

SANDQVIST

FROM NORDIC LANDSCAPES SINCE 2004

Sandqvist's Responsible Business Conduct Policy

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At Sandqvist, we produce stylish everyday bags that are made to last. We are committed to doing this in a way that is fair to everyone involved and with care for the environment. This means taking responsibility for the impact of our products throughout their life cycle, both on people and the planet. We are committed to upholding human rights for all those involved in making our products, and we are committed to ensuring our products have as little negative impact on the environment as possible.

Being "sustainable where possible" is not good enough for us. We are acutely aware of how people are being exploited in global supply chains, particularly women who make up the majority of the textile industry's workforce, and we know too well how the textile industry is affecting the environment. It is in our own business interest to acknowledge that everyone, independent of gender identity, sexual orientation, ethnicity, socio-economic background, religion, political beliefs or union membership is entitled to a safe and prosperous workplace.

We respect all national legislations in the countries in which we operate. We respect the responsibility we have as a company according to the *United Nations Guiding Principles for Business and Human Rights*. We are held accountable by our membership organisation Fair Wear whereby they evaluate how well we are working to uphold the *FW Code of Labour Practices, based on The ILOs 8 core labour conventions*. We also expect this Responsible Business Conduct policy to hold us accountable from our stakeholders (such as suppliers, workers, communities, customers, employees) and expect our suppliers and business partners to uphold the principles herein.

We've worked hard to create a formula to ensure sustainability is a top focus in everything we do. We have defined three focus areas where we know our business has an impact on people and planet:

- Transparent and Fair supply chain
- Sustainable products
- Our Business, People and Culture

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These areas have defined policies and processes associated with them. They are implemented in various parts of the business, mainly design, production, within senior management when making sourcing and product development decisions, and within HR.

Our first version of our Responsible Business Conduct policy was published in 2022. Thereon after we will continuously update this policy as and when any material changes occur which affect how we work with sustainability, for example if any risk areas change or we adopt new processes. This policy is endorsed and approved by senior management and later communicated to all Sandqvist employees and suppliers, as well as to the public through our website.

We wish to dive deeper in two areas in the future, that we recognise are extremely important and we are committed to improving going forwards. These two areas are to a) connect better with workers through social dialogue and promote freedom of association (FOA), and b) to focus on gender issues in our supply chain by gaining a better picture of what risks to gender discrimination exist today, and to implement measures to tackle these risks.

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Transparent and Fair supply chain

Based on the *OECD Due Diligence Guidance for Responsible Supply Chains in the Garment & Footwear Sector* as well as guidance from Fair Wear, we at Sandqvist started in 2022 to implement a new way of identifying and addressing risks to human rights in our supply chain. We developed a Human Rights Due Diligence strategy, which consists of:

1. Identify
 - a. Scope
 - b. Sourcing process
 - c. Onboarding process
 - d. Risk assessment
 - e. Stakeholder engagement
2. Mitigate and prevent
 - a. Take action to stop harm
 - b. Prioritise
 - c. Implement Improvement and Prevention programs
3. Review
 - a. Track progress made from Improvement and Prevention programs
4. Accountability
 - a. Publicly report on risk and progress

1. Identify

Scope

We identify risks to breaches of human rights on several different levels; in the country, in the sector, in the business model we have/expect to have with a factory and in the sourcing model we adopt with the factory. Throughout this exercise, we will in the future dive deeper into looking at gender and FOA through all areas of focus. As this risk assessment process is a new way of working for us, we are taking things in steps.

We identify the most salient risks to breaches to human rights in our supply chain. We do this for all potential factories during our sourcing process, for all new factories during our onboarding process and for all existing factories once a year or whenever there has been a changing circumstance to risks in our supply chain (such as a pandemic). In accordance with the UNGPs we assess actual and potential negative impacts, and we look at the severity of harm, the likelihood of harm and the irremediable character of the harm. Our production team works closely with these processes, especially in the sourcing and onboarding phase.

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We have clear expectations on subcontracting in our Code of Conduct, whereby we do not allow for any manufacturing to take place in a factory that has not gone through and been approved by our onboarding process.

Sourcing process

In 2022, we developed a sourcing process which guides our production team when sourcing new factories. The process' aim is to ensure Sandqvist only looks into partnerships with factories that we have vetted and are confident will meet our sustainability standards. The sustainability manager performs a risk assessment for all new production countries and reviews any social audits or other documentation if relevant.

Onboarding process

In 2022, we also developed an onboarding process which guides our new suppliers and production team when we are to set up a new factory. The onboarding process ensures we only onboard factories that we are confident, after a due diligence process, will meet our sustainability commitments. There are certain actions that our new suppliers must perform in order to become an approved supplier.

Risk assessment

Through our risk assessments, we are aware of many of the risks that lie within our supply chain. There are both risks to the environment and to human rights abuses.

The risks of harm that are most salient within our supply chain, based on scale, scope and irremediable character are where our cotton is grown and leather is treated.

We work within the textiles sector, more specifically in handbags and backpacks, as well as accessories. There are a number of risks within this sector, some of the most common and salient are listed below, however the list is non-exhausted:

- child labour
- discrimination
- forced labour
- hours of work
- occupational health and safety
- the right to establish or join a trade union and representative worker organisation and right to collective bargaining
- regular employment
- hazardous chemicals
- water consumption
- water pollution

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- energy consumption and CO2 emissions
- bribery
- corruption

As of 2022, we had production in mainly Vietnam and India, as well as some accessory production in China, Sweden, Italy and Latvia. All of the risks listed above are present in all of these production countries, some more than others. For example the right to Freedom of Association is most acute in China and Vietnam. The right against discrimination, most particularly discrimination against women's rights, are most acute in India. Regular employment is a higher risk in Italy where homeworking is common in the southern parts. All of these risks are weighed in our risk assessment exercise.

Specific risks that are connected specifically to the products we produce - handbags, backpacks and accessories - are the risks to the occupational health and safety in tanneries, the chemicals in tanneries and how these affect the environment, and the working conditions and risk of child labour within cotton fields.

Our business model does not per say carry with it many risks to workers and the environment. We are quite consistent with our products, so we do not have plenty upon plenty of styles that our factories need to familiarise with, which can lead to overtime or wasted fabrics. We are looking into engaging in licensing partnerships, which would carry risks as we would have very little oversight and control over working conditions and environmental commitments in our licensees' factories. We will be sure to create stringent processes to mitigate these risks.

In our sourcing model we work with a relatively larger number of accessory factories that produce small orders for us. This means we have very little leverage in these factories, as we are a very small customer. This in turn can lead to us experiencing challenges in initiating projects or gaining insights from monitoring initiatives. In Vietnam, we work with an agent that helps us mediate between our Vietnamese producers. For some brands, having an agent can be a risk, as it creates distance between the factory workers and the brand. For us however, having our longstanding agent minimises risk as they work very closely with us, are aligned with our sustainability commitments, and can visit our Vietnamese producers often and work to strengthen relationships.

Stakeholder engagement

We are yet to set up a robust process for how we can have meaningful engagement with our stakeholders, primarily the workers who work in the factories that produce our products. But this is something we are committed to do in the coming years.

We will in the future work to strengthen our ties and connection to workers. We will do so in a structured and organised fashion, to ensure the voices of those who are affected by adverse human rights impacts are heard. This could for example be done during our regular visits to factories, where we could meet with worker representatives together with an interpreter and discuss their experiences, concerns and opinions.

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2. Mitigate and prevent

Take action to stop harm

Based on the risks that we are aware of through our risk assessments and stakeholder engagement, we analyse how we can best organise our business practices to mitigate these risks.

A preemptive measure that Sandqvist will be implementing in the near future after a planning review, is to ensure our purchasing agreements with our suppliers help prevent and mitigate negative impacts on workers. Our contracts shall foster responsible purchasing practices and ensure we take responsibility for areas such as fair payment terms and sustainable costing.

Our best connection between us as a brand and workers, is the Fair Wear hotline phone number, that is posted on posters in all factories that produce our products, except for our factories in Sweden. This hotline number can be used by workers if they feel their rights, as expressed in the FW Code of Labour Practices as well as in our own Code of Conduct (and as is posted on the posters together with the hotline number), have been breached. If a worker calls the hotline number, a FW representative notifies us and together we investigate further and work on a remediation plan if necessary. Our commitment is to hear and address all complaints that are raised against the factories that produce our products and the practices that we as a brand implement there.

However, the FW hotline number should always be used as a last resort. More importantly, we seek to work with factories that have effective grievance mechanisms already in place. Together with our focus on freedom of association and social dialogue that we will initiate in the upcoming year, we will work to gain a better understanding of how effective grievance mechanisms are today and make a plan for how they can be improved if necessary.

In some instances, we must for various reasons end a business relationship with a factory we work with. The reason for this can for example be if the factory does not meet our quality standards, or it does not cooperate with us on addressing harms to workers that were detected in an audit. If and when we end a relationship we follow our internal responsible exit process, which for example includes steps for ensuring our exit will not have a negative effect on workers (e.g., if the cancelled order leads to reduced hours and hence less take home pay).

Prioritise

Apart from looking inwards to our own practices, we also look outward, to the risks that we face in our supply chain and analysing how best we can address them within the

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factories. To start off, we prioritise the risks that we see based on the severity of harm, the likelihood of harm and the harm's irremediable character.

Implement Improvement and Prevention programs

Based on the risks we detect in our risk assessments and following our prioritisation, we decide whether to implement improvement programs or prevention programs. This will depend on the types of risks, resources and areas of influence. As advised by FW, "An improvement programme corresponding with a high-risk profile includes a needs assessment (an adapted form of audit), corrective actions, and dialogue with suppliers and workers". On the other hand, "A prevention programme will include learning lessons, worker involvement sessions, and a review of a member's purchasing practices". As stated, we have not as of yet fully managed to engage in social dialogue with workers, but we are committed to do so as we recognise the importance of hearing first hand how working conditions are in the factories we work with.

3. Review

Track progress made from Improvement and Prevention programs

Throughout the year, we continuously track progress on the mitigating programs that we have initiated in the factories we work with. We ensure our initiatives are followed through and keep close dialogue with factory managements and our agent, to ensure we are on track and the initiatives are having a positive effect. We take in lessons learned when things don't go as well as planned and hope to engage more directly with workers in the coming years.

We also try to collaborate with other brands, particularly FW member brands, where we share production locations. This helps us as we can share knowledge and expertise and we combined will have more leverage in the factory and hence more power to influence.

4. Accountability

Publicly report on risk and progress

We are committed to report to the public on how we work with sustainability. We are accountable for our actions, our business and sourcing decisions, and we value an honest and open engagement with our stakeholders- such as the workers producing our products, our suppliers, our customers, our employees, and others.

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We regularly review our Responsible Business Conduct policy and publish it on our website. We also place information on our commitments and information on for example our factories on our website, which we also update regularly.

GOALS

We have set short term and long term goals for our focus area *Transparent and Fair supply chain*.

Short term goal:

- Implement new Risk assessment methodology and Human Rights Due Diligence way of working
- Increase understanding of gender related risks in supply chain

Long term goal:

- Implement structured approach that creates meaningful engagement with workers
- Implement structured approach that manages risks to gender discrimination and gender based violence in supply chain
- Work on implementing living wages in the main factories we source from

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Sustainable products

Bags made to last

Our mission is to create sustainable bags that are made to last. Scandinavian design, quality, function and sustainability are the key values that guide the design of all our products. To make sure that every product that we manufacture lives up to this ambition, we need to ask the following questions.

- Will this product be used?
- Does it have a Scandinavian feel?
- Is it long lasting in terms of durability and timelessness?
- Will it age with dignity and beauty?
- Is it free from unnecessary details?
- Will it be possible to repair when it breaks?
- Can we reuse or recycle the materials in the bag?

If we get this right at design stage, then we have come a long way in ensuring we produce long-lasting and sustainable bags. What is more, we pledge to only work with sustainable materials and to never stop challenging ourselves in raising the bar for what we mean by sustainable fibres and materials.

Our products and the environment

We are living in challenging times where humanity is at risk of causing irreversible damage to our planet through man made climate change, the damage caused to our water systems and biodiversity loss. The environmental ambitions set up by Sandqvist aims to tackle these three threats and therefore we have overarching goals on becoming climate neutral, safeguarding waterways and supporting biodiversity. ‘

Our largest negative impact on the environment comes from the production of our products. Mainly, the impacts come from the extraction of our fibres - our cotton, leather and synthetic fibres. Second to this, the impact comes from the energy consumption in the factories that produce our products, as well as all of the factories where trims are made.

We work actively to reduce the impact we have on the environment in many different ways depending on the material. We only use certified organic cotton, as this bans the use of pesticides and GMO cotton, and requires less water usage. We only work with leather from tanneries that are part of The Leather Working Group as they use less chemicals and better waste management. We only use certified recycled synthetic fibres.

We have an internal materials policy, which is endorsed by senior management and is used to guide our design and production team on decisions concerning materials.

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Climate

We are committed to stay proactive and work harder to reduce the energy used when making our products. This requires stronger partnerships with our suppliers, so that we together can make that happen. It is for this reason that we are part of Swedish Textiles Initiative for Climate Action (STICA). The purpose of STICA is to support the apparel and textile industries and their stakeholders in the Nordic region to, at minimum, reduce greenhouse gases in line with 1.5° C warming pathway, as outlined by the United Nations Framework on Climate Change and the Paris Agreement. Ultimately STICA's aim is to ensure the Swedish and Nordic textile industry does more than its share by becoming the first climate positive apparel and textiles industry in the world well before 2050.

Chemicals

Chemicals are used in the manufacturing of all textile products. To minimize the impact that these chemicals can have on the environment, we have strict requirements on what chemicals can be used in the production process. Our requirements are in line with best practices within the textile industry and legislation in our sales countries, in and outside the EU. Our fabrics and weaves in organic cotton are only treated with substances and dyes approved for organic materials. Where possible, the synthetic material we use is certified regarding chemical content. In addition to this, we also perform risk based chemical testing on our products.

Water

The textile and leather industries are big contributors to the pollution of water worldwide, however Sandqvist is set on minimising our water impact. We can do this by strictly controlling the chemicals used throughout our supply chain, making sure chemical management of our suppliers is in keeping with best practices and that water is conserved at all steps of production. The cornerstones of our water work are our chemical policy, the use of organic cotton and Leather Working Group rating of our tanneries.

Our customers and other stakeholders can also expect us to:

- Educate and motivate our employees to perform their tasks in an environmentally responsible manner.
- Encourage our suppliers and partners to adopt the same environmental principles we aim to adhere to.
- As far as possible, purchase products and services from suppliers with implemented environmental policies.
- Assess the environmental impact of any new processes or products we intend to introduce in advance.

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Every employee strives to:

- Comply with all applicable environmental legislation, regulations, and codes of practice.
- Contribute to the continual improvement of our environmental management system by working to meet environmental objectives and achieve sustainable operations.

GOALS

We have set short term and long term goals for our focus area *Sustainable products*.

Short term goal:

- Continue to report to STICA on our emissions
- Create robust system for gathering material certifications

Long term goal:

- Climate neutral: Sandqvist's products should be climate neutral.
- Safeguard water: Sandqvist production should have no negative impact on waterways and Sandqvist should actively promote the protection of natural waterways.
- Support biodiversity: Sandqvist and the production of our products should strengthen biodiversity.

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Our Business, People and Culture

Our vow to be a responsible and inclusive business

At Sandqvist we are committed to conducting all parts of our business in a responsible and ethical way. We know of the risks of bribery and corruption, and thus have an internal Anti Bribery policy to guide our actions. We are committed to upholding fair and just contracts with our suppliers, and work together with them on any issues that may come up along a production process.

We take responsibility for the impact that we can have on consumers, and only use responsible marketing that influences body ideals, diversity and sustainable consumption patterns. For this reason, Sandqvist has also signed the Swedish Fashion Ethical Charter for shared values and guidelines on body ideals and diversity in the fashion industry.

Transparency

If we want to improve and have the trust of our stakeholders, we need to be open with both our shortcomings and our achievements. At Sandqvist, we have therefore decided to take a transparency pledge, promising our customers and stakeholders that we will be fully transparent on how all our products are made, from cottonfield to store.

Our business and the environment

The environmental impact of our transports, own offices and stores is small compared to the manufacturing of our products. However, we still want to make sure that we do our best where we can, and that we contribute to a culture of sustainable practices on all levels.

We are committed to ensuring we always use the most environmentally friendly mode of transport for our goods. We track all transport used for our products, from production factories to our warehouse. We use sea freight at all times possible, and work hard to minimise any use of air freight. If airfreight is used, this will normally be for a small number of samples coming into our head office.

We are committed to ensuring our offices and stores have as little negative impact on the environment as possible. For example we use green energy where possible, and only purchase organic teas, coffees, etc. We have an internal Environmental policy that guides our employees on how they must act in relation to environmental concerns.

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People

Everyone working for and with Sandqvist should be treated fairly and benefit from our cooperation. Everyone, independent of gender identity, sexual orientation, ethnicity, socio-economic background, religion, political beliefs or union membership is entitled to a prosperous and safe workplace.

Together with all employees at Sandqvist, we are committed to create an environment where everyone can grow as individuals as well as contribute to making Sandqvist a world leading bag brand.

Courage, commitment and drive should inspire the work. As an employer we have a responsibility to facilitate this by giving each employee equal opportunities, rights and obligations.

Culture

Engaging with the community around us and having a positive impact on people and culture is one of the reasons for Sandqvist's existence. This includes everything from supporting organisations that share our ideals and goals, to being open and transparent with what we do.

Our core values will always guide us in the choosing of new partnerships. Collaborations should be made with brands and companies that share our Sandqvist values.

It is not enough for Sandqvist to just get our own house in order, we must actively engage with and support organisations and individuals trying to protect our planet's climate, waters and biodiversity. There is a need to actively restore free running waters and protect the remaining boreal forests in Scandinavia. Sandqvist will actively engage in these efforts.

GOALS

We have set short term and long term goals for our focus area *Business, People and Culture*.

Short term goal:

- All Sandqvist employees sign our Environmental policy
- Become even more transparent on our supply chain

Long term goal:

- Climate neutral offices and stores

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- More detailed mapping of transport emissions and how to reduce these

CEO Signature

This Responsible Business Conduct policy was first drafted in March 2022. The policy is endorsed by senior management within the company and the management is committed to ensuring the principles herein are upheld.



2022-04-07

Caroline Lind

Date

Version history

Version 1: March 2022