

# **SANDQVIST SUSTAINABILITY REPORT 2023**

To me, 2023 will always be a special year. We made a significant change at Sandqvist that shaped the way we work, live, and evolve. Because at Sandqvist, we truly believe in responsible growth—it's at the core of everything we do. We produce bags to be part of a sustainable lifestyle, inspiring our community to enjoy nature and the outdoors as much as we do.

By creating designs that are equally stylish and functional, we stay true to our Scandinavian roots. Throughout the design process, and in everything we do, sustainability is top of mind. We believe in making high-quality products that don't harm the environment. I'm proud to say that Sandqvist shows that it's possible to make great, long-lasting products at a fair price point.

However, we won't stop there. At Sandqvist, we're committed to constant improvement. As the urgency of climate change and environmental challenges increases, we need to keep innovating and questioning our business. As the world around us evolves, it's crucial for us as a brand, and an employer, to constantly improve.

Over the past year, we've been working hard on key parts of our sustainability plan. And, as I mentioned initially, at the beginning of 2023 we made a big change: we implemented a four-day workweek and reduced hours for all our full-time employees. We did this to make life better for our team, to give them chances to grow, and to strike a healthier balance between work and leisure. For us, it was also about questioning the usual way of doing things in the business world. Our goal is to improve well-being and involvement at work, and we know that leads to better performance. Our employees are our biggest strength, and we've always believed that motivated teams create sustainable results. We're aiming to maintain our productivity and customer service, while giving our team a better work-life balance. This way, we keep building a company that's successful, sustainable, responsible, and caring.

First and foremost, the introduction of a four-day workweek has strengthened the work-life balance of our employees. It has also contributed to reducing our organization's overall environmental impact, because of fewer trips to and from the workplace.

Making this change is a move towards a work setting that's healthier and more sustainable, and we're happy to see the good it's doing.

We've also placed a strong focus on including human rights checks in every part of our work, making sure we're up to date with upcoming legislation and global standards. Our efforts have paid off with a "good" score from Fair Wear's audit. It's a nod to our commitment to fair and ethical working conditions throughout our supply chain.

Another significant step forward has been our increased efforts to reduce our carbon footprint for each product. By introducing a clear roadmap tool to quantify and plan business development from a climate perspective, we're making a move towards becoming a more carbon-efficient organization. This approach isn't just about business growth—it's about our dedication to being a part of the climate change solution.

Additionally, we're excited to celebrate our 20th anniversary as a company in 2024. This milestone is a chance for us to reflect on our journey, our achievements, and our ambitions for the future.

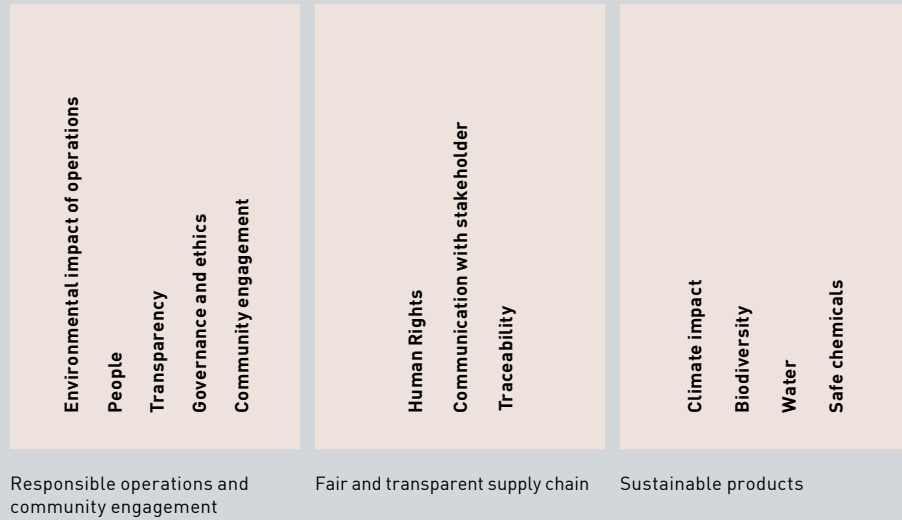
Our Sustainability Report for 2023 is an open and transparent account of our efforts and results. We're committed to continuing our journey towards a sustainable future and look forward to sharing our progress and challenges with you, our partners, customers, and stakeholders.

Together, we create a more sustainable and inclusive world.

Caroline Lind

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 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. From 2023 and onwards this strategy is forming 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 a responsible growth.



## We aim to ensure that everyone involved in the production of our bags can exercise their human rights.

Sandqvist is committed to upholding Human Rights and maintaining responsible supply chain management. We aim to proactively address and reduce negative impacts. Our long-term objectives include ensuring that all high-risk production stages, from sourcing fibers to the final product, are subject to working conditions verified either by Sandqvist or an independent third party. Furthermore, we strive to guarantee that all workers in our supply chain, particularly those with whom we have direct dealings, receive a living wage for the manufacture of our products. To realize these ambitions, we are dedicated to achieving complete transparency across our supply chain and securing sufficient influence with our suppliers to promote significant and positive change.

At the heart of our commitment to ethical production is our membership with the Fair Wear Foundation (FWF). The FWF's labor standards are embedded in our own Code of Conduct, defining the conditions our suppliers must maintain. Sandqvist, in partnership with our suppliers, is responsible for ensuring that these working conditions are met.

For us at Sandqvist, it is crucial that our suppliers demonstrate progress in enhancing working conditions over time. We assess improvements through factory visits, discussions with management about labor standards, review of past audits, and, when possible, dialogue with other clients. Additionally, we contribute to better working conditions by offering rights-based training to supplier employees.

In every supplier's factory, we display an information sheet from the Fair Wear Foundation (FWF) that outlines workers' fundamental rights in their own language and provides a contact number for FWF's impartial complaint service. Workers can directly reach out to FWF's local complaint handlers for unresolved issues within the factory.

In Vietnam, we engage with the International Labour Organization's (ILO) Better Work program. This initiative facilitates factory audits and training aimed at fostering ongoing improvements. The program prioritizes social dialogue and works towards enhancing worker representation within factories.

Throughout 2023, we have intensified our efforts to further streamline our supply chain. This strategy aims to concentrate our influence on suppliers where we can make a significant difference and to strategically utilize our resources towards preventing and addressing risks.

### Human Rights due diligence

At Sandqvist, we have integrated Human Rights due diligence within our sourcing, buying, and monitoring processes. Our due diligence practices are grounded in our Responsible Business Conduct policy. This reaffirms our pledge to comply with the United Nation's Bill of Human Rights and the core conventions of the International Labour Organization (ILO). Our ongoing commitment is to safeguard these principles throughout our supply chain.

Our process for choosing new factories is thorough and continuous. Before we place an order, we carefully evaluate the factory, including planning our actions and checking everything closely. In practice, an audit and a supplementing corrective action plan to monitor the conditions of the factory is performed before we even decide to onboard a potential supplier. In this way, we make sure we fully understand the risks and costs involved. This careful approach helps us build and maintain responsible, long-lasting relationships with our suppliers.

In 2023, 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.

### Shared responsibility

Ensuring fair working conditions is closely tied to Sandqvist's purchasing and buying strategies. Through constructive collaboration, we provide our suppliers with what they need to create a positive workplace for their employees. We co-operate with our suppliers to agree upon reasonable timelines and equitable compensation for their products, fostering a stable and predictable partnership that enables long-term planning. To ensure a shared responsibility in planning and product costing, and address any serious non-compliance issues, our contracts with suppliers

include joint remediation agreements. This means we are financially responsible for any costs that may arise due to deviations on our part. Suppliers are required to be fully transparent about their costing, allowing us to verify that labor and production costs are fair and non-negotiable from our end. This approach provides suppliers with better conditions for predicting their business needs and making the necessary investments and improvements in their production facilities.

### Bridging the living wage gap

We recognize that low wages, cost-cutting, and productivity challenges are all risks at the supplier level. These are closely connected to gender-related risks, as a majority of workers are young women, who are especially vulnerable to underpayment, harassment, and gender-based violence in the workplace. Our commitment extends beyond ensuring that our suppliers pay above minimum wage levels; we aim higher. We strive to fulfill our part in guaranteeing that workers earn not merely the minimum but a wage sufficient for a decent standard of living.

A living wage should cover 'basic needs and some discretionary income'; however, the benchmarks for what exactly this entails vary. Additionally, wage benchmarks require constant revision. Therefore, we will establish a process to regularly update and analyze these benchmarks at the beginning of every season going forward.

In 2023, we've diligently worked to define what constitutes a living wage, identifying established benchmarks that are relevant to use. We've assessed the financial implications for Sandqvist and developed a monitoring plan for its implementation. Training sessions have been conducted on our costing methodology with guidance from the Fair Wear Foundation. Moving into 2024, our goal is to continue this initiative and start adding extra payments into the cost of products that will be introduced in 2025.

Figure 1. Sandqvist Human Rights Due diligence process



**01 Identify**

**02 Analyse / Prioritize**

**03 Risk Mitigation**

**04 Monitor / Track**

**01 Identify**

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.

**02 Analyse / Prioritize**

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.

**03 Risk Mitigation**

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 creates fair conditions to uphold responsible business conduct.

**04 Monitor / Track**

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.





Table 1. The factories making Sandqvist products

	2020	2021	2022	2023
<b>Number of factories</b>	6	11**	9**	5**
<b>Factories assessed as high or medium risk</b>	6	7	7	5
<b>Audited factories*</b>	4	5	5	3
<b>Factories where workers have been trained*</b>	3	0	2	2
<b>Factories where Sandqvist pays our share*** of a living wage****</b>	-	-	0(0%)	0(0%)
<b>Complaints received</b>	4	0	0	0

\*Audited or trained within the last 3 years; \*\*Including supporting processes (e.g. printing units), \*\*\*Based on how much leverage Sandqvist has in the factory ("how large share of the total production that Sandqvist's bags constitute")  
 \*\*\*\* Living wage defined using credible, independent research such as the "Anker methodology"

### Production of Sandqvist's bags

We always choose producers for our products by following our policy to work with and improve the suppliers we already have relationships with. We believe in being transparent with our suppliers to establish trust, so we regularly share information for future planning on a seasonal basis. Any new supplier we consider is carefully evaluated through our internal sourcing process to ensure they meet our standards for sustainability. Suppliers that successfully go through this process then move on to our Onboarding process before we finalize our partnership.

Our Production department makes the final decisions on sourcing, working closely with the Head of Sustainability. For bringing on a new supplier, the CEO also contributes to the decision-making process. Before we place any production orders, we thoroughly analyze open-pricing data for labor costs and review lead times to mitigate the risk of excessive overtime. Additionally, we discuss the results of our Human Rights Due Diligence (HRDD) to ensure our standards are upheld.

In 2023, we deepened our dedication to being open with our customers by making sure that our website's product pages also show which supplier made each bag. At the same time, we are preparing to provide even more detailed sustainability information for each product through a digital passport. For 2024, our goal is to start a trial that will make this sustainability information even easier to access using a QR code.

We are proud of the suppliers who produce our products and we take pride in our relationships. We are transparent about the origins of our goods, and below is a list of the factories we partner with, what they do and our collaborative efforts to enhance their workplaces.

#### Butler Leather, India

The Butler Leather factory, located in Chennai,

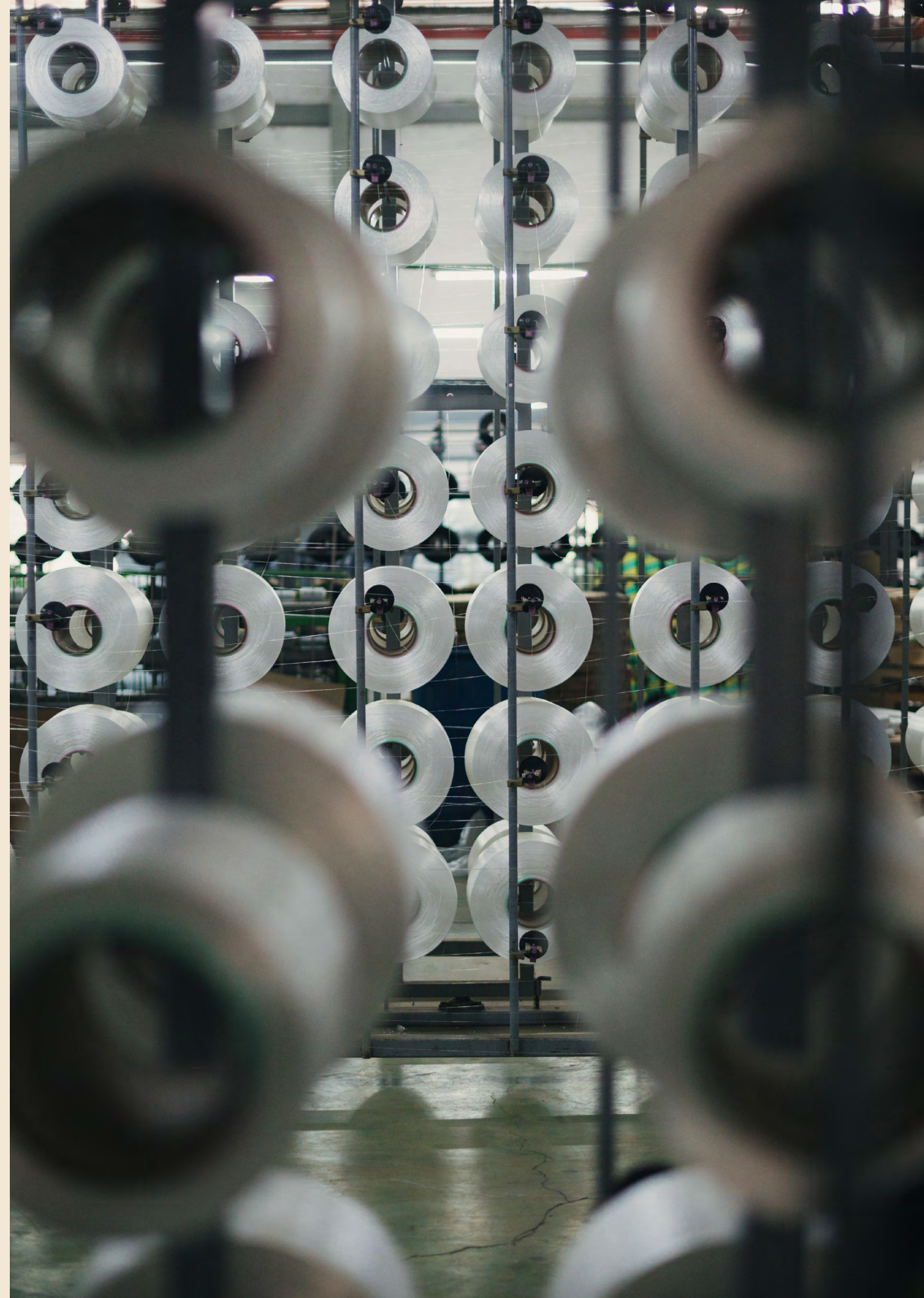
India, is a specialist in crafting high-quality leather bags and accessories. We have a decade-long partnership with this family-owned factory led by Anjum, her husband Noor, and brother-in-law Zafar, which employs approximately 100 skilled workers. Sandqvist accounts for a substantial proportion of the production at Butler Leather with a leverage of approximately 14%. In 2023, 10,4% of our products were produced at this supplier.

The Fair Wear Foundation (FWF) conducted audits of the factory's working conditions in 2020, 2019, and 2016. In 2017, the FWF facilitated staff training to strengthen employee rights at work. Since the first audit in 2016, Butler Leather has made great improvements. Worker committees have been established, health and safety measures have been enhanced, and formal employment conditions have been upgraded. In 2019, the supplier was visited by Sandqvist's CEO and Sustainability manager.

In 2020, Butler Leather expanded with a new production site dedicated to Sandqvist products. The Fair Wear Foundation (FWF) conducted an audit of this new location in November 2020, followed by another in June 2023. While no significant issues were reported, the audits identified areas for improvement to meet Sandqvist's standards and local laws. Details on the recent audit can be found in the Social report appendix. By the end of 2023, 90% of the noted issues were resolved. No complaints were received from workers at Butler during 2023.

#### Butler printing: IMAGE printer, India

Sandqvist's supplier of leather, Butler, collaborates with a subcontractor for embossing prints on our products. The subcontractor, named IMAGE Printer, is a small factory located close to Butler in Chennai, employing a team of 15 screen printers. Butler has an ongoing dialogue and makes recurrent visits to IMAGE Printer to ensure they meet Sandqvist's social and environmental standards.



### Pungkook Saigon II, Vietnam

In 2020, we began our partnership with Pungkook Saigon II (PKII), a large factory in Ho Chi Minh City, Vietnam, which employs around 4,100 workers. We have a dedicated agent in Vietnam who regularly visits PKII and is very involved in the factory's social sustainability. In 2023, PKII focused on creating product development samples for Sandqvist, accounting for less than X% of our total order value.

PK collaborates with multiple brands that are part of the Fair Wear Foundation and is well-versed in their labor standards, auditing procedures, and complaint handling. Although Sandqvist has a smaller presence at this factory, we've teamed up with another Fair Wear brand. This partnership aims to strengthen our influence and regularly exchange information about audits and improvements. In 2023, we're pleased to report that there were no worker complaints.

PK also participates in the International Labour Organization's Better Work program in Vietnam. It aims to improve working conditions through regular assessments, training, and capacity building. The program focuses on ongoing improvements, which we monitor regularly. A recent evaluation by Better Work in May 2022 showed significant compliance and progress. Additionally, the Sandqvist Production team conducted a visit in September 2022, followed by a visit from our CEO and Head of Sustainability in December 2022.

### Pungkook Saigon - Long An branch, Vietnam

In 2022, we initiated a partnership with Pungkook Saigon Long An (PKLA), a subsidiary of Pungkook Saigon located in Ho Chi Minh City. PKLA is relatively smaller, with 385 employees, 82% of whom are women. This scale allows Sandqvist to have a significant influence at PKLA. The factory

is ramping up operations after being closed due to the COVID-19 pandemic. Although it has not yet achieved full production levels, Sandqvist is proud and committed to supporting PKLA's growth and establishing robust standards for labor conditions and human rights from the outset.

Before starting our production at the facility, Sandqvist conducted thorough checks through visits by our local agent. This was to make sure that the factory met the FW Code of labor and our auditing and complaint system standards. In 2023, we transitioned to having all our recycled polyester and nylon bags produced there, making PKLA the primary manufacturer of most of our products.

The factory has participated in the ILO Better Work program since 2022, leading to two audits carried out for Sandqvist in that time – one in 2022 and another in 2023. While no significant issues were found, you can find more detailed findings in the Social report appendix provided on our webpage.

In 2023, Sandqvist sponsored two educational workshops at the factory: one to enlighten workers about their labor rights and proper working conditions, and another aimed at guiding the management on how to implement living wages. Throughout 2023, there were no complaints reported by the workers. The Sandqvist Production team made a visit to the factory in September 2022, followed by a visit from the Sandqvist CEO and the Head of Sustainability in December 2022.

### PK Printing: Toan Y Printing, Vietnam

Sandqvist's main suppliers in Vietnam, PKLA and PKII, outsource some of their printing work to a nearby subcontractor in Ho Chi Minh City. To ensure this partner meets our high standards, PK maintains regular communication and conducts frequent visits, emphasizing our social and environmental expectations.

### Rajda Leather II, India

In 2018, Sandqvist began a partnership with Rajda Leather located in Calcutta, West Bengal, India, to manufacture canvas bags featuring buffalo leather details. The factory, a family-owned business, engages approximately 300 employees at its primary site and an additional 70 at a second, more recent facility nearby. Both sites are SA8000 certified. Since 2020, our collaboration has been exclusively with the newer location, known as Rajda II. In 2023, 1,09% of Sandqvist's orders were filled by this supplier.

Following last year's report, Sandqvist made the decision to conclude its engagement with the mentioned factory in a responsible manner throughout 2022. Aligning with our commitment to a responsible exit strategy, the factory was given the agreed-upon notification period and completed all anticipated orders, with the final shipment reaching our warehouse at the start of 2023.

### Leejotex, South Korea

Sandqvist uses synthetic materials, like recycled nylon and recycled polyester, manufactured by Leejotex, a Korean firm known for high-quality and functional materials. They offer Bluesign® approved and Oeko-tex® certified fabrics, ensuring that they meet environmental and safety standards. In addition, all their synthetic materials are made from recycled content, verified by Global Recycled Standard certifications from reliable, independent auditors.

### Dibella, India

Dibella India sources organic cotton directly from small-scale farmers located in Adilabad, Telangana, India. For additional details, please refer to the cotton section of our report. The company manufactures organic cotton linings, the 18 oz organic cotton canvas, our 12 oz polycotton (a blend of recycled polyester and organic cotton), and organic cotton dust bags for Sandqvist.

### Tanneries

Sandqvist's full leather bags are crafted from cowhide sourced from Scandinavian cattle. These hides are processed at Scan-Hide in Denmark, a tannery recognized with a gold rating by the Leather Working Group (LWG) for their environmental practices (refer to the Sustainable Products section for more information). After initial tanning, the 'wet blue' hides are sent to S&H Leather in India, also an LWG gold-rated tannery, for further processing.

Additionally, Sandqvist collaborates with two other LWG silver-rated tanneries for leather accents: Progressive Leather Industries in India and Shui Hua Leather in Taiwan.

### Trimmings

As far as possible, we source trims that complies with our requirements from locations close to our factories, so that shipping distances and lead times are made as short as possible. Zippers are manufactured by YKK (mainly in Vietnam) and OOK (China). Other metal trims are made by ESSN (China), SW Metal (China) and Trimmers (Vietnam). Plastic trims, such as plastic buckles, are made by Woojin (China). Webbing (straps) are made by Elastic India (India) and Young Dong (Vietnam). Mesh details are made by Yoosung (Vietnam) and the foam inside the bags by DLD (Vietnam). 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 projects aiming to establish efficient recycling processes for synthetic materials.

KPI'S	2021	2022	2023
<b>Recycled material</b> % weight/total ordered material *	43%	53%	66%
<b>Share of products with certified main material**</b>	-	94%	99%

\* 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 2024, 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 fibres<sup>1</sup>, 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). 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

1 Verified by Global Recycling Standard (GRS) certifications.

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. During 2023, this tannery was visited by the Sandqvist Production team and Head of Sustainability.

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 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 certified<sup>2</sup>

2 Verified with Fairtrade and GOTS certifications.

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](http://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**

Alongside our main fabrics we are also working hard to find trims that upholds our quality and environmental requirements. Trims made of synthetic fiber material such as webbings and mesh, contain verified recycled materials. The same applies for the foam (padding) used inside of the padded bags, where the exact amount of recycled material varies depending on which foam that is used but ranges between 20-50%, in accordance with the certification. The zippers we use in many series, namely YKK Natulon, also contain certified recycled material (between 23-51% depending on which zipper).<sup>3</sup>

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.

3 Verified by Global Recycling Standard (GRS) certifications.

Our goal is to phase out all harmful chemicals by choosing the right materials and work with our suppliers in production.

#### 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 2024 we will continue our focus 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.

#### Care and repair

The bags we make are designed to last a long time and to be used for many purposes. Even so, the bags might sometime need a little extra care for its life to be as long as possible. At Sandqvist we offer a range of care products, well-suited for our products, and aim to educate our customer in how to best prolong the life of the bags – in store and through guidance on our web page. In addition, we offer repair services through our stores or via customer service, by the use of local cobblers or offerings of relevant spare parts.

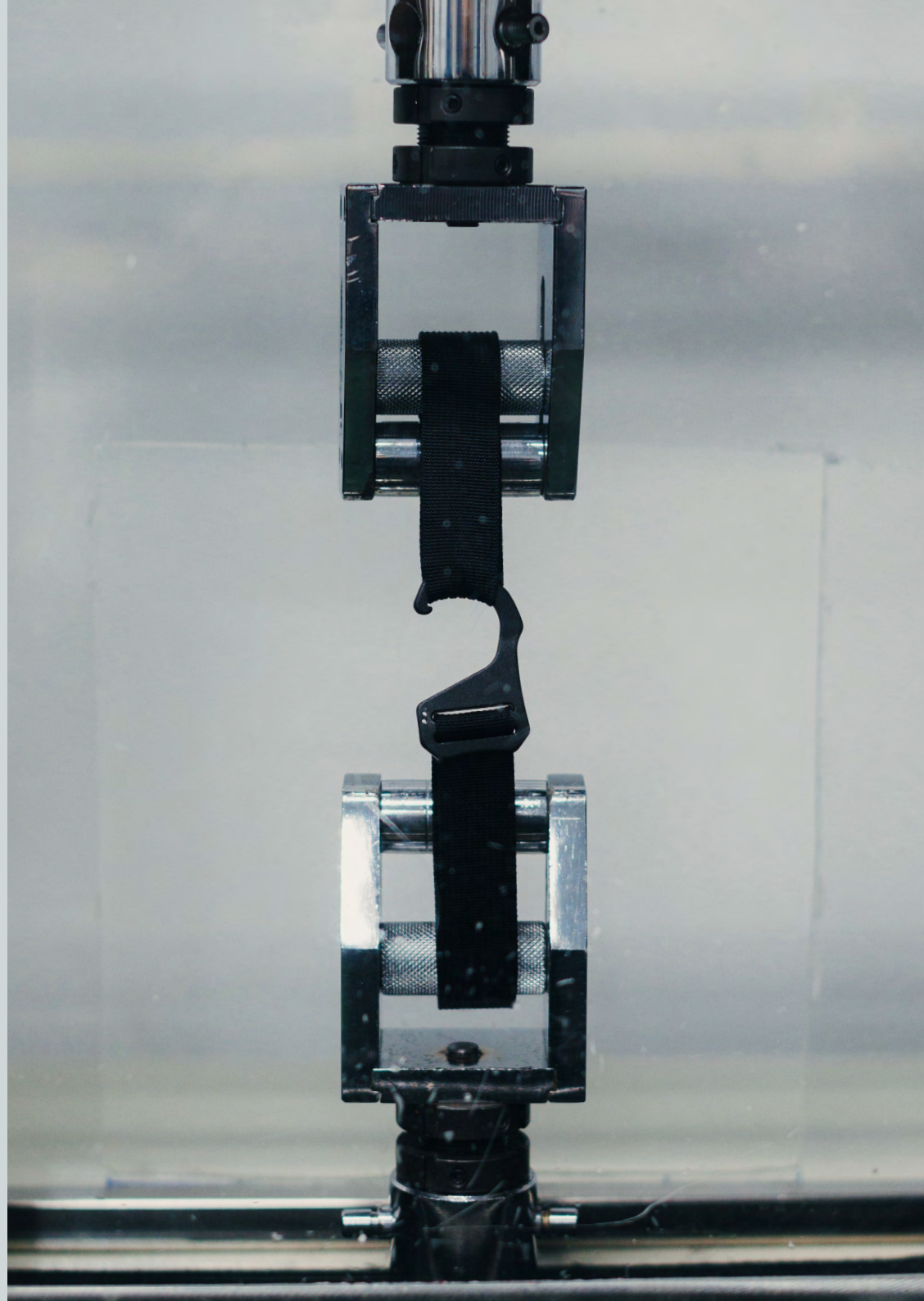


Table 3. Share of primary data, split by supply chain tier

Supply Chain Tier	% OF PRIMARY DATA 2022	% OF PRIMARY DATA 2023
Tier 1 – CMT (cut, make, trim) suppliers incl. supporting processes	96%	98%
Tier 2 – Material preparation suppliers: tanning/weaving, dyeing and finish	48%	66%
Tier 3-4 – Material processing and raw material extraction	–	–

**Environmental impact of operations**

Sandqvist has been part of the industry initiative STICA (Swedish Textile Initiative for Climate Action) since 2020. STICA's goal is to guide the Nordic apparel and textile industries and their partners to substantially cut greenhouse gas emissions, aiming for the targets set by the UN's climate change framework and the Paris Agreement to limit global warming to 1.5°C. The broader vision of STICA is for the Swedish and Nordic textile sectors to lead globally by becoming the first to achieve a climate positive status well before 2050.

Aligned with the Paris Agreement and the principle of the "Carbon law"<sup>2</sup> which calls for halving global emissions every ten years, Sandqvist is on a mission to cut our carbon emissions by 50% (in absolute terms) by 2030, with 2020 as our base year. This ambitious target is a core part of our business strategy and is incorporated into our Responsible Business Conduct and internal environmental policies that guide our actions. We've also set specific goals for each internal department that reflect this target and have communicated our objectives clearly to our suppliers.

Since 2020, Sandqvist has measured and disclosed our carbon emissions, following STICA guidelines and the Greenhouse Gas Protocol<sup>3</sup>. In 2023, we continued this work, analyzing our climate impact across the same areas as before, without delimitations. Gathering and processing all relevant data enables us to make informed decisions about our products and production processes. It also guides us in optimizing our internal operations, including how we manage shipping, business travel, and the updating of our retail spaces.

Since 2022, our effort to base our environmental calculations on direct data from our suppliers has persisted. In 2023, we collected data from an increased number of chosen suppliers compared to 2022. We're convinced that this detailed data collection can indirectly lead to better environmental practices among our suppliers. This improvement is due in part to the strengthened communication with our suppliers, who have been transparent about their environmental strategies and their needs for support in pursuing long-term climate initiatives. For areas where data is still lacking, particularly at the tier 3-4 supplier level, we continue to rely on a specialized emission factor database tailored for the textile industry to ensure our results are as complete as possible.

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/>

Table 4. Sandqvist carbon footprint KPI's

KPI'S	2019	2020	2021	2022	2023	CHANGE FROM BASE YEAR TO 2023*
<b>Scope 1 and 2 emissions per revenue (ton CO2e/MSEK)</b>						
	0,196	0,152	0,180	0,09	0,09	-52%
<b>Total emissions per revenue (ton CO2e/MSEK)</b>						
	–	21,13	18,66	16,66	17,80	-16%
<b>Upstream transport emissions per sold product (kg CO2e/unit)</b>						
	–	2,86	0,97	1,20	1,22	-57%
<b>Production emissions per purchased product (kg CO2e/unit)</b>						
	–	10,27	10,27	10,05	7,82	-24%
<b>Absolute emissions ton CO2e</b>						
	–	2028	1738	1700	1726	-15%

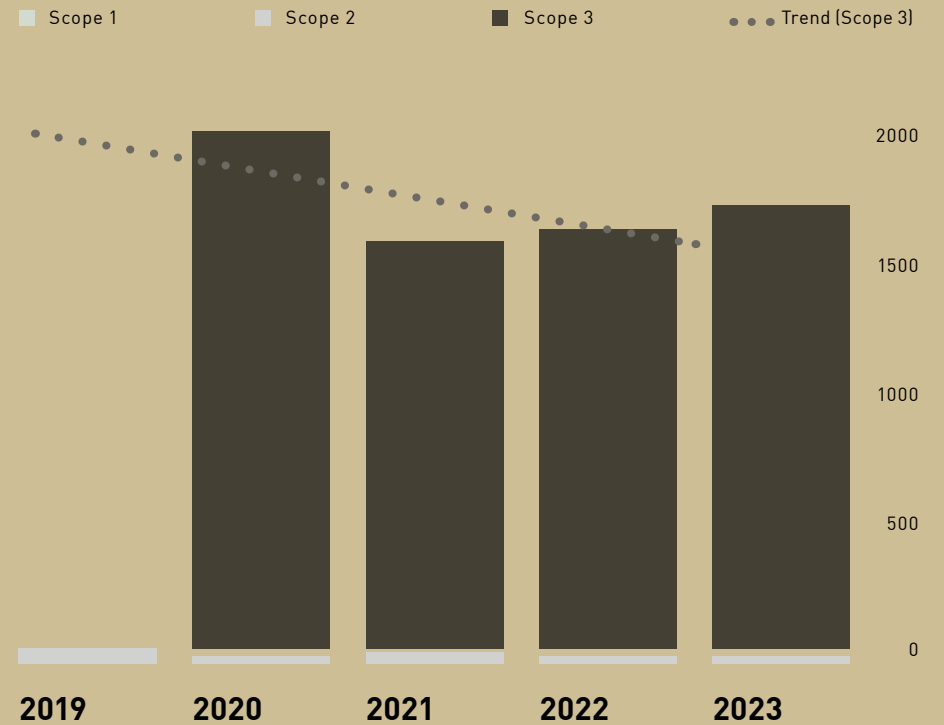
\* Note that base year for scope 1 and 2 is 2019 and base year for scope 3 is 2020

For the year 2023, we've included a new data point for downstream transport emissions (Scope 3.9), and we've retrospectively applied this to our 2020-2022 data to allow for consistent comparison. Similarly, we've enriched our data in Scope 3.1 by incorporating more primary data from our tier 2 suppliers. These recalculations have been aligned with the revenue figures from previous years to maintain accuracy.



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

**Tonnes CO2e in Absolute Terms**



In absolute terms, Sandqvist has seen a 15% reduction\* in emissions since our baseline years. Despite this overall decrease and higher revenue from selling fewer, higher-value products – which amounts to a 16% reduction in emissions relative to revenue – we observed an increase in our carbon footprint from 2022 to 2023. This rise is largely attributed to category 3.1 (Purchased goods and services), as detailed in Table 4 and discussed further in the following section.

Table 5. Sandqvist climate impact, detailed result 2023

Scope*	Category	C02e (t)	SHARE OF TOT. EMISSIONS (%)
1	Own production of heating and cooling (Refrigerant leakage)	0,2	0%
2	Purchased electricity and heating	9	0,5%
3.1	Purchased goods and services (direct and indirect)	1370	79%
3.2	Capital goods	5	0,3%
3.3	Fuel- and energy related activities (market based energy)	2	0,1%
3.4	Transportation and distribution	163	9%
3.5	Waste	8	0,4%
3.6	Business travel	49	3%
3.7	Employee commuting	35	2%
3.9	Downstream transportations	35	2%
3.12	End-of-life treatment of sold products	52	3%

\* 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

In Scope 2, which covers purchased energy and heating for our stores and headquarters, we've cut emissions by 40% since 2021, and by 61% from our base year. The significant drop is largely because in 2022, we gained better insight and confirmation that we're using renewable energy sources across all our operations. In Sweden, we're sourcing 100% renewable energy from Tranås Energi; in Germany, it's from Vattenfall; and in both France and the UK, we use 100% renewable energy from EDF. We've successfully kept emissions at this reduced level through 2023.

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

With more primary data collected in 2023, we've not only improved the quality of our data but also identified additional emissions from new suppliers. These emissions have been retrospectively included in the revenue-based calculations of previous years.

As mentioned, while the total emissions for this category rose in 2022, we've seen a 24% decrease in emissions for each purchased product since our base year. This situation reflects the market challenges we've faced, which have made selling products at full price more difficult and required us to meet higher minimum orders from suppliers. Despite these difficulties, we are encouraged by the positive impact of our decisions, like choosing materials with lower emissions, which have significantly improved our emissions efficiency per product we sell.

Additionally, we've noted a 15% increase in emissions from the extraction and processing of raw materials since 2022. However, as we rely on an emissions database provided by the International Fashion Group Kering for this information, it's unclear if this rise is due to actual changes such as the energy supply challenges faced by several countries in 2023, or if there's a discrepancy in the data reported by suppliers.

### Scope 3.4 – Transportation and distribution

In total, the absolute emissions for transportation and distribution have decreased with 1% since

2022 and 57% per sold unit since 2020. In 2023, we can see that even though we purchased a higher volume of products, the inbound emissions remained on the same level. This can be attributed to a further decrease of air freights. We can also note that outbound transports have decreased slightly, which most likely is a combination of fewer shipments and a larger share of customers' choosing a more sustainable transport mode when they place an order (i.e not express delivery by air). Even with this positive trend, we will continue to focus on finding even better distribution options to continuously decrease emissions from outbound transportations. Such options will most likely include even more local distribution, a larger share of electrified vehicles and more effective return management, among others.

### Scope 3.9 – Downstream transportation

Downstream transportation is the term for transport activities on the customer's end that Sandqvist doesn't finance directly. An example of this is when customers travel to pick up their purchases or when a wholesale buyer organizes and pays for the delivery from the factory to their store. Controlling emissions in this category is challenging for Sandqvist, but in 2023 we made a decision to broaden our data collection on wholesale customer transport. This step aims to refine our carbon footprint calculations and encourages customers towards transport options that are more environmentally friendly.

### Building a roadmap to emission reductions

Since we began our efforts to reduce emissions and measure our progress, expectations for all companies have risen. We see this as very positive since our progress often depends on both the industry and our customers collaborating with us on this journey. Over the years, we have made advances by addressing the 'low hanging fruit' within Sandqvist's capacity, but we have also been aware that larger steps need to be taken for us to grow as a relatively small company in line with our plans without exceeding the resources our climate goals permit.

In 2023, we took a significant step to clarify how we will accelerate the pace to decouple our financial

growth from our carbon footprint. The Climate Roadmap tool, adopted by Sandqvist starting in 2023, brings together our efforts to reduce climate emissions across the Sandqvist value chain. The purpose of this tool is to structure, quantify, evaluate, and prioritize the range of possible reduction actions through until 2030.

Our calculation method uses historical data and projected estimates to map out our emissions trajectory up to 2030. This is based on actual emissions from 2020 and 2022, alongside expected emissions in 2030 under a 'business as usual' scenario, incorporating our growth targets and plans up to that year. Annually, we'll update key parameters in our roadmap tool, such as sales forecasts, during our standard forecasting and budgeting cycle. Any new figures developed will be integrated into the tool, which will then inform the objectives and strategies for Sandqvist for the upcoming year.

Throughout the year, we'll keep refining the roadmap tool by adding new researched or implemented actions, or by removing those that no longer apply. It's a dynamic document, evolving with our business, and will include actions of varying impact—some may be major game-changers, others minor

and perhaps marginal.

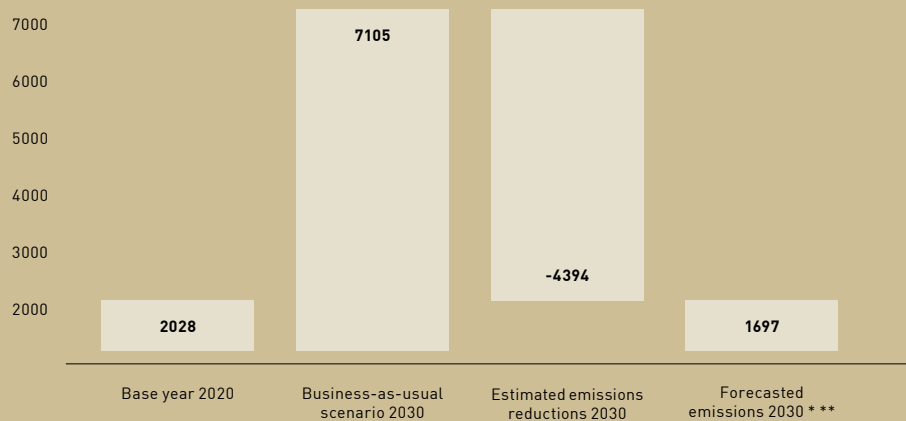
Figure 4 provides an overview of our initial climate roadmap outcomes and the potential impact of planned reduction strategies. The most effective actions identified for achieving significant emissions reductions by 2030 include setting up local distribution networks, developing and implementing secondhand business models, creating new materials with lower emissions, and installing renewable energy solutions in both tier 1 and tier 2 production facilities.

The climate roadmap is crucial for integrating our climate goals into our annual business planning, budgeting, and necessary yearly prioritization. It allows us to establish annual objectives and allocate resources for actions planned years in advance. Moreover, the roadmap highlights the existing innovation gap. Recognizing the extent of this gap is the first step, which then focuses our efforts on developing scalable solutions to bridge it in the future.

**Partnering to restore wetlands**

The gravity of the global climate crisis demands that all parties do their utmost to take actions to limit their impact. As the latest report by

**Climate action roadmap - overview (ton CO2e)**



\* When actions implemented. \*\* Remaining emissions to target: 683 tCO2e.

Table 6. Sandqvist staff

	2020	2020	2021	2022	2023
Sick leave (measured in % of FTE)	3,8%	2,7%	1%	0,6%	0,8%
Employee satisfaction (eNPS)	54	26	-30	35	66

the IPCC (Intergovernmental Panel on Climate Change) states, significant additional efforts are required to improve the capture and storage of climate-affecting emissions (add reference). This can be achieved in various ways, one of which is the restoration of wetlands through rewetting. Restoring wetlands to again sequester carbon dioxide instead of leaking it is a method recognized by both Sweden and the EU for preventing future emissions and simultaneously conserving habitats for species that live in these areas. The potential of such initiatives depends on local conditions, but for us, measurability and assurance of permanence are of great importance.

In collaboration with our logistics partner, we participated in Project:Restore at Markö 1:5 in Herrljunga municipality in 2023. This specific area covers 2.9 hectares. Within the project, a 50-year rewetting agreement has been signed with the Swedish Forest Agency to ensure the project's longevity, and for this area in Sweden, the Forest Agency estimates a climate benefit of 30 tons of CO2e per hectare per year in prevented emissions. We are proud and delighted to contribute to this project, especially as our Scandinavian environment is a source of constant inspiration for us.

**Our people**

At Sandqvist, we're dedicated to creating a culture that fosters individual growth. In addition, we want our culture to enable collective progress as we aim to make Sandqvist a world-leading bag brand. We're committed to being an inclusive company that values respect and diversity. We welcome and support everyone, regardless of gender identity, sexual orientation, ethnicity, socio-economic background, religion, political beliefs, or union membership, ensuring a thriving and secure work environment for all.

To us, it's important that a healthy work-life balance is not just an ideal, but a reality. Therefore, employees at Sandqvist have flexible working hours, remote work options, additional time off, and opportunities to exercise during work hours. We launched a 30-hour, four-day workweek in 2022, which officially became our standard practice in February 2023—without impacting salaries. This shift in our work structure aimed to uphold our high standards of productivity and service, while granting our employees more personal time.

The change was primarily made to enhance work-life balance, but also to challenge the conventional ways of the business world. We understand that better well-being and engagement at work lead to improved performance. Our employees are our greatest asset, and motivated teams produce sustainable outcomes. The introduction of our four-day work week was our strategy for continuing to build a company that is successful, sustainable, responsible, and caring. We're proud to say that this approach has proven to be successful: both engagement and workplace satisfaction has increased. One positive side effect we've seen is also a lowered carbon footprint per employee, linked to fewer trips to and from the workplace.

Sandqvist performs an annual assessment to measure employee satisfaction throughout the company. In 2023, we saw an increase in satisfaction compared to previous years, which reflects a strong level of engagement within our team. We are dedicated to improving this aspect even more, since we can't underestimate the importance that engaged employees play in achieving lasting results. In addition, our sick leave rates have declined once again, remaining under our goal of less than 3%. It's a motivation for us to persist in our efforts to create a healthy and motivating work environment.



## Our Responsible Business Conduct policy outlines our commitment to secure human rights, ethical behavior and care for nature.

### Governance and ethics

At Sandqvist, we craft stylish everyday bags that are made to last, with a commitment to fairness and environmental care. Our approach is holistic, considering the impact of our products from creation to end-of-life on both people and the planet. We stand firmly for human rights, ensuring everyone involved in our production process is treated with respect, and we do our very best to ensure that our products have as little negative impact on the environment as possible.

Our approach to responsible business is outlined in our Responsible Business Conduct Policy. It details our dedication to stakeholders and shapes our business interactions, internally and externally. In practical terms, this means rigorously assessing risks when considering external partnerships. We analyze public data and engage in direct dialogue to make sure that any potential partnership is built on mutual principles and a shared commitment to our foundational values. You can find a link to our full policy and learn more about our dedication to ethical practices on our website.

### Partnerships and community engagement

At Sandqvist, our connection with the community – and our efforts to positively influence culture and individuals – is fundamental to who we are. We actively support like-minded organizations, share our vision and objectives, and maintain openness about our business. We're eager to share our commitments and by doing so, we hope to inspire our community to experience and live in harmony with nature. If we collectively connect to nature, our commitment to preserving it becomes stronger. That's why we believe that our bags not only carry essentials, but also carry values. When consumed responsibly, they have a good reason to exist.

In practice, this is about how we want everyone around us to understand our way of doing business and hopefully be inspired by it. During 2023, for example, we have conducted several campaigns to show how our products are perfectly suited for travel and taken the opportunity to also explain why we choose to travel by train whenever possible. In the same way, it is natural for us to bring parts of our community on hikes to experience our Nordic mountains and therein place our products in an environment we love and wish to help preserve.

Figure 4.

Our view of sustainable consumption, highlighted in relation to our decision not to participate in "Black Friday".

## MINIMIZE PURCHASES

In other words, avoid buying things you don't need. Only invest in items you will use and cherish for a long time.

## MINIMIZE USE

The most effective way to minimize a product's environmental and social impact is to use it often and over a long period of time.

## PRODUCT CARE

Our bags are crafted for durability and repairability, but it's essential that you care for them. If you're making a purchase today, please ask our staff to tell you about our care products.

## EXPERIENCE NATURE

Nature is our constant source of inspiration, and we encourage you to experience it. Through a deeper appreciation of the outdoors, we can collectively commit to its preservation.

## CIRCULATE MORE

When you're ready to part with your bag, pass it on. Environmentally, it's better to resell than recycle it.

### Swedish Society for Nature Conservation (Naturskyddsföreningen)

As humanity is facing the urgent climate crisis, no company, organization or private person can afford to remain on the sidelines. Sandqvist is committed to being part of the solution through dynamic cross-sector partnerships. We've proudly supported the Swedish Society for Nature Conservation for years, and initiatives like our "Gardening Bag," with profits benefiting the "Save the Bees" campaign, reflect our dedication. In 2023, we continued to use our brand and social media presence to show our support for the organization and underscore the critical importance of environmental preservation and impact reduction.

### NEST – New Entrepreneurship for a Sustainable Textile industry

The fashion and textile industry must make significant changes when it comes to most parts of its production chain. Innovative ideas and major shifts are essential at all levels to meet this demand. Addressing this challenge requires innovative thinking and groundbreaking solutions at every stage. Therefore NEST - New

Entrepreneurship for a Sustainable Textile industry, was initiated as a collaboration between Borås INK, eXpression Umeå, Sting, and xPlot. This forward-thinking project is backed by the Swedish Innovation Authority Vinnova, the Textile University in Borås, and TEK0, the industry's trade organization.

To bring about change within the textile industry, startups, industry players, and innovation facilitators must collaborate. Established companies are a necessary component in this ecosystem. Through collaborations, they enable startups to test the feasibility of their business ideas and determine their contributions to overcoming the industry's sustainability challenges. In this collaborative spirit, Sandqvist joined forces with other key industry figures in 2023, reinforcing our commitment to innovation, pushing our own boundaries, and exploring new ways to drive meaningful industry transformation.



**SANDQVIST**