

SANDQVIST

SUSTAINABILITY

REPORT

2022



WORDS FROM OUR CEO / CAROLINE LIND

For us at Sandqvist responsible growth is at the core of everything we do and form an integral part of our main focus areas. We envision our bags to be part of a sustainable lifestyle and wish to inspire everyone around us to enjoy the nature in the same way as we do, creating advocacy for its survival as we know it.

Staying true to our Scandinavian roots, we believe in the value of sustainability and care for the environment, and the people all across our value chain, high-quality designs and uncompromising functionality. These principles are ever-present throughout every element of the design process and operations. The brand is living proof all of these can be fused to create expertly-designed products at a fair price point. But we are also constantly challenging ourselves to become a better brand and employer and given the rapid developments of requirements within the field, in combination with increased reports of the severity of the global climate and ecosystem crisis, we believe it is more crucial than ever to innovate and to dare to question business as usual.

We have many stakeholders, from the people picking the cotton and extracting other raw materials, the people sewing our bags, the people transporting our products, the employees in our head offices and stores, our customers and brand-colleagues, to the legislator and broader

society. We also have responsibilities towards the environment. Both the local environment where our suppliers in all tiers are present, as well as the effects on the planet and ecosystems that our business and products have, in a broader sense. These responsibilities are of course interconnected with our social impact as the current climate crisis in very concrete way affects the opportunities for humans to thrive, all across the globe.

Since the beginning in 2004, we have continuously taken steps to lessen the impacts of our products, socially and environmentally. Process and material development are therefore crucial parts of the design process. We have previously taken steps to only use recycled synthetic main materials, organic cotton and traceable leather from Scandinavian cattle, and during 2022 we took further steps to phase out cotton overall. Which will be implemented in the collections launched in 2023. Read more about this in the section about Sustainable products.

For Sandqvist as a company, the years 2020-2021 were challenging but by reflecting upon those years we can conclude that we learned a lot. We are therefore very happy and proud to determine that we managed to make a turnaround during 2022 and that revenue was growing in all channels.



At Sandqvist, we have 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 the best of our knowledge), from raw materials to store.

This has been made possible through thorough work by our fantastic organization focusing on streamlining and making our workflows more efficient. During 2022, we are also very happy to have recruited a new Head of Sustainability that together with the whole organization, will continue to guide our journey for responsible growth.

Sandqvist's bags and accessories are today sold globally with our biggest markets in Sweden, Germany, UK and France. The products are sold through our own shops (in Stockholm, London, Paris, Berlin and Gothenburg), the Sandqvist website, through wholesale and business to business collaborations.

As a company, we believe in cooperation and the power in joining up forces. We want to work together with other like-minded brands and companies, to create a positive change in the textile industry.

This is why we are members of Fair Wear Foundation (FWF), the Swedish Textile Initiative on Climate Action (STICA) and TEK0, the Swedish trade association for the textile and fashion industry. Where possible, we try to lean on and substantiate the claims we are making through other credible organizations, such as the Leather Working Group, GOTS and the Fairtrade-movement. We believe that this will be even

more important going forward, with even more knowledgeable and interested stakeholders that are keen to learn more about the work we are doing. If we want to improve and have the trust of our stakeholders, we need to be open with both our shortcomings and our achievements.

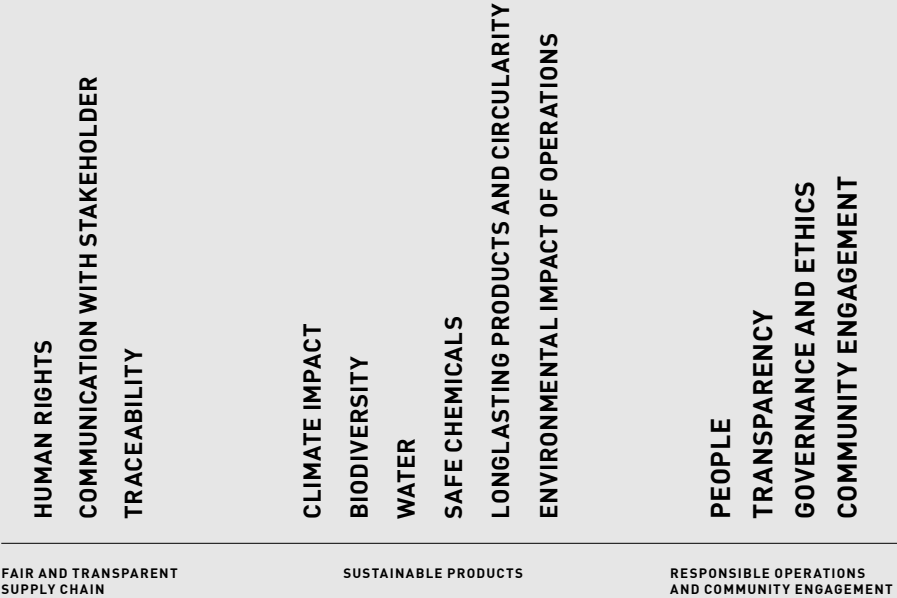
At Sandqvist, we have therefore decided to take a transparency pledge, promising our customers and stakeholders that we will be fully transparent on how all our products are made (from the best of our knowledge), from raw materials to store.

We are very proud of what we have achieved so far but in order to take even bolder steps, we decided during 2022 to further develop our sustainability strategy. The materiality analysis, based on risks and opportunities throughout the whole value chain, form the basis of our new strategy that contain goals and KPI's until 2030. Among others, these goals are aligned with the Sustainable Development goals ("the Global goals") and given that we only have seven years left to achieve these goals, we believe this is the time to be brave, take action and deliver.

Caroline Lind, CEO Sandqvist



Figure 1. Sandqvist materiality analysis / **Responsible Growth**



Our updated sustainability strategy builds upon our core values, that have guided us from the very beginning. Although, with raised interest and stakes from parties around us and across our value chain, we decided during 2022 to revisit and develop our materiality analysis. The process has included a stakeholder analysis, including an analysis of relevant frameworks such as the Sustainable Development Goals, the EU Taxonomy, the upcoming EU strategy for sustainable textiles with coming legislation packages, as well as an internal validation together with the top management team. During 2023 this strategy will form the basis for all departments goals, alongside with targets related to our other business focus areas, which will further strengthen all employees' opportunities to contribute to responsible growth.

In terms of Human Rights impact and supply chain management Sandqvist has high ambitions in addressing and continuously mitigating adverse impacts. We have set long-term goals that all high-risk manufacturing units from fiber to finished products have working conditions secured by Sandqvist or an independent third party, and that all workers employed by suppliers, which we have direct relationships with, earn a living wage for producing Sandqvist products. To support the fulfillment of this goal, we also have clear objectives to achieve traceability in all parts of our supply chain, as well as to ensure that we have adequate leverage at supplier level to contribute to transformative change.

The core of our work with ensuring that those making Sandqvist products are treated in a fair way is our Fair Wear Foundation (FWF) membership. The FWF's code of labour practices is integrated in our Code of Conduct and sets out the working conditions that should be upheld at our suppliers. It is then our job together with our suppliers, to make sure that these working conditions are met.

For us, one of the most important things is that a supplier is able to show improvements on working conditions over time. Improvements are evaluated by visiting the factories, discussing the code of labour practices with the management, evaluating results from previous audits at the factory and communicating with other buyers when this

is possible. In addition to this, we also provide training for workers at suppliers regarding their rights as a way to further secure good working conditions.

At nearly all of our suppliers (apart from in Sweden), the FWF information sheet for workers is posted. The information sheet contains the basic rights of the workers in their local language, as well as the phone number to an independent complaint handler managed by FWF. Workers are free to contact the FWF's local complaints handler in cases where issues cannot be resolved at factory level.

In Vietnam our ambition is to work through the international Labour Organization's (ILO's) Better Work program. This is a factory program set up by the ILO whereby factories are audited and trained to achieve continuous improvement. There is a strong focus on social dialogue in the Better Work program and efforts are put into strengthening worker representation at the factory.

Securing good working conditions is closely tied to the purchasing and buying practices of Sandqvist and how we work with our suppliers in all areas. By ensuring we have good cooperation, we give our suppliers the conditions needed to give their employees a good working environment.



We need to make sure suppliers are given reasonable lead times and fair prices for their products, as well as a stable relationship where they can plan for the future.

During 2022 we have, as part of our efforts to sharpen our value proposition as well as ensuring good conditions to uphold our high human rights standards, made thought-through decisions to responsibly exit from a number of suppliers. The reasons behind the exits vary but the common aim has been to focus and deepen our commitment to the suppliers which we believe we have the greatest opportunities to contribute to continuous improvements and reach our goals.

Human rights due diligence

During 2022 Sandqvist has enhanced its internal processes to perform Human Rights risk assessments as integrated parts of the sourcing and monitoring processes. The foundation of our Human Rights due diligence processes is our Responsible Business Conduct policy stating our commitment to comply with the UN Bill of human rights and ILO core conventions, and to continuously work to ensure this in our value chain.

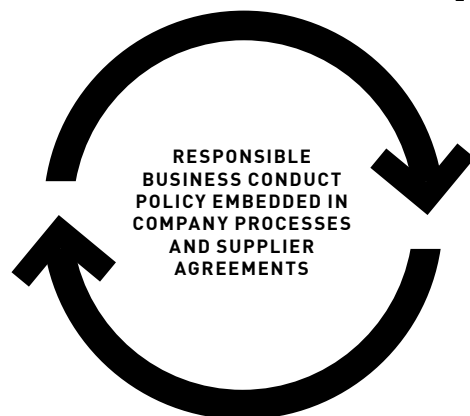
This process is ongoing, and before any decision to source from a new factory, all steps, including prioritization of action and monitoring must be performed in order to complete a potential order. This means that full understanding of risks and associated costs are important factors in developing new supplier relations, hence supporting our goal of nurturing long-term responsible relationships.

In 2022, the risks identified at our Indian suppliers includes a heightened risk for gender-based violence, corruption and local environmental pollution. At our Vietnamese suppliers, we have identified heightened risks regarding discrimination, freedom of association and expression of views and corruption. In China, the most severe risks include freedom of association and collective bargaining, forced labour by internal migrants and corruption. In addition, risks identified for all suppliers based on sector and business model includes excessive overtime, low wages and risks of un-announced subcontracting, which would lead to lack of control and transparency. In general, the Human Rights due diligence process concludes that the level of risk is further heightened at lower tier suppliers, such as during extraction and processing of raw materials.

Figure 1. Sandqvist Human Rights Due diligence process

1 IDENTIFY

2 ANALYSE / PRIORITIZE



4 MONITOR / TRACK

3 RISK MITIGATION

1

Identification of risks related to sourcing countries, sector and business model by gathering information from external sources such as reports and indices from credible, independent, organisations and institutes. In addition information is gathered through regular direct dialogues with suppliers and workers' representatives.

2

Risk information is documented and analysed in relation to the conditions at the supplier level. The severity of risks and potential consequences are assessed, which guides the prioritization of preventive or mitigating actions. The information is shared with everyone internally involved in supplier relations.

3

Risks are mitigated by various means depending on the character of the risk and the local conditions. Supporting actions such as trainings are regularly conducted to raise awareness of rights, complaint mechanisms and requirements among workers, guided by results from dialogue meetings and monitoring activities. Other mitigating means include internal process development in terms of buying and/or pricing strategies to ensure we create fair conditions to uphold responsible business conduct.

4

Based on the level of risks, all factories are part of Sandqvist's monitoring program where suppliers are audited by a third-party auditor on a regular basis. The frequency of an audit cycle is guided by the perceived risk level, with a minimum threshold of once every three years for suppliers assessed as high-risk. Monitoring of lower tier suppliers are done through use of credible certifications and in collaboration with first tier suppliers through cascading requirements and sharing of knowledge.

Tracking of progress is regularly done through close follow-ups on supplier improvement plan in combination with regular dialogue meetings to ensure up-to-date information on a supplier level.



Production of Sandqvist's bags

Coming out of the much devastating Covid-19-pandemic, we have gained lots of insights on how to streamline our sourcing and onboarding processes, and these learnings have during 2021-2022 made us implement several improvements. This work will continue in 2023.

The sourcing of producers for our assortment is always guided by our policy to work with and develop the suppliers that we are already engaged with. This is also something that we are open with in front of our suppliers in order to build a trustworthy relationship, hence we are continuously sharing information for forecasting purposes on a seasonal basis. Any supplier being considered for production is sourced in line with our internal sourcing process, which ensures we only consider working with factories that share our commitments towards sustainability. If this supplier passes our sourcing process, it will continue to proceed with our onboarding process before they are approved.

Ultimately, the sourcing decisions are taken by the Production department but this is done in close collaboration with the Head of Sustainability.

If a new supplier should be onboarded, the CEO is also involved in the decision. In advance of all production orders, open-pricing data is analyzed in terms of labour costs, lead times are analyzed in terms of risks of excessive overtime and the results of the HRDD is discussed. Suppliers are also continuously evaluated according to quality (skill and the ability to make our products), price, production capacity, structure and stability of the company, code of conduct compliance and environmental performance.

We are proud of the suppliers that manufacture our products and are happy to share where our goods are produced. Here you will find an overview of the factories that we work with, what they do, and how we are working on improving the workplace together.

During 2023, our goal is to ensure that information on which supplier that has produced each bag is visible also on the product page in our webshop, to further strengthen our commitment to transparency towards the end-customers.

2019 2020 2021 2022

NUMBER OF FACTORIES	6	6	11**	9**
FACTORIES ASSESSED AS HIGH OR MEDIUM RISK	6	6	7	7
AUDITED FACTORIES*	6	4	5	5
FACTORIES WHERE WORKERS HAVE BEEN TRAINED*	4	3	0	2
COMPLAINTS RECEIVED	4	4	0	0

*Audited or trained within the last 3 years; **Including supporting processes (e.g. printing units)

Butler Leather, India

Butler Leather factory is located in Chennai, India, and specializes in high-end leather products. This is where we produce our leather bags and our small leather goods. We have been working with Butler Leather for more than ten years. The factory is a family business, run by Anjum, her husband Noor and Noor's brother Zafar. They employ around 100 people, and the majority of their production output is for Sandqvist. In 2022, 12 % of Sandqvist's ordered products was produced at this supplier.

FWF has audited the working conditions in the factory in 2020, 2019 and 2016. In 2017 FWF did a staff training to strengthen employees' rights in the workplace. Butler Leather has made great progress since the first audit in 2016. Workers committees have been set up, health and safety has improved as well as formal employment conditions.

In 2020, Butler opened up a new factory location that is now used for all Sandqvist production. The factory was audited by FWF in November 2020 without any major remarks. Requirements of improvements, which among others concerned conditions of labour for newly employed workers and unlawful deductions for work uniforms, have been shared with the factory and as of 2022 all outstanding issues had been addressed and rectified. The improvements will be followed up during an audit in 2023.

In 2019, the supplier was visited by Sandqvist's CEO and Sustainability manager.

Butler printing: IMAGE printer, India

Sandqvist's supplier of leather goods, Butler, uses a subcontractor to perform embossed printing on the products. This supplier is named IMAGE printer and is a very small factory, situated not far from Butler in Chennai. It employs 15 screen printer workers. Butler has a regular dialogue and visits this factory in order to cascade Sandqvist's expectations in terms of social and environmental compliance.

Pungkook Saigon II, Vietnam

In 2020 we started working with Pungkook Saigon II (called PKII), a factory located in Ho Chi Minh City, Vietnam. This factory produces all of our recycled polyester and nylon bags and the overall majority of our products are made in PK. PK is a large factory with around 4100 workers have an agent in Vietnam that visits the factory regularly and is very involved in the social sustainability within the factory. In 2022, 83% of Sandqvist's ordered value was produced at this supplier.

PK works with several other FW member brands, and so are very familiar with the FW code of labour practices, the FW auditing process and the FW and complaints system. As Sandqvist is a relatively small buyer at this factory, we have during 2022 established a collaboration with another FW member with the aim to increase our joint leverage at this factory and share audit and progress information on a regular basis.

The factory had a FW audit in 2020, and we have since been working on some corrective actions. During 2022, no complaints were received.

PK is also a member of the Better Works program in Vietnam. This program works to secure decent working conditions in a number of Vietnamese factories by assessments, training and capacity building. The program works on continuous improvements year on year and we assess these developments and assessments on a regular basis. In May 2022, a renewed assessment by Better Works was conducted, which demonstrated no major non-compliances and progress in terms of compliance. Remarks could though be noted regarding processes to calculate wage allowances and monthly overtime and the factory is now addressing those within the Better work program, which also includes advisory visits and trainings focused on rectifying findings. The progress is jointly followed by Sandqvist and another FW member brand. In September 2022, the factory was visited by Sandqvist Production team and in December 2022, the factory was visited by Sandqvist CEO and Head of Sustainability.

Pungkook Saigon - Long An branch, Vietnam

In 2022 we started working with another factory owned by Pungkook Saigon, namely Pungkook Saigon Long An (called PKLA). This facility is also based in Ho Chi Minh City but is a much smaller factory than PK II, employing 385 workers (82% female workers), meaning that Sandqvist's leverage at this factory is greater. This factory was reopened after the Covid 19-pandemic and has during 2022 not yet reached its full production capacity. Although Sandqvist is proud to be part of their journey, and see it as a possibility to set high standards in terms of labour conditions and human rights from the start.

Before establishing our production at this facility, Sandqvist onboarded it through visits by our Vietnamese agent, to ensure awareness and good conditions for compliance of the FW Code of labour as well as our requirements in terms of auditing processes and complaints system.





During the end of 2022 a Better Work audit was conducted, which resulted in an improvement plan that we are continuously following to ensure proper and timely actions. The audit did not convey any zero-tolerance (critical) non-compliances. Although, the audit detected some issues regarding social dialogue practices in relation to internal workplace rules and compensations, as well as non-complaint practices regarding salary deductions. The factory is now addressing those within the Better work program, which also includes advisory visits and trainings focused on rectifying findings. The mutually agreed time plan for resolving the findings includes target dates, which for no issue is set to later than end of July 2023. Sandqvist is following timely implementation of improvements through the Better work program platform and will during 2023 also offer training, through the Fair wear foundation, at the factory to further strengthen the workers' knowledge about labour rights.

During 2022, no complaints were received from PK Long An branch. In September 2022, the factory was visited by Sandqvist Production team and in December 2022, the factory was visited by Sandqvist CEO and Head of Sustainability.

PK Printing: Toan Thang, Vietnam

Sandqvist's largest supplier PK II and PKLA, situated in Vietnam, uses a subcontractor to perform some of its printing. This factory is situated not far from PK II in the same city of Ho Chi Minh.

Rajda Leather II, India

In 2018 Sandqvist started working with Rajda Leather in Calcutta, West Bengal, India. In this factory, we make canvas bags with buffalo leather details. The factory is a family business that employs around 300 workers in the main facility and has an additional 70 workers in a newer facility across the road from the main factory. Both factory locations are covered by their SA8000 certification. Since 2020, we only work with the newer Rajda factory, Rajda II. In 2022, 4% of Sandqvist's ordered value was produced at this supplier.

During 2022, Sandqvist decided to responsibly exit from this factory due to the factory's management lack of will to improve and make progress in terms of decided upon corrective action plans. To exit from a factory is always a last resort but as the situation arose this was done in accordance with our process for responsible exit, in order to ensure that we support the workers as far as economically possible. Among others, this means that the factory get an agreed-upon notice period and is able to finalize forecasted orders.

Mifo Hubei Dm-Eco Friendly Material, China

In China, we work with one factory that produces yoga mats. They employ around 30 people and before commencing work with them in 2019 we commissioned a SMETA social audit for the factory. This factory has some issues that need to be worked through, and we are assessing how to move forward. In 2022, 0,06% of Sandqvist's ordered value was produced at this supplier.

In 2022, we have worked hard to sharpen our value proposition, and as part of that process decided to focus on our main assortment. Given that, a decision has been made to not place any further orders at this factory.

Fredrikssons Strumpfabrik, Sweden

In 2021, we started producing socks in a family-owned factory in Sweden. The factory consists of a married couple working in a small town in the middle of Sweden and they produce very high quality socks. This factory is a factory that has not posted our FW Code of Labour Practices on their factory walls or signed our Code of Conduct. As it is a small family-owned business in Sweden, we consider this to be of low risk according to our own risk assessment. In 2022, 0,12% of Sandqvist's ordered value was produced at this supplier.

In 2022, we have worked hard to sharpen our value proposition, and as part of that process decided to focus our main assortment. Given that, a decision has been made to not place any further orders at this factory.

Sejer hats

In 2021, we started producing knitted hats at Sejer hats' factory in Sweden. This supplier has a long history of producing high-quality knitted goods and has been located in Rösåult, Sweden, since the start in 1947. The supplier has high sustainability ambitions, and the factory is, among others, fully powered by wind powered since 2017. This factory is a factory that has not posted our FW Code of Labour Practices on their factory walls or signed our Code of Conduct. As it is a small business in Sweden, we consider this to be of low risk according to our own risk assessment. In 2022, 0,11% of Sandqvist's ordered value was produced at this supplier.

In 2022, we have worked hard to sharpen our value proposition, and as part of that process decided to focus our main assortment. Given that, a decision has been made to not place any further orders at this factory.

Production of materials and trims to our bags

In order to show full transparency, Sandqvist is listing all manufacturers of materials used in our products. This includes all fabrics and leather used in our products. Trims such as rivets and padding will be included in future transparency reports.

Leejotex, Korea

Synthetic materials, such as recycled nylon and recycled polyester, used by Sandqvist are manufactured by Leejotex. Leejotex is a Korean company producing high-quality, functional, materials. Their range includes Bluesign® approved fabrics and Oeko-tex® certified materials. In addition, all synthetic materials are recycled, a claim which is substantiated by Global Recycled Standard-certifications, audited by independent and trustworthy verification organizations.

Dibella, India

Dibella India sources organic cotton straight from marginalized farmers in Adilabad in the state of Telangana, India (for more info, see the section on cotton in the report). Dibella India produces Sandqvist's organic cotton lining, the 18 oz organic cotton canvas, our 12 oz polycotton (recycled polyester & organic cotton) and our organic cotton dust bags.

Tanneries

The cow hides used for Sandqvist's full leather bags come from Scandinavian cattle. The hides are tanned at Scan-Hide in Denmark, a tannery gold-rated for their environmental work by the Leather Working Group (LWG) (see Sustainable products section for details). The wet blue hides are then shipped to S&H Leather (India), another gold rated tannery, for re-tanning.

In addition to this, Sandqvist uses two other tanneries for our leather details, silver rated by LWG, Progressive Leather Industries (India) and Shui Hua Leather (Taiwan).

Trimmings

Zipper are manufactured by YKK (various locations) and OOK (China). Other metal trims are made by ESSN (China) and plastic trims by Woojin (China). Webbing (straps) are made by Elastic India (India) and Yuongdong (China). Paiho (China) manufactures our strings, ropes and pullers. Nilörn makes our labels and hangtags in China.



Longlasting products and circularity. We aim to create functional products that could be used for every moment of life and at the core of product development lies an ambition to design for longevity. To ensure this we place high quality requirements on every material and continuously improve the quality by assessing feedback and claims.

We are aware that the main impact of our business stems from the production of the bags, and an important aspect in reducing this impact is to continuously improve the circularity of the products. We therefore let the waste hierarchy guide our design process and have during the years taken several innovative steps to reduce and refine our business towards increased circularity.

Figure 2. Sandqvist’s efforts to close the loop

MINIMIZE

We have set goals to minimize the use of virgin materials. We have established long-term planning in product development (beyond seasons) to avoid deadstock material and increase resource efficiency.

PROLONG

We sell care products, well-suited for our product range, and educate our customers in how to make the bags last for a long time. Sandqvist offer all customers services to repair and extend the life of their products if they should break. We also offer spare parts.

RE-USE

We design our bags to endure seasonal trends and to fit into every moments of life. With high-quality fabrics and lasting design we wish them to be worn, and passed on the next user when there is a need for that. We actively communicate this to our customers.

REMAKE

We offer customers that do not wish to repair a worn-out bag the possibility to hand them in to us and get a 20% voucher in return. The materials from the bags beyond salvation are used for various purposes such as spare parts for our repair service, to art-projects or for scientific projects through multiple collaborations.

RECYCLE

We are designing the bags to be easily separated and in mono-materials, to prepare them for recycling. We are supporting scientific research projects aiming to establish efficient recycling processes for synthetic materials.

KPI'S	2022	2021
RECYCLED MATERIAL <small>% weight/total orderd material *</small>	53%	43%
SHARE OF PRODUCTS WITH CERTIFATED MAIN MATERIAL**	94%	-

* Incl. trims **Global Recycled Standard (GRS), Global Organic Textile Standard (GOTS), Leather Working Group (LWG)

Sourcing the right material – with consideration of climate impact, water scarcity and biodiversity

For Sandqvist water scarcity and pollution, climate impact and biodiversity are all important aspects when it comes to product development and the materials we choose to construct our bags in. From the main material to the smaller trims, we always try to choose lower impact alternatives from a holistic perspective and as few unique materials as possible. The latter to gain as high traceability and level of control as possible. During 2023, we will continue to develop and streamline our design processes with management of sustainability aspects, with the aim to strengthen this approach even further and enable science-based decisions.

Synthetic materials

All synthetic fabric materials used in Sandqvist products contain recycled fibres¹, from the main material to the lining and various trims. Polyester fibers originates from plastic polymers, a material which is not naturally biodegradable.

Today, mechanically recycled polyester from plastic water bottles makes up the vast majority of the recycled polyester in the market; however, chemical recycling and, more specifically, textile-to-textile recycling will be a necessary part of our path towards a circular textile sector. Our recycled polyester comes both from post-consumer waste of PET-bottles and chemically recycled textiles, also collected from consumer waste. The textile-to-textile recycled material, RENU®, is found in our Urban Outdoor and Stream assortment.

The recycled nylon we use, is made using post-industry waste from discarded nylon-based products. Sandqvist’s recycled nylon is made from MIPAN® regen, the world’s first recycled nylon filament yarn made for textile usage. Alongside its environmental advantages, the recycled nylon fibers are strong, lightweight and durable. Recycled nylon uses less natural resources and has a significantly lower carbon footprint than regular nylon when being produced.

Leather

All leather we use has been tanned in tanneries that conforms to our highly set standards regarding social and environmental conditions, which has been third-party verified by the Leather Working Group (LWG). →

1 Verified by Global Recycled Standard (GRS) certifications.

LWG is an international organization working to improve environmental performance in the leather industry. LWG does this by auditing tanneries to check if they are working according to best practices in the industry. The audit covers chemical management, energy and water use, air and noise emissions, waste and effluent treatment.

The leather in our full-leather products comes from Scandinavian cattle, bred for meat or dairy production. In this way we have full traceability and can be assured of good animal welfare in accordance with strict animal welfare laws. The first tanning stage for this leather has been done at Scan-Hide, a tannery in Denmark, gold rated by LWG.

Leather details in our other ranges are made from buffalo or cow leather, depending on thickness and quality needed. Since 2019, the origin of all hides used for Sandqvist leather is known by Sandqvist. The buffalo used for the thicker leather details comes from India. The cow hides used for the leather details in our Vietnam production come from the United States and Canada.

Cotton

Cotton twill and canvas has been part of our collections since the start, due its quality and performance. At the same time we are well aware of the social and environmental risks, such as its water footprint and chemical intensity when cultivated, risks we have mitigated by always choosing organic cotton. From a holistic perspective we are now choosing to phase out cotton overall and during 2022 we took big steps to accomplish this. Starting from the collections launched in 2023, we have managed to find a substitute for one of our most used cotton-blended material: a mono-material made of recycled polyester, which have the same look and feel as our previous choice.

Still there are steps to take to switch even more cotton fabrics to other alternatives, without ending up with deadstock material at our supplier. Meanwhile, all of our cotton still used is certified² organic cotton directly sourced from farmers of the Chetna cooperative in India. During 2021, all cotton used came from this farmers' cooperative in Adilabad in the state of Telangana, India, where it is produced on a small scale by marginalised farmers. By buying directly from the marginalised cultivators, Sandqvist can offer the farmers better pay and good working conditions. For more details on the source of Sandqvist's cotton, please visit www.chetnaorganic.org.in.

By choosing this cotton, we support both the farmers and cause less harm to the environment. The organic cotton is farmed without artificial pesticides or fertilisers, and genetically modified seeds are not allowed. In addition to paying directly to the farmers and hence raising their income, an additional bonus is paid to the Chetna Cooperative for every kilo of cotton that Sandqvist buys. This additional bonus is used for village development in the Chetna community. In 2019, Sandqvist visited the farming area and saw some of the investments they had made.

Trims

Hangtags are made from recycled paper, and the string holding the hangtag is made from organic cotton. The fabric labels on the bags are made from recycled polyester.

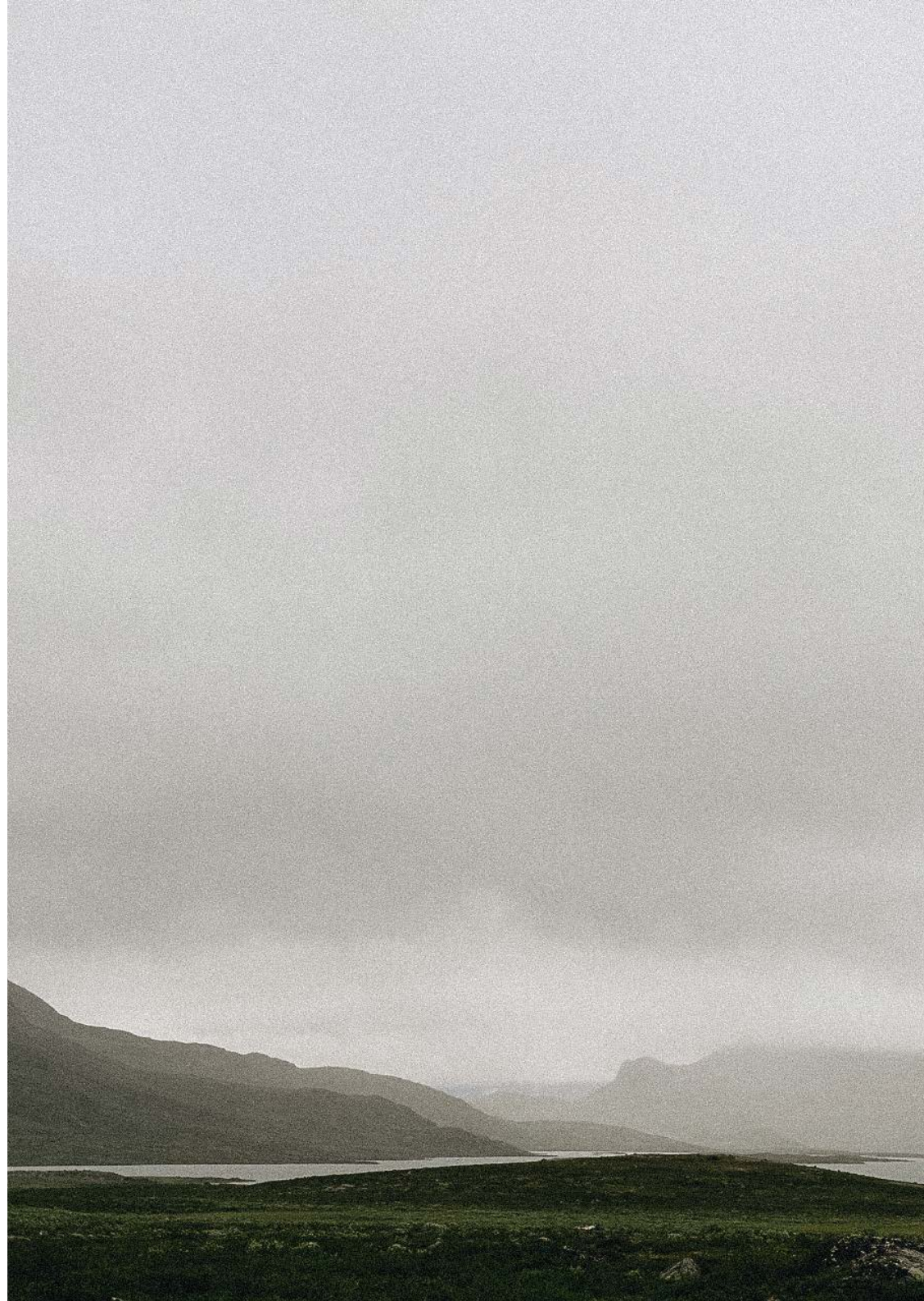
Chemical management

Sound chemical management is a cornerstone in mitigating risks related to local pollution of waterways and soil, work environment, biodiversity and safe products. By choosing materials and suppliers which fulfills our requirements as well as having a chemical risk perspective in product development, Sandqvist aim to minimize any potential negative impact.

Sandqvist's Chemicals Policy, that all suppliers have signed, sets strict requirements on both chemicals that can remain in the end product (product-related chemicals), but also on chemicals used in the production (process chemicals). All process chemicals should follow the Manufacturing Restricted Substances List (MRSL) developed by the initiative Zero Discharge of Hazardous Chemicals (ZDHC). Product related chemicals in Sandqvist products should live up to the requirements of the restricted substances list of the Apparel and Footwear International RSL Management (AFIRM) Working Group. Together, these requirements are stricter than those set up by the European Union (REACH) and will meet all legal requirements in countries where Sandqvist products are sold. Our Chemical Policy was updated and re-signed by our suppliers during 2022, and a number of substances were analyzed and added to the Restricted substances list, based on relevance for our products.

Compliance to the Chemical policy is, among others, followed up on supplier level through Sandqvist's third-party audit process as well as by choosing materials (or processes) certified in accordance with Bluesign® and/or Oeko-tex®. In 2023 our focus is to further improve our suppliers' capability to substitute chemicals, based on risk, as well as to test new materials' chemical content to a greater extent.

² Verified with Fairtrade and GOTS certifications.



Environmental impact of operations

Sandqvist has been part of the industry initiative STICA (Swedish Textile Initiative for Climate Action¹) since 2019. The purpose of STICA is to support the apparel and textile industries and their stakeholders in the Nordic region to, at a 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.

Aligned with the Paris Agreement and “the Carbon law”² (which states that we need to halve the global climate emissions every decade), Sandqvist goal is to decrease our carbon emissions with 50% (in absolute terms) until 2030, with 2020 as the base year. This target is well-integrated in our business strategy and our Responsible Business Conduct policy as well as in our internal environmental policy, which steers our operations. As part of the process with our new sustainability strategy during 2022, this target has been validated and reflected in each of the internal department’s goals and communicated to suppliers.

Since 2020, Sandqvist has been conducting, and reporting, our climate calculations, based on the STICA guidelines and the Greenhouse Gas Protocol³,

in accordance with the requirements set by STICA. During 2022, we are proud to say that we have taken the next step and done a thorough review of all categories in the GHG protocol. Following this analysis, we have expanded the scope of our climate calculations with all categories that are relevant for Sandqvist’s operations (including optional categories in terms of STICA’s requirements). This enables us to also follow up on internal goals regarding travel, waste, employee commuting and purchases for our business. During 2023, we will use the data collected and further detail our climate roadmap, in order to prioritize our actions and take more data-driven decisions.

Besides that we have collected significantly more data from our internal processes, we have also for the first time carried out our climate calculations with primary data collected from our suppliers. This in contrast to previous years’ calculations, which were partly based on general emission factors for extraction of raw materials, material manufacturing and production processes. In addition, we can conclude that through the data collection, in-direct positive effects have been achieved regarding our suppliers’ environmental performance. This, since the dialogues with our suppliers have strengthened our supplier’s environmental management and they have openly shared their plans and need for support in terms of long-term climate actions and priorities.

In 2022, we have also set a process goal to collect even more data from nominated⁴ suppliers, in all tiers, during the coming years. For the information gap still existing (mainly in tier 3-4), we have continued to consult an emission factor database, with specific factors for the textile industry in order to get the result as complete as possible.

4 “Nominated” suppliers refers to suppliers chosen and specified by Sandqvist

1 Read more about STICA and find all previous progress reports here: <https://sustainablefashionacademy.org/stica/>
2 In short, “the Carbon law” states that we need to halve the global climate emissions every decade. Source: Rockström, J., Gaffney, O., Rogelj, J. et. al. 2017. A roadmap for rapid decarbonization. Science, Volume 355 Issue 6331
3 Read more about the Greenhouse Gas Protocol here: <https://ghgprotocol.org/>

Sandqvist goal is to decrease our carbon emissions with 50% (in absolute terms) until 2030, with 2020 as the base year.

Table 3. Share of primary data, split by supply chain tier

SUPPLY CHAIN TIER	% OF PRIMARY DATA 2022
TIER 1 – CMT (cut, make, trim) suppliers incl. supporting processes	96%
TIER 2 – Material preparation suppliers: tanning/weaving, dyeing and finish	48%
TIER 3-4 – Material processing and raw material extraction	—

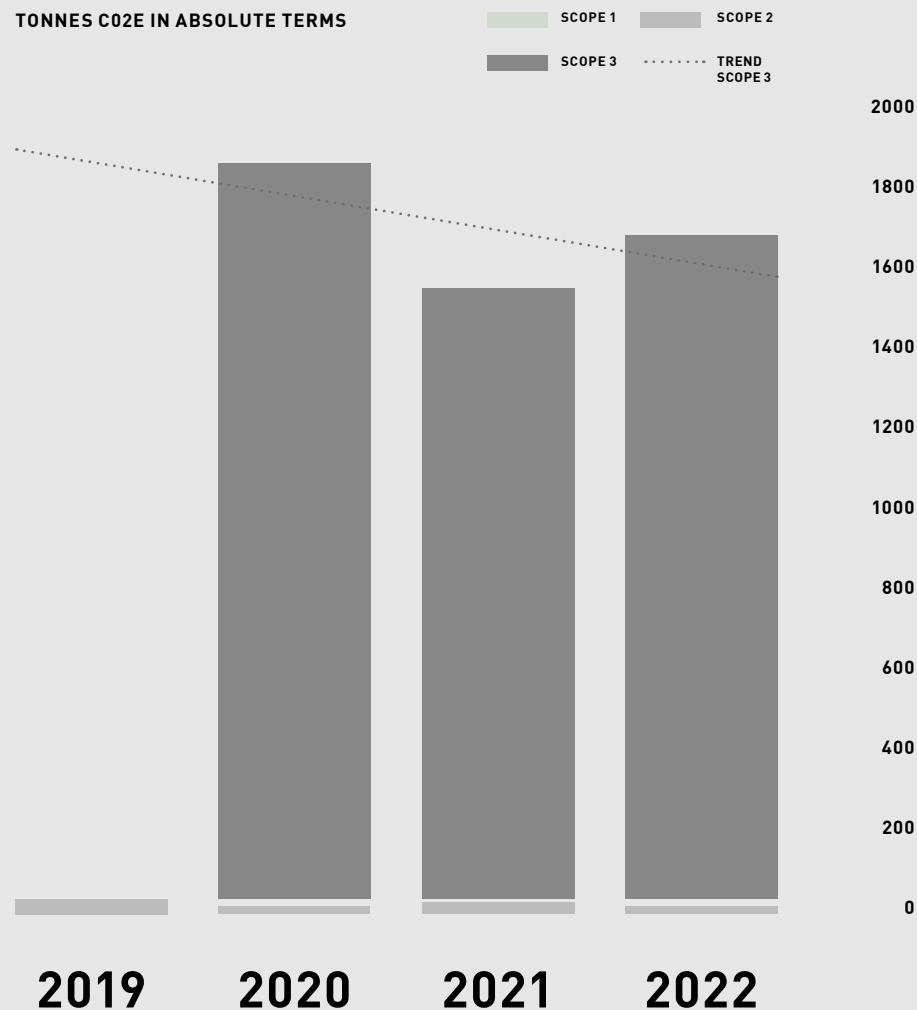
Table 4. Sandqvist carbon footprint KPI's

KPI'S	2022	2021	2020	2019	CHANGE FROM BASE YEAR TO 2022*
Scope 1 and 2 emissions per revenue (ton CO ₂ e/MSEK)	0,09	0,180	0,152	0,196	-53%
Total emissions per revenue (ton CO ₂ e/MSEK)	16,13	18,39	2,86	-	-17%
Upstream transport emissions per sold product (kg CO ₂ e/unit)	1,08	0,97	2,86	-	-12%
Absolute emissions ton CO ₂ e	1645	1582	1865	-	-12%

* Note that base year for scope 1 and 2 is 2019 and base year for scope 3 is 2020

In accordance with the GHG protocol, on which STICA's guidelines are also based, a recalculation of the base year (2020) has been carried out to enable comparison. The recalculations have been done based on previous years revenue.

Figure 3. Sandqvist total emissions 2019-2022, scope 1-3



In absolute terms, Sandqvist emissions have decreased with 12% since the respective base years. And given an increased revenue, based on sale of fewer products to a higher value, this translates into a decrease per revenue with 17%. This result indicate that our efforts to reduce our emissions have had effects and that we are on the right track.

Table 5. Sandqvist climate impact, detailed result 2022

SCOPE*	CATEGORY	CO2e (t)	SHARE OF TOT. EMISSIONS (%)
1	Own production of heating and cooling (Refrigerant leakage)	0,2	0%
2	Purchased electricity and heating	9	1%
3.1	Purchased goods and services (direct and indirect)	1334	81%
3.2	Capital goods	6	0,4%
3.4	Transportation and distribution	149	9%
3.5	Waste	6	0,4%
3.6	Business travel	57	3%
3.7	Employee commuting	35	2%
3.8	Upstream leased assets	3	0,2%
3.9	Downstream transportations	10	1%
3.12	End-of-life treatment of sold products	37	2%

* In table 5, some categories have been excluded since they are not considered relevant for Sandqvist's operations and/or no activity can be reported.

Scope 2 – Purchased energy

The result in scope 2 (purchased energy and heating for our own stores and head office) shows a decrease in emissions with 40% since 2021 (-61% since base year). This is mainly due to the fact that we, during 2022, managed to get further insights and verifications of renewable energy sources, in all locations within our own operational control. In Sweden we buy 100% renewable energy from Tranås Energi, in Germany 100% renewable energy from Vattenfall and in France as well as in UK, 100% renewable energy from EDF.

Scope 3.1 – Direct purchased goods and services (i.e. Sandqvist's assortment)

By using primary data in 2022, we can both conclude that the data quality has improved and that we have used a different calculation method. Whether the emissions have increased or decreased is although difficult to draw certain conclusion about, given that previous years' calculations were largely based on general emission factors for the textile industry. In a recalculation based on the new method and previous years' revenue, it can be stated that emissions have decreased with 5%, in absolute terms, since the base year (2020), but this result must be interpreted with caution and previous years' figures are therefore presented in figure 3 and table 4. Instead, we believe that the major

advantages of calculating the emissions as they have been done in 2022 and which will prevail going forward, are that it gives us more precise results, tools to build our roadmap and opportunities to target our actions to the actual emission that we see, internally and at supplier level.

Scope 3.4 – Transportation and distribution

The calculations in category 3.4 (upstream transportation and distribution) have for previous years been based on a large share of estimations and assumptions, and a focus for 2022 has therefore been to collect more precise data of locations from all freight forwarders¹. We have managed to achieve that and given better data quality, the result for category 3.4, upstream transportation and distribution, reveal an slight increase since last year. →

¹ Due to better data quality we have also done a re-calculation/ correction of a small share of outbound transports for the years 2020-2021, since the previous calculations were performed using a faulty assumption that air freight is not used within the EU [which we discovered in 2022 that is actually the case for approx. 8% of shipments].

Although, the detailed result clearly indicates that the proportion that is increasing is in fact outbound transports (distribution from warehouse to customer and/or retail) and that the emissions from inbound transportations have continued to decrease during 2022 (with 38%). In total, the emissions stemming from the category has decreased with 62% per sold unit since the base year. This is contributed to various actions, such as largely decreased share of air freights due to 3D sampling practices and more streamlined purchase practices.

The focus going forward is to find ways, short-term and long-term, to meet the challenge of increased outbound transport emissions with continued growth in sales, especially outside of the EU.

Scope 3 – new categories

The categories that we have not previously calculated (3.1.1, 3.2, 3.5, 3.6, 3.7, parts of 3.9 and 3.12) constitute approximately 9% of our total emissions. Even though they are smaller in relation to our direct purchases (3.1), the calculation of these gives us opportunities to further strengthen our operations and, based on the results, set clearer goals and KPIs for each department. Based on revenue, the corresponding data have been entered for 2020-2021, with the note that for 2020, 3.6 (Business travel), 3.7 (Employee commuting) and 3.1.1 (Indirect purchased material i.e. goods bought to the head office) have not been included due to the Covid-19 pandemic.

During 2023, the outcome will be analyzed more in-depth with the ambition to place a greater focus on conversion of energy sources and activities to increase energy efficiency in the factories where production takes place, in dialogue with our suppliers, in combination with the 2022 results being the basis of which materials that we will prioritize in our long-term product development.

Our people

At Sandqvist, we work to create an environment where everyone can grow as individuals as well as contribute to making Sandqvist a world leading bag brand.

Sandqvist works hard to be an inclusive company that values respect and diversity. 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.

To support work-life balance, employees at Sandqvist's office are offered flexible working hours, the possibility to work remotely, extra days off, as well as exercise during work hours. In 2023 we also initiated a four-day workweek of 30 hours for our employees, with retained salary. The project will go live in February 2023. The ambition is to maintain the same productivity and service but improve the balance between work and free time for our employees.

Table 6. Sandqvist staff

	2019	2020	2021	2022
SICK LEAVE (MEASURED IN % OF FTE)	3,8%	2,7%	1%	0,6%
EMPLOYEE SATISFACTION (eNPS)	54	26	-30	35

We do this to improve quality of life, to provide personal development, both for us as a company and on an individual level. We want to enhance work life balance and to challenge business norms, being a front runner when it comes to building a successful, sustainable and responsible company.

To measure employee satisfaction, we yearly collect data from everyone working at Sandqvist.

In 2022, employee satisfaction increased from past years, which indicated that we have a high level of engagement in the company. We will continue to work to increase this, since it long known that engaged employees create sustainable result. The sick leave decreased again from previous year and is below our target of having a sick leave less than 3%.



Governance and ethics

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. Our commitments and responsibilities towards our stakeholders are written down in our Responsible Business Conduct Policy. This policy guides us on how we want to do business, both towards people within as well as outside the company. You can find a link to this policy on our website.

During 2022, we have taken further steps to integrate our Responsible Business Conduct policy into other governing documents such as our supplier agreements. This to ensure that all parts of our requirements are aligned and support our aim to uphold human rights, fair pricing, environmental protection and high business ethics.

Partnerships and community engagement

Engaging with the community around us and having a positive impact on people and culture is one of Sandqvist's reasons for existence. This includes everything from supporting organisations, sharing our ideals and goals, to being open and transparent about what we do. By sharing our commitments and at the same inspiring our community to experience and live in harmony with nature, we believe that our bags have a reason to exist if they are consumed responsibly.

Figure 4. Our view of sustainable consumption (highlighted in relation to our decision not to participate in "Black Friday")



MINIMIZE

Don't buy things you don't need! Pause, make informed buying decisions and only buy things that you will really use and love for a long time.

USE

Don't let your products experience the inside of your wardrobe! Keep in mind that the best way for you as a customer to reduce a product's environmental and social costs is to use it often over a long period of time.

CARE

Our bags are designed to last a long time, but sometimes they need a little extra care. Which type of care depends on the material of the bag. Therefore, we have compiled some guidance on some common products that you can use.

If any part should wear out, you also have the option of returning your bag to one of our stores for professional repair with original parts.

CIRCULATE

Make sure your bag ends up with someone else when you no longer need it (or at least not in the bin)! From an environmental perspective, it is better to sell your bag via some physical or digital second-hand platform than to recycle it. Find the channel that suits you best (or contact us and we can suggest some)!

EXPERIENCE

Take the chance to experience something new! We are inspired by our Nordic landscapes and want to encourage everyone to experience its beauty in different ways, whether it's cycling to work or taking a break in a nature. By appreciating nature, we can take a joint responsibility for taking care of it in the best way.

Swedish Society for Nature Conservation (Naturskyddsföreningen)

Humanity is facing one of our biggest challenges with the ongoing climate crisis. No company or organisation can passively stand by as this crisis unfolds and Sandqvist firmly believes that the solutions will require various cross-sector collaborations and partnerships. Sandqvist has for several years been a support company to the Swedish Society for Nature Conservation (Naturskyddsföreningen) and has among others launched a "Gardening bag" where the profit was donated to the organization's "Save the Bees" campaign. During 2022, the collaboration was developed - meaning that Sandqvist uses its brand platform to recruit new members to the organization and spread knowledge about the importance of preserving and reducing the impact on nature.

NEST – New Entrepreneurship for a Sustainable Textile industry

The fashion and textile industry is in dire need of restructuring and changing large parts of its production chain. To do that requires new thinking and innovation at all levels. Therefore, NEST -

New Entrepreneurship for a Sustainable Textile industry was created by the incubators Borås INK, eXpression Umeå, Sting and xPlot. The initiative is supported by the Swedish Innovation Authority Vinnova, the Textile University in Borås and the industry organization TEK0.

In order to bring about change, startups as well as actors from the textile industry and the innovation support system must work together. Established companies are a necessary component that, through collaborations, can allow startups to test the feasibility of their business ideas and evaluate what they can contribute to solving the sustainability challenges the industry is facing. Together with other industry partners, Sandqvist decided during 2022 to partner up with this program as part of our work to support innovation, challenge ourselves and find ways to contribute to transformations.



Read more at sandqvist.com/sustainability

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