), leather goods manufacturers, suppliers for the leather industry, brands & retailers, and other associations within the leather industry.

The LWG vision is to be the number one globally recognised brand representing responsible leather sourcing to the industry and end-users. The mission of LWG is to improve the impact of the LWG supply chain holistically by becoming the overarching standard for leather manufacturing, covering all elements and actors in the leather value chain. An LWG certification is a credible environmental, social, and governance (ESG) certification based on accurate metrics and data-driven insights.

LWG aim to provide detailed information to enable brands and members to make informed decisions in their leather sourcing.

The focus areas

Our identified and highlighted priorities in our sustainability work since 2019 are concluded in these seven top priorities: Emissions to Air, Material and Circular Economy, Production Working Conditions, Transparency/Knowledge Sharing, Clean Water, Process Chemicals and Own workplaces.

Among these top focus areas connected to our value chain, we have appointed **Emissions to Air, Material and Circular Economy, and Production Working Conditions** to be the most prioritised.

TOP PROIRITY AREAS	2023 ACTIONS
Emission to air - GHG calculation	- Primary data - Simulations
Material & Circular Economy	- LWG - Traceability projects - New material - The 4C's
Production working conditions	- Special project: Corrective action plans
Transparency/Knowledge sharing	- CSR training - Supplier Meetings
Process chemicals	- REACH updates
Clean water	- LWG
Our own workplaces	- Culture Onboarding - Leadership handbook

The overarching target for Emissions

Our overarching environmental target is reducing Emissions to air by 50% by 2030, relative to our growth. This was set in 2018 and based on the reporting data available since 2016: transport. Overviewing the entire value chain by calculating emissions according to the Greenhouse Gas protocol reporting standard, we know that transport is a minor part of our total emission impact, not the least since we have focused a lot on a +90% filling ratio of containers, shipping by sea and avoiding air freights.

In 2023, we concluded our second year of extended emission calculation using the GHG protocol. We will then use an emission simulation tool to support our strategy development and everyday decision-making.

Material is heavily connected, as this is where our main emission impact is derived; hence, it is another top-prioritised topic.

Target break-down

Our next step is to break down the target on material type, production material, production products, and transport. We will also look for the best example in each area and apply it to the rest. For instance, our tannery ISA Tantec, well below set LWG standards for water and energy usage, is a benchmark to use in the dialogue with our other material suppliers.

Emissions to Air – Greenhouse Gas Calculation

The 2015 Paris Agreement and the nations' commitments to keep the global average temperature well below two °C above the pre-industrial levels and pursue efforts to limit the temperature increase to 1,5°C above pre-industrial levels were again underlined at the UN Climate Change Conference in Dubai, United Arab Emirates in November 2023. All industries must take action, and we must do it now. Our value chain acknowledges emissions to be the most significant part of the negative environmental impacts.

In 2022, we started cooperating with an external consultant company to prepare the tools for an emission calculation based on the Greenhouse Gas Protocol reporting standard, which we continued in 2023, and we also joined STICA (The Swedish Textile Initiative for Climate Action). We aim to form decision guides and ensure sustainable growth by proper measurement and traceability of where the emissions occur and act to lower emissions.

Having close relations with key actors in our value chain, we strive to obtain as much primary data as possible (using our close relationship with suppliers and general view of operations) and complement it with science-based data only by exception.

The Methodology

Entering STICA in 2023 means that we have changed from applying the open-source Kering EP&L (Environmental Profit & Loss) tool to the Higg MSI LCA tool*, the preferred science-based database for the STICA members, not the least for comparison reasons. Both tools contain impact factors for various materials commonly used in fashion products. When we recount the results for 2022 using the Higg MSI tool, we see that the total results are almost the same. However, they vary when we do the breakdown; for example, the emission factor of cow leather is lower in the Higg MSI tool. Hence, there are differences when we compare cow leather from year to year.

**The Higg MSI LCA tool identifies hot spots and more extensive emission sources in the supply chain rather than supports the creation of detailed climate disclosures. The tool contains emission factors for raw materials and production processes that are functional as generic values when calculating emissions from raw materials to finished products. The Higg MSI is the industry standard for using average values to perform climate calculations.*

To compare the years more fairly, last year's material calculations were recalculated using Higg MSI emission factors by 2050 Consulting. However, this did not drastically change the previous year's total results. Furthermore, some corrections were

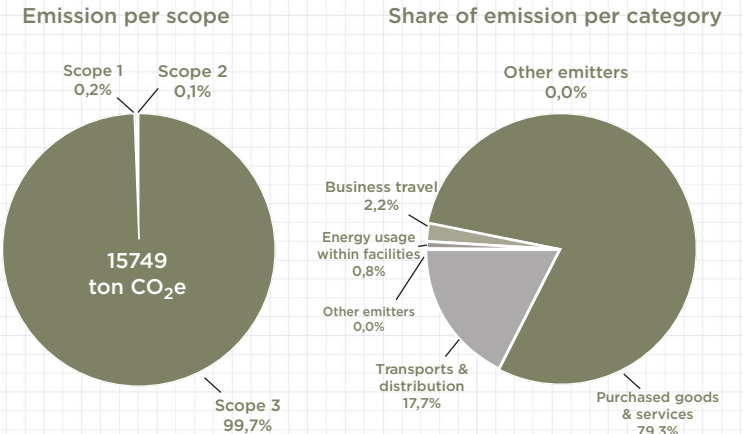
made to last year's calculations. Specifically, in the Scope 2 calculations, changes were made to some facilities' heating sources, from district heating to electricity heating. Packaging material data collection has been more thorough this year than last year, which explains the increase in emissions from this category (the total volume of reported packaging materials has increased). This change might not represent an actual increase in emissions between the years but rather an expanded scope.

Emissions from transportation and distribution are primarily based on the carrier's actual emission data and calculations based on provided information about transported weights and distances. The emission factors used for the calculated emissions are gathered from the Network of Transport Measures (NTM).

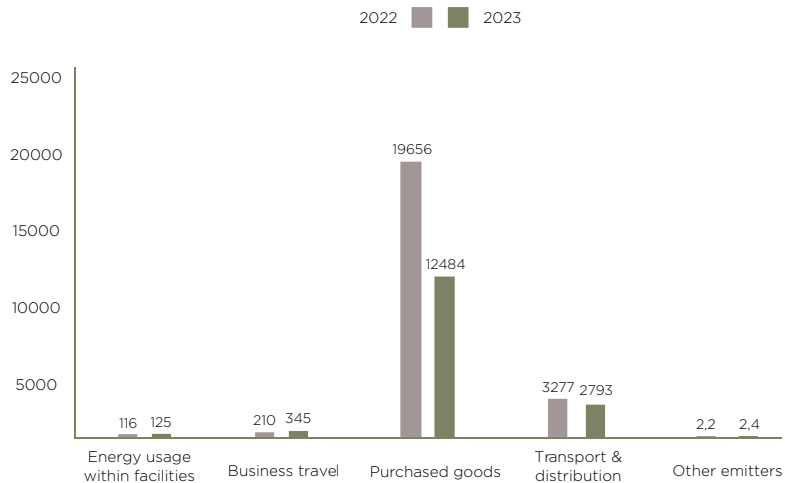
GHG Calculation Results 2023

Emission per Scope & Category

For the year 2023, the total amount of greenhouse gas emissions is 15.749 tons of CO₂e, of which 38 tons (0.2%) of CO₂e are attributed to scope 1, 19 tons (0.1%) to scope 2, and 15.692 tons (99,7%) to scope 3. Among the scopes, the key categories are Energy own facilities, Business travel, Purchased Goods, and Transport.



Emissions per category 2022-2023



Total emissions have decreased by 34%, yet total purchased volumes are 30% less than in 2022, so still at a slight actual decrease, mainly due to:

- Lower weight: The average weight per produced unit slightly changed (from 0,98kg/unit to 0,85kg/unit), as the proportion of boots in the collection was higher in 2022 than in 2023.
- Transport: We also see a lowered transport emission per sold unit -4% (-15% if we look at purchased volumes). Aside from the connection to lower weight, it is also connected to production planning and general conditions of the transport sector. In 2023, the fluctuations and uncertainty in both production and shipping from 2022 have stabilised, enabling resumed efficiency in planning. This, in turn, results in high container-filling ratios and very few air shipments. The lower total emissions from transport are also connected to less air freight in the B2C channel due to the start of a local warehouse in the USA handling the local B2C distribution by road.
- Access to primary data: We have extended the reporting supplier base to include our main textile supplier, giving us a 75% coverage of our tier 2 material suppliers. This results in better accuracy and notably lower calculations than industry standards. In addition, there are better possibilities for improvement in the long run.

Still, each pair's electricity use remains at the same level, which is about 2,54 kg CO₂e/unit.

Regarding the increase within the emission categories: Our facility energy usage increased slightly by 7.1% since one of our facilities rented in 2022 is now included in our Scope 1 calculation. Business travel has also increased significantly (65%) due to a post-pandemic normalisation.

Key metrics (KPI)

DETAILED EMISSIONS PER CATEGORY [ton CO2e]	TOTAL EMISSIONS 2023	TOTAL EMISSIONS BASEYEAR 2022	CHANGE 2022-2023
Energy usage within facilities	125	116	7,1%
Business travel	345	210	65%
Purchased goods	12484	20143	-38%
Transport and distribution	2793	3277	-15%
Other emitters	2,4	2,2	6,8%
TOTAL	15749	25054	-34%

Scope 1 (Direct GHG emissions) Company operations: 38 Tons CO2e

The greenhouse gas emissions deriving from our head office operations (company cars and heating/cooling) are not a significant part of our total emission lot.

Scope 2 (Indirect GHG emissions): Purchased energy for offices, stores, and warehouses: 19 Tons CO2e

The electricity purchased for our Swedish head office, warehouse, and stores is supplied by 100% water, wind, or sun power. The same goes for our Finish office. For Germany, it is a "German residual mix"; for the USA office, the heating is by oil, whereas the electricity is from a mixed source. The energy source is mixed for our Vietnam production office, and the usage is higher as they must have an efficient cooling system.

Scope 3 (Other indirect GHG emissions) Purchased materials, production and transport: 15.692 Tons CO2e

Processing leather from meat industry waste into smooth leather suitable for leather shoes is energy intensive. Rubber-mix outsoles, the other main component, are the second largest source of emissions. 2023, the material purchase and production volume was lower than in 2022, hence lower emissions. Within this category, we identify three different aspects or derivations: the type of material, place of production, and logistics solutions & mode of transport.

Type of material

Leather and outsole materials account for most of the material-derived emissions. Consequently, we must focus on understanding and making informed choices in our leather and outsole material sourcing process. Both origin and weight make a difference, as does the supply of green energy at the place of origin.

Place of production

The availability of renewable energy at the place of production is crucial, alongside energy efficiency for production equipment.

Logistics Solutions & Mode of transport

With very few exceptions, all imported goods are shipped by sea, which gives a net footprint in kg CO2e for each pair of about 0,29 kgCO2e/pair for the import. If we look at the total, both inbound and outbound transport, we get an average of 2,52 kgCO2e/pair, and this difference is ascribed to air shipments connected to express deliveries B2C.

79% of the total transport emissions are caused by air shipments, 11% by sea, and 9% by road, in contrast to the fact that only a very small percentage of our transport occasions are by air. In other words, our import volumes in 2023 correspond to 11% of the transport emissions as they are sent by sea almost without exception.

“Production and delivery planning are key factors in managing emissions in the supply chain, during which 2023 marked a significantly more stable year than 2022. Production deliveries have notably improved, and the ocean market has also stabilised regarding delivery precision and pricing. Normalising these markets provides better conditions for planning deliveries and reducing air shipments without risking lost sales due to cancelled orders, leading to close to zero B2B air shipment volume.”

- Tomas Paepke, Logistics and Business Support Manager

Throughout the year, a significant transition was made to reduce the footprint of our e-commerce operations in the US market by relocating our replenishment inventory to the USA instead of Sweden. This allows us to ship larger volumes by sea directly from the production country; combined with the B2B volume, B2C air shipments between Sweden and the USA are significantly reduced, if not eliminated. In the US, we focused on road transportation in our last-mile solution.

This approach enables us to reduce emissions per pair for transportation despite increasing the share of B2C sales through our channels, rising from 11% in 2022 to 18% in 2023.

Another part of transport is work travel. For 2023, the emissions from work travel increased by 65% compared to 2022, still from low levels, considering that 2022 is a year still affected by the pandemic. Being a global company, work travel is crucial to be close to our supplying and retailing partners. Being onsite is a strategic choice to reduce the risk of quality errors and wrong end destinations and purposes for our products, therefore reducing excess stock and waste. Although we have invested in enhanced equipment for digital client and supplier meetings to complement physical meetings and lower work travel frequency, the increase for 2023 is due to starting up new markets in Asia and attending the essential international tradeshows, which were wholly stalled during the pandemic years.

Reduction of emissions

The types of material and origin are factors included in our active decision-making, but the energy amount and energy source are more complex. The production is energy-intensive, and the electricity source is "mixed", meaning coal, natural gas, hydro and solar, where coal is still the most significant. In contrast, electricity from renewable sources is only a minor part. For our emission footprint, we need to rely on template emission data for the raw materials. In addition, there are vast variations depending on the database used to calculate emissions for raw materials. Regardless, the conclusion is that leather and rubber mix outsoles are the most significant source of emissions in our value chain; hence, being able to work with primary data for electricity used by our suppliers is crucial to be able to actively choose and collaborate on emission reduction with our suppliers in material sourcing and processing.

Reducing emissions in production: Although energy efficiency by investing in new techniques and machines is of great importance moving forward, the most tangible solution is to work for the accessibility of green energy. In 2023, we focused on investigating the green energy transit possibilities for our suppliers through:

- a) Dialogue with Icebug and their SOLROS program for decarbonising Tier 1 factories through solar panels, which they run with an established Renewable Energy partner. Connect a Renewable Energy partner with one of our factories for further discussions.
- b) Use simulating models or digital twins for strategic planning, which will reduce emissions' impact over time.
- c) Presenting the principle for what data variables are included in the GHG data collection to enable a more frequent gathering to simplify the yearly summary.

Our current summary is that obstacles are connected a) to the need for premises construction investigations to ensure they are suited for solar panels and b) to the irregular market demand undermining the will for long-term investments. Also, the premises are rented for two of our factories, which calls for a dialogue with the landlord, which is ongoing but not finalised. There are also uncertainties on how much energy can be derived from the solar panels and how much needs to be from the grid, depending on the time of the season. Supporting and initiating solar panels would, apart from making a difference in the emission footprint for our products, also strengthen our factories' sustainability development in general.

In general, we are committed to lowering emissions by remaining close to our value chain and managing irregularities in the production and transport sector, resulting in the lowest level of emissions connected to our activities.

Reducing emissions own offices: At the head office, we offer electric car charges on our parking lot to support using electric cars when commuting by bike or train is impossible.

Reducing emissions for work travel: The key is efficiency, meaning that all travel should have a clear mission and set agenda. Before booking, we consider whether extending the agenda and staying a bit longer or adding another nearby destination for other meetings can save the next trip. We also encourage going by train, especially for extended travels like Berlin. We do not measure CO2 for each trip but are looking into tools to do so.

Reducing emissions by smarter packaging: Shoeboxes are made after each type of shoe's specific measurements to ensure the shoe is well kept and protected during distribution and storage. The shoebox "follows" the shoe, meaning it must be maintained if the product is not yet used. An outer shipping box is also needed to protect the shoebox when shipping shoes to end-users.

Based on parcel size simulations, in 2021, we shifted to special sizes of outer shipping boxes, aiming to minimise any unnecessary "empty space" for environmental and efficiency reasons. We have a max of 5 pairs per order as orders larger than five pairs are likely to induce several unnecessary returns, which cause extra strain on the environment. Also, "Only buy what you really love" is the leading star. Another essential part is the choice of packaging material for shoeboxes, outer shipping boxes, and outer cartons for wholesale. All shoeboxes, shipping boxes, and outer cartons are made from FCS-certified paper. The filling material (to keep the shape of our product during transport) is made of recycled paper. In addition, the shipping boxes for E-commerce shipping are 100% climate-neutral (by ÅterBära, initiated by our partner Avisera).

Facilitation of data collection

Considering the impact of energy and materials on production, we aim to facilitate data collection. Using 2023 learnings, we will connect all emissions data to each dispatch order for purchased materials and each packing list for dispatching goods. Our local CSR team in Vietnam will navigate this process, which will be done in close collaboration with our leading suppliers. We are also starting to look into how we can add this data into our business system to simplify KPI reporting moving forward, not the least to facilitate the collection of product pass information, where origin, packaging/recycling and climate footprint are among the most critical data points.

Structured and ongoing supplier data collection of the..

- ...origin of purchased material
- ...weight of purchased material
- ...type of packing material
- ...weight of packing material
- ...type/source of electricity used in production
- ...amount of electricity used in production
- ...type and number of own vehicles
- ...use of fuel for own vehicles
- ...use of fuel for production (diesel generator)

Material & Circular Economy

We aim to source 100% of our leathers from LWG-certified tanneries and to use no conventional cotton for our textile linings. Instead, we choose more sustainable options such as recycled polyester, organic GOTS-certified cotton or Tencel™.

“Our main sustainability argument is that we make quality products that can be worn and loved for a long time. This calls for high-quality material. Leather remains our choice of material due to its unique features, as it naturally shapes and protects from wear and tear.”

- Paulo Martins, General Manager Vagabond Vietnam

Even though leather is a by-product of the meat industry, we must source only sustainably processed leather, use it wisely and avoid waste. When making a fashion product, there is always the consideration of creating a product that is the easiest to recycle or producing a product that can last over time. Leather is challenging to recycle fully, but it has longevity

features. Therefore, our first and foremost responsibility is to prolong the life of each leather product.

For 2023, 100% of our tanneries are LWG certified, and textile linings are all made in sustainable option materials. This means we are ready to progress further: the next step will be to set goals connected to the level of certification, where gold, compared to bronze, includes sharper restrictions connected to wastewater handling. It will also involve switching other textile components, like all reinforcements, to sustainable options.

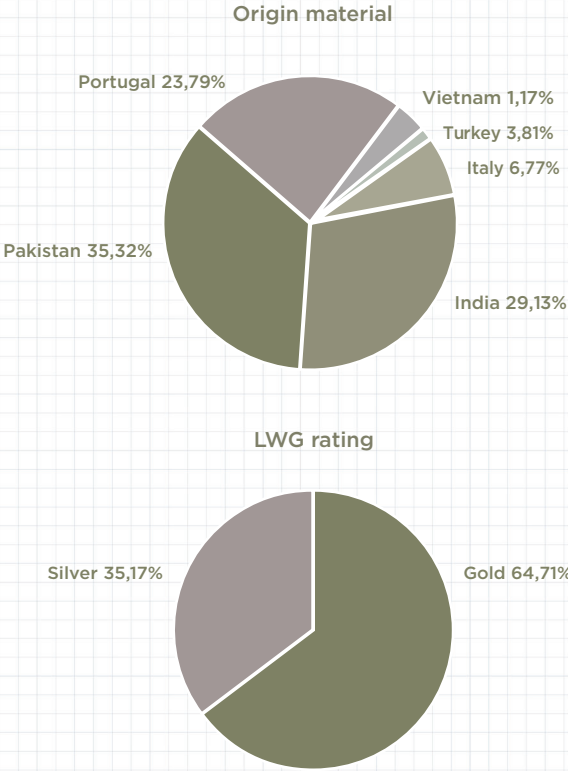
Participating in developing non-animal and other substitute materials is a long-term strategy. However, it is aligned with developing responsible sourcing of leather, as that is the most durable material for footwear.

Shoe Bring Back is not growing in pairs, but definitely in accuracy and as the cornerstone of sustainability-aware choices, care and use of shoes as a product.

Leathers

We have been members of the Leather Working Group since 2019. By 2022, we have been committed to purchasing only leather from LWG-rated tanneries produced according to strict environmental and social requirements. LWG is the best existing standard for the leather industry. As LWG members, we attend webinars and stakeholder meetings with the LWG organisation. The LWG tool is developing as full traceability and social conditions are added to the initial focus on the environment and energy use.

Our material suppliers are committed to the overarching standard for leather manufacturing, covering all of 2023: all tanneries are gold or silver-certified actors in the leather value chain. Although the LWG criteria are the same for each country, we also consider the country of origin in our risk assessment, especially general social conditions, transport and access to green energy mix.



We've also decided to take further steps regarding the tanneries and include traceability data at the farm level. We'll use our in-house supplier business relations and rely on the fact that the industry is jointly and gradually solving the lack of complete traceability information for leather as a waste product from the meat industry. Our material origin (the farms) is from Eastern and Western Europe, Turkey, the USA, India, Pakistan, and the Middle East. We also know that our tanneries source some quantities from Argentina. Our goal is to connect this data to each order and product.

We have met with ISA Tan Tec at their Vietnam factory and the Varberg office. With offices in the USA, China, India, and China and involvement in and presentation of several less environmentally impact initiatives, they are at the forefront of developing leather as a sustainable product.

Chemical testing

We conclude that the material must be thoroughly tested for all material batches we order. This is because the chemical testing demands through the LWG certificate program are limited to the chemicals used only within the tannery's process and only on the most significant articles produced.

Leather inner soles

All our shoes with leather inner soles are made in chrome-free tanned leather, as chrome-tanned leather may cause skin allergies when exposed to bare skin.

Textile linings

All textile linings and inner soles are made from organic GOTS-certified cotton, Tencel™, or recycled polyester. Therefore, 100% of our shoes with inner textile soles and linings are made from more sustainable material choices. Since we introduced Tencel™ in 2019, it has gradually become our primary choice of material for textile linings. Tencel™ is a fabric made from cellulose fibre that is equally comfortable as cotton but only requires a small amount of water compared to cotton production. Tencel™ is a more sustainable choice in both its production and its longevity.

Reinforcements

Moving on from textile linings, we focused on textile reinforcement, among which we still have conventional cotton. For 2023, we used up stock as the first option, whereas new reinforcement purchases were made using organic GOTS-certified cotton.

In addition, we are gradually switching to as many recycled or biobased materials for technical materials like toe caps and back counters as possible to correspond to at least 20% of the content.

**Sustainable materials include chrome-free tanned leather to prevent chrome allergies, organic GOTS-certified cotton for environmental care and healthier cotton farming, recycled material for a more circular approach, Tencel™ for significantly reduced water usage in the manufacturing process, and other materials from renewable sources*

Outsoles

Besides leather, the outsole is a crucial component. The outsole raw materials must be compounded to stand weather, wear & tear and last for a long time. Virgin rubber is mixed with thermoplastic rubber to get a mix suitable for durability and various surface and temperature conditions. What's essential for recycling is to keep the number of different substances to the lowest possible without compromising quality. Therefore, this is a critical focus we share with our fellow actors in the industry.

In 2023, we contacted Reselo, which is developing sustainable biomaterials. One of these is replacing traditional rubber with biorefinery-based rubber (from Scandinavi-

an birch), which is estimated to cut carbon emissions substantially for outsoles. This project is at an early stage, and our mission is to introduce our suppliers to these innovations by expressing our interest and supporting a testing and evaluation process.

Although the most lightweight outsole is preferred for emission impact reasons, they must match the upper design and construction; lighter outsoles are a key focus area for our product development team starting in 2023.

Ethical Material Considerations

Animal welfare is a part of our requirements and is included as one specific section in our Code of Conduct. We stand against unethical materials such as fur or leather from endangered species and animals bred for the leather only. We are members of the Fur Free Retailer Program (initiated by The Fur Free Alliance). We require our leather materials to be byproducts of the meat industry and argue for using all animal parts for sustainable reasons. As an experienced leather goods brand, our responsibility is to use our production know-how to maximise the leather's use to avoid unnecessary use or waste.

The traceability of leather is also included in the LWG audit scheme, which was one of the reasons for joining the LWG cooperation. From 2022/2023, LWG has focused further on traceability and deforestation, as this is one of the top five most relevant topics for the LWG members. In version 7.0 of the Environmental Audit Protocol, traceability will start to be phased in as a score requirement and impact the overall rating of a tannery.

We continuously look for alternatives to leather materials and have our Non-animal selection as a permanent part of the entire collection. The Non-animal articles are made with leather-imitation material specially designed for our customers who prefer materials of non-animal origin. The possibility of extending the Non-animal collection is a frequently asked question. Although we appreciate and respect that Non-animal products are a conscious choice for those who say no or want to limit the use of animal-derived products, the current non-animal material comes with emission challenges as the traditional leather imitation is made in PU.

Material Development Collaboration

In 2023, we entered as co-partners in a new project for developing non-animal leather-like material financed by Vinnova, the Swedish innovation agency. Irmias Fabric, project initiator, and RISE Research Institute of Sweden, innovation partner, brought together eight other partners, including brand owners, material suppliers and material development companies. The idea is to develop a leather-like material based on valorised waste streams from the fruit and forest industry while meeting the high durability demands for apparel products. The project runs until 2025, and our part is to test the new material's features in the shoemaking process. We aim to find a sustainable option for today's Non-animal material, PU (polyurethane). Although no animal origin, PU is a type of plastic and, hence, a nonrenewable sourced material, which we aim to substitute with a sustainable option that meets our quality standards. No such material existed on the market as we entered this interesting innovation project.

Shoe Bring Back by Vagabond Shoemakers

We are committed to reducing the amount of waste our production is responsible for. This commitment includes optimised material usage by applying in-house know-how already at the design phase. This concerns product construction, using recycled or more sustainable material options, and urging for responsible usage and safe handling of still wearable or completely used-up shoes.

Our Shoe Bring Back initiative has evolved into a broader discussion about avoiding waste and where leaving your used shoes for recycling is the last resort.

The most significant part of the negative impact connected to shoes occurs solely at the point of production, especially since shoes, unlike clothes, are not regularly washed. Therefore, we are pleased to see a continued increase in re-sold items on vintage market platforms, supporting the growing interest in secondhand products. At the same time, discussions on sustainable fashion forums address the importance of “secondhand as the secondhand option”—only buy what you need and intend to use the entire lifecycle.

The argument above is very much alive, alongside an ongoing dialogue with I: Collect, where an extension of the collection options is the core topic; shipping used shoes piece by piece for recycling is currently not justifiable due to the emission aspect.

In all senses, Shoe Bring Back is a way for us to enable a higher awareness of consumption, considering the whole lifecycle of the shoe and cooperating with our customers to reduce fashion waste.

Production working conditions

Working conditions, including the physical working environment, are essential for our company and brand. Although shoemaking is machine-supported, it strongly depends on each person's trained eye and handicraft skills in the production line, mainly since the products cover many different shoe types (from sandals to high boots).

Vagabond acts in a diverse, global network with several hundred people in the supply chain to make Vagabond products. Counting both direct suppliers and sub-suppliers, Vagabond is produced in about ten countries. Our direct suppliers are shoe and accessory manufacturers. Our focus has been to offer weekly support for all our direct suppliers (the shoe factories).

Freedom of association is one of the cornerstones. According to national law in Vietnam, all our factories offer trade unions, in which 90-95% of all workers are connected. Meetings are held once a year, according to the law. Moving forward, we are pushing for at least twice a year to correspond to the fact that there are two peak seasons a year, and each new season involves new start-up circumstances which need to be addressed from both sides.



Vagabond's Code of Conduct

Our suppliers must be skilled shoemakers and pass our strict quality and chemical requirements. Once the CoC is signed, an initial inspection visit occurs in the factory in due time to enable corrective action plans and follow-ups before production commences. As soon as a supplier is accepted for Vagabond production, the supplier will immediately be included in the inspection scheme.

In 2023, we started onboarding two new factories, Jands and Jia Tai.

CoC inspections 2023

In 2023, we switched from TÜV SÜD to SGS, as we found the SGS structure and special focus to be better compatible with our CoC.

It is a challenge that our audit scores in our current set-up are not weighed. This means all measurement values have equal weight in the final score result. On the one hand, we are pleased that our factories score high on average (between 87% and 97%) and that numbers have improved from 2022. On the other hand, we are well aware that topics within our prioritised areas of company concern can be found among the issues with lower scores.

SUB-SECTION	QUESTION	DMD	OSCO	JY	JT
Summary	2023 Total NC	11	9	20	8
	2022 Total NC	38	16	26	
	% of Change	-71,05%	43,75%	-23,08%	
	2023 VB Rating	96,21%	92,82%	86,50%	97,38%
	2022 VB Rating	79,90%	86,70%	83,59%	

Correction action plan follow-ups 2023

For every finding in our follow-up in 2023, we started to manage the risk in the steps below:

- The risk level (standard/medium/major)
- What can be quickly corrected
- What can be corrected in steps
- What is challenging to correct and why (outside factors)

To follow up fast and effectively, we have a team of two people to do the everyday coaching and follow-up. They report to our General Production Manager for a quick start on the corrective actions needed. In addition, all our Quality Controllers and other staff travelling for production have a compliance checklist & routine. That

means that all Vagabond staff working with production are ambassadors not merely for good product quality but also a good working environment. The instructions are to contact our Vietnam CSR team and our production manager, and the issue will be addressed immediately, regardless of whether it is minor or severe.

“Vagabond staff working with production are not merely ambassadors for good product quality but also a good working environment.”

- Anna Fahle Björcke, *Head of Communications & Sustainability*

Correction action plan, special focus 2023 - overtime and working environment (air quality)

Based on the core message of the visits to the key suppliers in June 2023 and the scores from the external inspections in August, we initiated a special project based on two areas, which we consider to be of company concern, which must be corrected in step, and in some cases, difficult to correct due to outside factors: overtime and working environment (air quality).

Risk: all circumstances connected to every hand involved in our value chain are always of essential concern. Our main discussion point during our management visits with the suppliers in June was the necessity of building relevant business cases over time and co-relating between both parties. We know that seasonal irregularities cause fluctuations and that the factories work with fast changeovers, during which a safe working environment and working hours must be maintained within legal requirements.

Possibility to change: In the working environment (air quality) and overtime standards, referring to national legal requirements is insufficient. We must be hands-on and push the question step by step. Production Planners must check if a new order risks causing working environment challenges or overtime that exceeds national regulations. Quality Controllers must ensure that the working environment is maintained safely. For instance, if a specific type of shoe is causing additional glue stations, the air quality must be checked for that area. The challenge of overtime is that it is consolidated within the industry and is considered a desired opportunity among workers during peak season. Also, although we are determined to avoid causing unauthorised overtime connected to our orders, it may still occur for other production.

The CSR team's work model:

Monthly follow-up on overtime hours: During the last quarter of 2023, the CRS team asked for working hours follow-ups. When discrepancies from national regulations occur, we check whether this is connected to our orders and continuously ask for corrective action plans in steps from the factory themselves.

Air quality check-ups: using an air quality device, the CSR team physically tested the air quality in crucial areas on the factory floors. A certain level of air circulation is needed, and the CRS team has pointed out risk areas where, for instance, glueing is not possible to maintain a safe working environment.

Tight follow-ups on these two areas during the second half of 2023 have improved clarity for us and our partners. We see how these frequent discussions with the suppliers raise awareness and nourish the ongoing relationship. Although this is a work in progress, our efforts to repeatedly address the importance of production planning have stabilised the monthly over-time hours span from quite irregular in November 2022 to a steady level in the same period in 2023.

CSR training

In 2023, we held one training session in our production office in Ho Chi Minh, and the CSR representatives from each factory joined. During this training session, the Vagabond CSR team presented our Code of Conduct, the risks, and how to work preventively. This training concerns the working environment from a health, environmental and social perspective. Besides informing them about our requirements, we are also keen to nourish the long-term relationship and enable a transparent dialogue among the suppliers.

Transparency / Knowledge sharing

By sharing our product knowledge, we can inspire and guide our customers to better choices for people and the planet.

Product information

vagabond.com is the hub of our product specifications and descriptions. This information includes addresses to material suppliers, manufacturing factories, and material features connected to shoe care. We continuously work on the product description as we see a clear connection that the better the recommendations, the fewer returns.

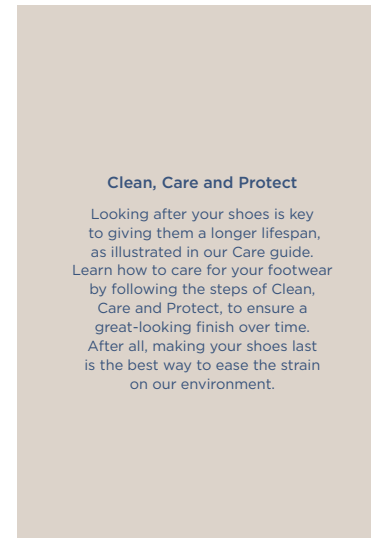
We present and use this information internally and for education, sharing it with our brand-representing retailers.

Product Sizing

As a multimarket brand, a challenge is size information and translating European sizes for markets outside Europe. Although we humbly pride ourselves on being experts in our field, it is essential to align with what consumers are accustomed to from an international point of view, such as the sizing referred to by the worldwide sports shoe industry. We also included our fitting review because we offer shoe types defined by different toe shapes.

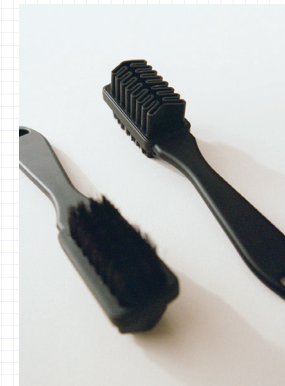
General knowledge sharing

We maintain our "Black Friday" week Statement: "Only buy what you really love", directed at end-users and our clients. We aim to move away from the negative aspects of fast fashion. We report on the Higg Co BRM module yearly, which our key clients are also connected to and can participate in.



Clean, Care and Protect

Looking after your shoes is key to giving them a longer lifespan, as illustrated in our Care guide. Learn how to care for your footwear by following the steps of Clean, Care and Protect, to ensure a great-looking finish over time. After all, making your shoes last is the best way to ease the strain on our environment.



CARE GUIDE



CARE GUIDE

Soft leather

Soft leather is a durable natural material with a long-lasting quality, recognisable by its smooth, supple character.

First, brush away surface dirt. Apply shoe cleaner with a damp cloth, gently wipe off excess product and allow to dry. Apply an even layer of shoe cream in a suitable colour to restore moisture and shine. Once dried, polish the shoes with a shoe brush or polishing cloth. Lastly, use a protector spray across the upper. Reapply on occasion for ultimate protection.

Clean	Care	Protect
Shoe Cleaner	Shoe Cream	Protector

Make Every Step Count – Consumer Dialogue

The 4C's consist of The Craft, The Choice, The Care, and The Change. In 2023, we continued and elaborated on The 4C's, aiming to "Make Every Step Count - from the leather we choose to the shoes you use". We focused on The Care, by shoe care tutorials on social media, and then a campaign under The Change to counter the

traditional Black Friday messages: keen Vagabond wearers signed up to be storytellers of the history of their beloved Vagabonds. In short films, we portrayed each person's individual style and relationship to their much-loved Vagabond Shoemakers' footwear.

By highlighting consumption awareness and sharing ways of maintaining shoes for longer wear, we hope to see more of our products last longer and turn into new products when thoroughly worn out.



The Change

All good things come to an end. When the love is over, close the loop by passing your unwanted shoes forward. We help you, by bringing them back to life - either for reuse or recycling, no matter their condition.

The Care

The stronger relationship, the more likely you will take care of your shoes. To help you, we provide shoe care products and guides that will increase the longevity of your everyday heroes.

The Choice

We think conscious consumption is all about a mindset: Only buy what you really love. Because your choices matter.

The Craft

To reduce our impact on mother earth, we always strive to create shoes made to be loved. Built on pieces that will stand the test of time, both in craftsmanship and design.

Process chemicals

- reduction and substitution of process chemicals that can be environmentally and/or health-hazardous

Chemical pollution is one of the significant challenges in the modern shoe industry. At both shoe manufacturers and material producers, the processes are chemically intense. We are committed to reducing and substituting chemicals that can cause harm to people and the planet. We recognise that replacing some of the process chemicals without adverse effects on the product quality is very challenging, and we are dedicated to supporting our suppliers in this vital work. Our Restricted Substances List (RSL) is our chemical management and prevention work, which includes all our chemical requirements. The RSL is based on the EU REACH legislation (The European Regulation of Registration, Evaluation, Authorization, and Restriction of Chemicals) and additional national requirements in our sales and production countries.

We test the relevant substances in our products against our RSL. We have created a framework for testing our materials to make them as appropriate and effective as possible; for example, some subjects can be tested at the material level, while others need to be tested at the colour level.

Our upper materials are tested, and independent and certified laboratories do the tests – ordered by the tanneries but based on our specifications. We require chemical testing on all materials that go into our production. Suppliers must prove they meet our RSL, and we do extensive chemical testing each season to verify the suppliers' chemical testing. Any material with non-approved test results will be excluded from our production.

In March 2023, we updated our RSL (Restricted Substances List) with new updates from REACH. We are supported by consultant Stefan Posner, a polymer and textile chemist with over 30 years of experience in our industry. Stefan helps us establish whether this is relevant to our product when a change in the REACH framework is announced. That way, we avoid passing on irrelevant restrictions to our suppliers.

We notice that our restrictive stance creates comments from some of our tanneries as they have difficulty guaranteeing complete usage bans or refraining from certain newly added substances. We have also noticed that some newly added substances can be complex to test as some laboratories have no processes. Still, we appreciate how these dialogues deepened our knowledge in the area and improved our understanding and communication with our tanneries.

Elaborating further, we've determined that we cannot rely on the test requirements connected to the LWG membership. As the LWG test requirements are limited to the process inside the tannery and the substances used there and only cover the top-most significant articles, these results are insufficient for us.

Clean water

- wastewater purification

Access to clean water is a fundamental human right. Manufacturing textile and leather materials can be a high risk for water supply and contamination. This kind of production often occurs in areas vulnerable to changes in water supply, biodiversity, and soil quality. The tanning process is quite complex compared to the textile industry, with much fewer initiatives on the follow-up of water and substances in the chain of activities. This is the main reason we joined LWG (Leather Working Group)* in 2019, and purifying wastewater for environmental and biodiversity reasons is one of the fundamentals of the LWG mission. 100% of our leathers come from LWG-certified tanneries.

**read more about LWG on pages 12 and 17*

Our own workplaces

As an international company, we can make a positive difference for many people and all hands involved in our supply chain worldwide. By staying close to the process and owning our product and brand, we have great opportunities to create strong teams where cultural values and work methods are spread within and between groups.

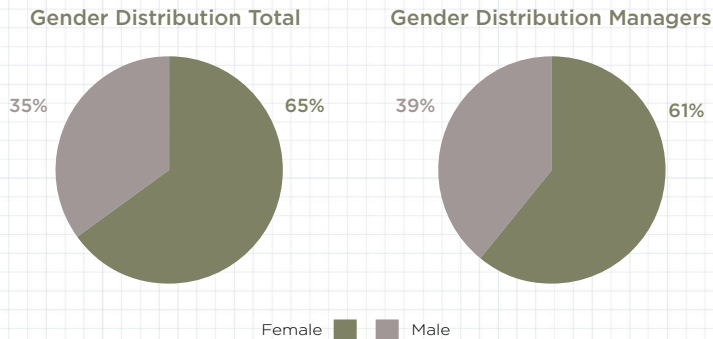
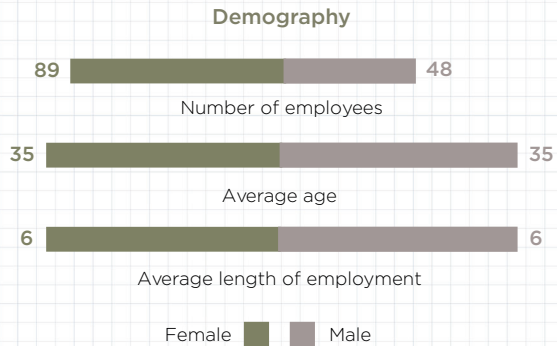
The sum of business knowledge is high. The atmosphere is that it is okay to ask questions, and we work according to a "Decision-making principle": anyone can make decisions if they involve co-workers with experience and people affected by that decision. In combination, the foundation of our core beliefs is that we are "Always a We." Therefore, we see significant opportunities for different skills and backgrounds to come together. Through daily and regular gatherings of our multi-cultural global team, we learn to see the world from various angles, truly enriching us and creating a positive foundation for the organisation and business to develop sustainably.

A central collective agreement covers 100% of all employees at Vagabond International AB in Sweden. We work with international HR consultants for remote sales and production offices to ensure local legislation and other conditions.

In 2023, we maintained focus on Enjoy going to Work. Structural industry changes, primarily due to purchase habits, have resulted in an expanding Online department with several onboarding new members. In addition, we have launched a pervasive business system upgrade involving all parts of the organisation. Consequently, it's been essential to re-address the importance of working together at the office, as this is where new staff get their introduction and development happens—still enabling working efficiently from home based on individual tasks and the requirements and needs of the team and other cross-department projects.

Supporting our staff and leaders

In 2017, we developed a cultural staff handbook – ‘A Shoemaker’s Handbook’ – focusing on who we are, what we believe in and stand for, and how we work and 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.



Gender distribution

Traditionally, our business attracts more female than male employees. We see this pattern in our global employee statistics. 65% of our employees with permanent employment contracts are female, and 35% are male. There are female and male employees in all departments, and the gender distribution of managers at Vagabond Head Office is 61% female leaders and 39% male. The average age is 35 years for both genders, and the average length of employment is six years. This is the count for the global head office in Sweden, although the same distribution is mirrored for our subsidiaries.

Equality

In 2023, we started working with the HR system Heartpace for salary mapping and revision. Besides supporting our HR processes, the system enables yearly and industry comparisons.

Empowering our people

Education and engagement: for our process in the sustainability field, all employees must be continuously updated on what is going on in the business, what steps we are taking, and how we tackle the challenges we meet. We use quarterly staff meetings, a 45-minute digital meeting in an interview-based format constantly introduced by “A word from our CEO”, followed by deep dives into selected areas. The aim is to engage, enlighten and update in a relaxed setting. Our company intranet and LinkedIn are used for company-related news, not the least for sustainability initiatives. Our social hub is our kitchen area, where we promote household waste sorting and “one coffee mug a day” to raise awareness of the easy daily responsible actions.

Health and Safety

We are committed to providing a safe and healthy environment in all our units. In 2023, we had zero reported work-related injuries. We provide first aid and fire-fighting training at the head office and warehouse in Sweden and our factory in Vietnam. In 2023, all store managers had full first-aid training, and work environment training is planned for all managers in 2024. We also measure that light, noise, and temperature are within the specific limits for good working conditions. Moreover, we ensure that the production departments’ chemical emission levels are within acceptable limits.

We work with business health care with a partner, Avonova. In 2023, we collaborated to reduce short-term sick leave for our warehouse staff by taking quick action when sick leave occurred.

Alongside an annual health care contribution, head office and warehouse staff are served breakfast each morning to strengthen the “Always a we” and “Enjoy going to work” mottos. Yearly, we appoint a “Trivselgrupp” (Enjoyment Group) to reinforce our everyday work by highlighting the little things, like a special breakfast or getting together after work.

Participation in a changing world

Charity donations: Part of our engagement in a changing world is manifested by our contributions to charity and helping organisations. We want our co-workers to feel that their work has generated profit for the company, helped people in difficult situations, and restored the planet.

Our charity focus areas are a) health, b) the well-being of the young or exposed, and c) the environment & climate.

Our charity donations in 2023 (SEK 900.000) were directed 80% to international Doctors without Borders, Unicef, UNHCR, and Red Cross to maintain support due to ongoing conflicts, especially in Ukraine and the Middle East.

The rest focused on local engagement and initiatives for the well-being of young people, especially in a mental illness among the young project: one of the local sports clubs organised an event together with "Aldrig Ensam" where the message was "sports are important, but more important is to feel good about yourself".

On the same topic, we were also a local key sponsor of "Musikhjälpen," the yearly national initiative with a global focus whose theme for 2023 was "Let no one die of hunger."

Thirdly, we donated shoes to all trusted partners of the Loza Foundation, Human Bridge, and Red Cross Sweden, proving that our products would have a new meaningful purpose and would not become waste.

It is worth mentioning that the change of ownership* of the company will significantly strengthen our ability to support, as the purpose of the Foundation is to transfer the company's surplus to charitable cases - within the focus areas above and more.

**The Vagabond Shoemaker Foundation, page 9*



Summarising 2023

As predicted, 2023 was a year of recovery, challenged by inflation, energy prices, and increased instability due to conflicts.

We see a shift in our business as we move from 11% through our own channels to 18% from 2022 to 2023. The client base has declined in wholesale, and the prevailing actors are more prominent in size. There is a cautiousness and tendency to clear out stock in favour of new purchases. Although this is a healthy business approach in these times, it challenges us in planning - in production and stock refill service. Here, we rely on vast competence and experience to keep the risk of over-production to an absolute minimum. We experience and appreciate being one of the brands gaining market shares and that our stock can be sold without intense discount campaigns.

In turn, the increasing traffic in our own channels gives us the opportunity for a close dialogue with end-users, addressing not least insight into what supports "Only buy what you really love" and what the driving factors behind smart deliveries and lower return rates.

Furthermore, 2023 has been a year focused on preparing for CSRD and a green energy transit by visiting our partners in Vietnam, attending seminars and preparing for actions to lower greenhouse gas emissions. We've renewed our collaboration with 2050 Consulting and Enact, with whom we will collaborate during 2024 on both topics. For greenhouse gas specifically, we joined STICA and invested in a simulation tool which we will use when we start comparing our GHG protocol data for 2022 and 2023. We conclude that our emission targets must be divided into more manageable sub-categories: type/origin of the material, tanning, shoe production, transport, and own offices and warehouses to monitor the emissions closely. Ideally, it should be connected to each order, but at least quarter-by-quarter or season-by-season towards that goal.

We have challenged the otherwise solid scores from the external audits for the social topics by highlighting overtime and air quality to follow up closely. We see how these efforts pay off in terms of actual results and, most importantly, as they strengthen our ongoing correspondence and mutual understanding with our suppliers.

We remain assured that our sustainability efforts will be integrated into each company function and that we will continue to establish routines and a due diligence mindset by understanding the sustainability impact of each business decision. For this, our vast industry experience and insight into each step of the value chain are our most essential tools.

We also elaborated on our official message, "Make every step count", by launching another sustainability message during Black Friday: "Lasting love". This aims to inspire how your Vagabond item can be your long-term partner in your everyday life.

Last but not least, on December 31, the owners and founders of Vagabond gave away all shares in the company to the newly started Vagabond Shoemakers Foundation, which will enable all profits which are not reinvested in the company to become funds for Health, The Young, The Exposed, Climate & Environment, Culture and Entrepreneurship. This means that the sum of our efforts will translate into solid and long-term support for important initiatives of our times. The responses from staff and other stakeholders are solely positive and inspiring.

Looking ahead, we are approaching a year in which we will, on the one hand, prepare for legal compliance according to the new corporate sustainability reporting directive (CSRD) but also emphasise how to incorporate this into policies, routines, and relevant KPIs.

The 2024 agenda is:

- Double Materiality Analysis
- Emission simulations
- Traceability to connect leather to specific areas
- Plan for the product pass incorporation into our business system
- Tests of alternative materials

We will also continue monitoring working conditions, including working hours and air quality. In addition, we will continue to push for the green energy transition.

By transparency and traceability and involving all company functions, our goal is legal compliance, resilience, and relevance as a brand and a preferred choice for partnership.

About the report

This report has voluntarily been prepared with reference to GRI Standards. During 2023, we attended seminars and met with authorised sustainability consultants and accountants for a transit plan towards CSRD. As a double materiality analysis according to CSRD and ESRD is planned for the first quarter of 2024, we decided not to conduct an updated materiality analysis according to GRI2021. Instead, the focus is a step-by-step due diligence approach until we are obliged to report according to CSRD, which will be for 2025.

The information in this report is for the financial year 2023, starting January 1 and ending December 31. The report constitutes Vagabond International AB's statutory sustainability reporting. The reporting data covers the Vagabond Group. We report our impact across prioritised areas within our value chain, using our data in most cases and additional statistics from some of our partners. Data on each issue of the external report will be noted. Our sustainability team collects all data from the relevant functions within our organisation and external parties such as suppliers and partners. The data is based on the best possible systems that are currently available for us.

Contact

For more information, please get in touch with us at:
www.vagabond.com/contact



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