

# SANDQVIST SOCIAL REPORT

Reporting period: January 2023 – December 2023

[www.sandqvist.com](http://www.sandqvist.com)

**FAIR WEAR MEMBER SINCE 2016**

The following appendix is part of our pledge to transparently report upon issues related to our efforts to uphold Human rights in our countries of production during FY23.

## Summary: 2023 goals & achievements

Sandqvist has ever since the start of the company in 2004, been 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.

In 2022, we revisited our long-term sustainability strategy and implemented our Responsible Business conduct policy, to ensure alignment with stakeholder expectations, upcoming and present EU legislation such as CSDDD and the Green Deal as well as our top management's long-term ambition of Sandqvist being a front-runner in terms of sustainability. 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.

In accordance with our goals set for 2023, we conducted new risk assessments of all our production countries, and direct suppliers, using the Fair Wear Foundation reports and systems. Following the UN Guiding principles for Business and Human Rights and the OECD Guidelines for Responsible Business Conduct, we have also performed risk assessments on all suppliers, including in lower tiers. The results of the HRDD are forming the basis of our company's business decisions and priorities.

During 2023, we also continued our strive to further consolidate our supply chain, to gain higher leverage and enable focus on improvements in fewer supplier relations guided by our HRDD. This work is ongoing and will continue in 2024.

During 2023, we initiated audits at all our main supplier's factories, following our monitoring process for high-risk suppliers. All corresponding CAPs have been monitored during the year and we will continue to track the outcome of the CAPs during 2024.

We are also proud to conclude that our focus on implementing a process for contributing to higher wages have resulted in a decision from our top management on how to finance such cost increases. In addition, we have successfully managed to onboard our Vietnamese supplier to Fair Wear Foundation's methodology of calculating the "living wage gap" on product level. This project will continue during 2024 and going forward, scaled-up to include also the part of our supply chain located in India.

## Roles and responsibilities

The overall responsibility for Human rights due diligence is delegated from Sandqvist CEO to the Head of Sustainability, a role which is also included in the company's senior leadership team. The business goals and KPI's (including those concerning sustainable growth) are jointly set and confirmed by the senior leadership, to be operationalized by the Head of Sustainability in close collaboration with the Production and Design team. The latter team are working collaboratively with the Head of Sustainability in terms of regular supplier relations management, development of products, pricing strategy and timelines for production. On a yearly basis, the result from an overall Human rights risks analysis is

shared to the senior management team and forms a basis for business decisions and strategy in terms of collection planning and business goals.

## Sourcing strategy

### HUMAN RIGHTS DUE DILIGENCE

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.

Our Responsible Business Conduct policy isn't standalone—it's woven through our core business frameworks, including supplier agreements. This integration guarantees consistency and reinforces our commitment to human rights, fair pricing, environmental stewardship, and high standards of business ethics.

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. The process is continuously ongoing and contains the following steps in accordance with the OECD due diligence guidance for responsible business conduct: Identification, Analysis and prioritization, Risk mitigation, Monitoring and tracking and continuous communication.

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, organizations and institutes. In addition, information is gathered through regular direct dialogues with suppliers and workers' representatives. Risk information is documented and analysed in relation to the conditions at 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.

The result of the risk identification and analysis on supplier level is shared with the senior management team ahead of each season, ensuring that everyone with leverage to affect company decisions in relation to production and design are well aware of the current risk levels. This aim to ensure stability and long-term production decisions.

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 Sandqvist creates fair conditions to uphold responsible business conduct.

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 audit cycle is guided by the perceived risk level, with a minimum threshold of once every three year 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-up on supplier improvement plan in combination with regular dialogue meetings to ensure up-to-date information on supplier level.

Communication, to internal and external stakeholders, are done regularly and in various forms. At supplier level, monthly meetings with factory management includes a standing point of information from worker representative groups and management response to any suggestions and/or challenges raised.

## **SOURCING STRATEGY & PRICING**

As our Responsible business conduct policy outlines, Sandqvist aims to foster long-term supplier relationships with only a few suppliers. Even though we are a relatively small brand, we aim to continuously influence and improve the conditions in our supply chain and to achieve that goal, we believe it's crucial to focus our efforts.

With that said, our process for choosing new factories is thorough and continuous. Before we place an order, we carefully identify and assess the risks, evaluate the factory, including planning our actions and checking everything closely. It is the standard process for Sandqvist to inform new suppliers about Fair Wear membership. After selecting a potential new supplier and the evaluation of a (first) audit, the supplier will be visited by us. During the first visit, we are informing the factory management about the our sustainability standards to check if the factory does align with these. In addition, the factory management will receive detailed documentation about the Fair Wear membership, our onboarding process, Code of Conduct, consent to transparency and the Worker Information Sheet. Before the final onboarding of the potential new supplier, more digital meetings will take place to discuss any questions and open points. A factory will only be onboarded to our supplier base in case all steps of its internal process have been successfully completed. In case of any issues, the production team and Head of Sustainability are responsible to follow up. In accordance with our processes, the CEO is also included in the decision-making process. 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.

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. The latter is also specifically stated in our supplier contracts, as we recognize that competitive pricing is a fundamental reason for heightened risks in the full supply chain. This approach provides suppliers with better conditions for predicting their business needs and making the necessary investments and improvements in their production facilities.

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.

## **PRODUCTION CYCLE**

Sandqvist's design strategy is built upon the notion of long-lasting products, in terms of high physical quality as well as design set to last. Our collections are therefore largely built upon returning styles, so called carry-overs, and forecasting based on their actual performance. Before we place orders (which we do four times/year), information on factory capacity and preferred timelines, are analysed and forms the basis of our internal workflows and deadlines. Production planning based on risks and opportunities is done collaboratively with suppliers to all in all decreasing the risks in terms of capacity shortages, material supplies and wages. This is done by the Head of Sustainability in collaboration with the Production and design department. This way of working enables the factory to plan accordingly, supporting the workers' rights to reasonable hours of work, and a commitment to not make changes after orders have been placed is also stipulated in our supplier contracts.

## **FACTORY RELATIONS**

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.

During 2023, we continued working with the same two suppliers as during previous year, Pungkook Saigon – Long An in Vietnam and Butler Leather in India.

## **INTEGRATION OF MONITORING ACTIVITIES AND SOURCING DECISIONS**

After Sandqvist's supply chain consolidation in 2022, we have continued cooperation with our two main suppliers in India and Vietnam and an additional factory of its Vietnamese supplier for sampling production. One main supplier is responsible for the production of leather bags, while the other

supplier specialises in the production of outdoor bags. In reality, this means we have a very small supply chain and therefore we do not evaluate our suppliers' performance against each other but rather work closely to solve any issues with each supplier. Issues such as for example production delays or quality problems are directly communicated and discussed during our regular digital meetings with the suppliers. Any issues or progress of each supplier are discussed between the Product Manager and the Head of Sustainability. According to our sourcing strategy, we aim for long-lasting collaboration with suppliers, which actively supports our sustainability efforts. In case of any non-conformity, we aim to support our production partners to improve rather than terminate the collaboration. Should we come to a point where a supplier does not cooperate or are willing to make necessary improvement, we use our responsible exit policy to end the relationship. This policy outlines that if there have been findings of severe violations to Sandqvist Code of Conduct, we must to our utmost ability try to persuade the supplier to work on corrective measures. Only if the supplier fails to cooperate, after our many efforts to persuade them to cooperate with us on improvements, may we begin a process of disengagement. Even then, we will to the best of our ability try to ensure the detected non-compliances are rectified. We will further give as much notice as possible (at a minimum three months before planned production order) to the supplier and any relevant agent who we intend to disengage from and be transparent of the reason behind our decision.

During 2022, the supplier risk assessment and subsequent monitoring activities revealed a high risk at one of our Indian factories. The supplier was unwilling to work on improvements on audit findings and was not transparent. The issues were discussed on top level management between Sandqvist and the factory. As the supplier was not cooperative, Sandqvist decided to terminate its contract and the exit process was done according to the brand's exit policy. In accordance with our policy and the agreement with the supplier, this facility was able to produce and deliver the final products during 2023, to fulfil our commitment and give the factory time to plan for the future.

## Coherent system for monitoring and remediation

In below table, Sandqvist's active CMT (cut, make, trim) suppliers as well as supporting units for embroidery and print in 2023, are accounted for.

Factory	Country	Overall risk assessment	Last audit	Direct relationship (Y/N)	No of non-compliances	Complaints received (2023)	Trainings conducted (2023)
PKLA	Vietnam	4/5	29-11-2023	Y	19	0	2
PK II	Vietnam	4/5	17-05-2022	Y	11	0	1
Butler	India	4/5	05-06-2023	Y	20	0	0
Rajda II	India	5/5	19-02-2021/ 18-06- 2022	Y	40	<i>Discontinued</i>	<i>Discontinued</i>
Toan Y Printing	Vietnam	5/5	-	N	-	0	0
Image printer	India	5/5	-	N	-	0	0

## INDIA

### Discrimination

According to reports on human rights issues in India, discrimination, especially against women and people from various minority groups, remains a prominent issue in the workplace. Issues connected to women being dismissed due to pregnancy as well as a non-renewal of pregnant women's contracts, has been reported more frequently in connection with and after the pandemic.

Sandqvist require our suppliers to implement an anti-discrimination policy and will continue to follow this up with our supplier as well as encourage other preventive measures such as workplace trainings on the topic. During monitoring activities at our Indian supplier Butler in 2023, no finding related to discrimination was discovered.

### Low wages

Wages that don't cover the basic needs of a worker is a well-known and widespread issue in the textile sector, including in India. The severity of the issue differs from region to region depending on the local minimum wage setting. Sandqvist regularly assesses the wage level of each supplier through our audit reports, open costing documentation and supplier discussions. Before any production order is placed, we analyse the total labour costs paid by Sandqvist, in relation to the presumed total labour costs of the factory, to ensure that the prices paid for our products at least supports payment of minimum wages. During 2023, we have further deepened our knowledge on current wage levels at the supplier (Butler), through our living wage project and audit at the facility. As a gap between present wage levels and current living wage benchmarks can be concluded, we will continue to focus on implementing processes to support higher wages. In 2024 we will offer a training for the supplier in the Fair Wear Foundation tool, Fairprice App, to correctly display the labour costs per product and prepare for implementation of higher wages based on Sandqvist's production volume during 2025.

### Health and safety

Health and safety risks such as poor implementation of fire exits, chemical safety, electrical wiring, protective guards from machines are common in the textile and leather industry, including in India. This remains a risk of not keeping workers safe from contamination and harm within factories, especially where the making of some products require harmful chemicals or heavy machinery, such as leather goods might do. Sandqvist's supplier in India (Butler) have recently expanded with a new production site dedicated to Sandqvist products, where technical upgrades have been implemented to meet customer's requirements. The Fair Wear Foundation (FWF) conducted an audit of this new location in November 2020, followed by another in June 2023. During 2023 several preventive and mitigating actions have been taken to address health and safety issues at Butler, such as installment of new protective needle guards, fire training, appointment and education of new health and safety officers etcetera.

### Corruption

According to the Corruption Perceptions Index, the corruption score of Vietnam is low meaning that the risk of corruption is high. This could for example entail maleficence in terms of certificates and factory permits from authorities. Sandqvist requires our suppliers to always practice zero-tolerance for corruptive actions and to be completely transparent in terms of costing. During monitoring activities at Butler, no findings related to corruption has been detected.

## **FACTORY OVERVIEW: INDIA**

### **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 total FOB 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 with democratically elected representatives, health and safety measures have been enhanced, and formal employment conditions have been upgraded. The latter meaning that workers' contracts clearly specify the terms and conditions of the employment and that the conditions are compliant with local legislation. 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. By the end of 2023, 90% of the noted issues were resolved and verified, and the remaining ones in progress. Examples of non-compliances found and rectified includes that all workers were not familiar with their labor rights, the processes for continuously elect new members for the worker committee has been enforced and routines to conduct regular safety rounds and work with continuous improvements has been established. The two issues that still are a work in progress relates to ensuring living wages and will be managed through the progress of Sandqvist's ongoing living wage project. 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.

### **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 total ordered products were delivered 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.



## VIETNAM

### Discrimination

According to reports on human rights issues in Vietnam, discrimination, especially against women, remains a prominent issue in the workplace. Issues connected to women being dismissed due to pregnancy as well as a non-renewal of pregnant women's contracts, has been reported more frequently in connection with and after the pandemic.

Sandqvist require our suppliers to implement policies to safeguard equal opportunities and will continue to follow this up with our supplier as well as encourage other preventive measures such as workplace trainings on the topic. In monitoring activities in 2023 at our supplier Pungkook Saigon (Long An), no discriminating practices towards the female workers was found - wage differences based on gender could not be detected, social insurances are paid in accordance with local law (with extra benefits for childcare support). Training related to prevention and control of workplace sexual harassment, combined with Occupational Health and Safety training is planned to be conducted at the factory during 2024 as the factory has teamed up with a local training centre.

### Freedom of Association

Vietnam scores a 4 on the ITUC Global Rights Index (scale 1-5) for freedom of association and workers' rights. Workers in countries with the rating 4 have reported systematic violations. Workers in Vietnam are generally not given the right to establish a union of their choice and there is only one legally recognised trade union organisation – the Vietnam General Confederation of Labour (VGCL). Collective bargaining is widely regarded as a formality rather than the outcome of real negotiations between workers and employers. Sandqvist have regular discussions with the supplier (Pungkook Saigon) about the importance of the voice of the worker, but given the situation in Vietnam, we focus on having established, and functional worker representation groups at the supplier's facility where the participants are formally elected by the workers. The outcome from such forums is regularly followed up through records of meetings (sharing of meeting minutes with Sandqvist) and discussions about management responses.

### Low wages

Wages that don't cover the basic needs of a worker is a well-known and widespread issue in the textile sector, including in Vietnam. The severity of the issue differs from region to region depending on the local minimum wage setting. Sandqvist regularly assesses the wage level of each supplier through our audit reports, open costing documentation and supplier discussions. Before any production order is placed, we analyse the total labour costs paid by Sandqvist, in relation to the presumed total labour costs of the factory, to ensure that the prices paid for our products at least supports payment of minimum wages. During 2023, we have further deepened our knowledge on current wage levels at the supplier (Pungkook Saigon Long An), through our living wage project. We have also trained the supplier in the Fair Wear Foundation tool, Fairprice App, to correctly display the labour costs per product and prepare for implementation of higher wages based on Sandqvist's production volume during 2025.

### Excessive overtime

Excessive overtime is a common issue within the whole textile industry including in Vietnam. Working long hours per day and week has a severe effect on the mental and physical wellbeing of workers. We know that several of the issues behind excessive overtime can be impacted by a brand's purchasing practices and have hence clear guidelines internally to always involve the supplier in the planning process and to never make changes after an order has been placed. This is also an integrated part of our supplier contracts, holding Sandqvist accountable to uphold these practices. Through regular

dialogues with the suppliers, we keep ourselves informed about the total available capacity of the factory, in order to understand and possibly mitigate situations which might constitute a risk of excessive overtime for workers. During monitoring activities at Pungkook Saigon Long An in 2023, some records of overtime was found and mitigated by the factory in order to comply with local laws.

### **Corruption**

According to the Corruption Perceptions Index, the corruption score of Vietnam is low meaning that the risk of corruption is high. This could for example entail maleficence in terms of certificates and factory permits from authorities. Sandqvist requires our suppliers to always practice zero-tolerance for corruptive actions and to be completely transparent in terms of costing. During monitoring activities at Pungkook Saigon Long An, no findings related to corruption has been detected.

## **FACTORY OVERVIEW: VIETNAM**

### **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 1% 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 since 2013. The program focuses on ongoing improvements, which we monitor regularly. A recent evaluation by Better Work in May 2022 showed significant compliance and progress. The progress relates to establishment and maintenance of functional worker committees, among others. 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. The Better work program aims to improve working conditions through regular assessments, training, and capacity building. Trainings by Better Work in 2023 included among others training in chemical and machinery safety management. By the end of 2023, 68% of the noted issues from the latest audit were resolved and verified, and the

remaining in progress. The issues relates to for example the factory management's lack of communication in terms of workers' right to short breaks, failure to account for employees' approval of changes in terms of leave periods and a need to improve processes to monitor overtime accounts. In 2023, Sandqvist sponsored two educational workshops at the factory (in addition to the training included in the Better Work program): 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.

## **Complaints handling**

Sandqvist strives to be accountable for whatever goes on in our supply chain and have through Fair Wear Foundation implemented a hotline for complaints at our supplier's facilities. All workers at the factories are able to raise their voices through the hotline, if any concern or grievance should occur. Workers have been trained in how the hotline functions and how any issue will be handled. We are committed to hear and address all complaints that are raised against the suppliers that produce our products. When we receive complaints from the hotline, we conduct an investigation to develop a plan for resolving issues with the supplier. The solution must comply with the national laws of the supplier's country and international standards. Our goal is to address the affected individual's situation promptly, before any harm occurs, and respond appropriately based on the severity and scope of the problem. We also assess the satisfaction of the complainant after the solution has been implemented. Local Fair Wear Foundation staff or external stakeholders may provide support during the investigation and remediation process whenever more consultancy is needed.

During 2023 we didn't receive any complaints through the hotline from any workers at our suppliers' facilities. Although we perceive this as positive, we will during 2024 continue to inform workers about this channel, to ensure that the lack of complaints is not due to the trust or lack of awareness from workers.

## **Training and capacity building**

### **ACTIVITIES TO INFORM STAFF MEMBERS**

Whenever a new employee start at Sandqvist, an introduction to Sandqvist's Sustainability strategy is held by the Head of Sustainability. This introduction includes information about our Fair Wear membership, our Responsible Business Conduct policy, supply chain management processes and other policies and goals relevant for their positions. On a monthly basis all employees are informed about present status for the sustainability goals set and ongoing projects, during an all-staff meeting, to ensure that everyone understands the priorities.

Before the release of every new season collection all Sandqvist staff are presented with relevant information about the collection including information about sustainability, certifications of the collection and information about the suppliers including living wage projects.

This information is also shared and discussed with our external distribution partners, with special focus on the guidelines set for them on how to communicate about our Fair wear membership to their customer base.

## **ACTIVITIES TO INFORM AGENTS**

In Vietnam we work closely with a locally based agent, to regularly monitor the production and developments in the factory. Since the start of our collaboration with this agency, we have informed them about our ambitions in terms of responsible business conduct to make sure that their work is fully aligned with our values. We are also always ensuring that representatives from the agency are participating in every training session and meeting related to our HRDD efforts, to further give them tools to act as our local partner in every aspect.

## **ACTIVITIES TO INFORM MANUFACTURERS AND WORKERS**

During 2023 we started using the new Fair Wear Foundation HRDD system which included new risk assessments on country and factory level. To make sure that our suppliers understand the process and priorities based on the assessment, we have set up a structure with regular supplier meetings to discuss current status for implementation of preventive and mitigating actions. During these meetings, both the Head of Sustainability and the Production department are involved, to ensure that everyone involved in supplier relations receive all relevant information.

During 2023, we also initiated trainings and information for workers in both Vietnam and India, to further enhance their knowledge about their rights as well as what our Fair Wear membership entails. At our Indian supplier's factory, all employees from 2023 and onwards, receives a translated version and an introduction to the Code of Labour practices when they start at the company.

## **Information management**

During 2023 we started using the Fair Wear system to collect and track the progress of our suppliers, in addition to the questionnaires and other information we collect over email. We have set up a structure for regular dialogue meetings with our suppliers with special focus on sustainability topics, factory capacity and progression in terms of improvements. As of 2023 we have done risk assessments and created action plans with all our direct suppliers and have done risk assessments also for our lower tier suppliers (although based on information not received directly from the suppliers). To mitigate risks in lower tiers we are relying on other credible external parties, such as certification organisations, but will during 2024 enhance our efforts to establish direct contact with as many supply chain parties as possible.

During 2023, we initiated a partnership with a system provider for traceability and certification management, which will further ease the internal administrative burden and enhance our ability to track and monitor our full supply chain from 2024 and onwards. We are proud of the suppliers that we collaborate with and aim to be completely transparent about them. We are therefore publishing information on all suppliers to our knowledge, in our Sustainability report.

## Transparency & communication

Sandqvist have very high ambitions in terms of transparency and have for many years been publishing information on both risks and opportunities we see in terms of responsible business conduct. In our dedicated section for sustainability on our webpage and in social media, we continuously share information on our sustainability efforts and through our annual Sustainability report our stakeholders can dive deeper into the details of our actions taken to reach our set goals. We also share detailed information about our supply chain partners as we see them as crucial parties to fulfil our targets and are proud of the actions we can jointly take.

Through our annual Brand Performance Check (BPC) conducted by Fair Wear Foundation, improvements to how we implement our human rights due diligence process, are identified and actions and goals for the coming year are set up. The outcome of our BPC is communicated through our sustainability report and available on our website.

## Stakeholder engagement

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 and stakeholders to join us in putting sustainability in the forefront of doing business. But we cannot create a fair and clean fashion industry by ourselves, and we therefore actively seek partnerships with experts, NGOs, certification organs and other likeminded brands, for support, tools and expertise.

### Fair Wear Foundation

We are committed to implement practices to secure all of our products are made under fair working conditions and in a safe environment at all levels. To ensure this, Sandqvist has been a member of the Fair Wear Foundation (FWF) since 2016. FWF is a multistakeholder initiative, connecting brands, factories, workers, trade unions, NGOs and other industry influencers. The organisation's ambition is to jointly drive the garment industry to become fair for all. Being a member of FWF require us to uphold processes to ensure Human rights due diligence and fair practices in our supply chain, together with other progressive member brands.

### TEKO

Sandqvist is a member of TEKO (the industry organisation for Swedish textile and fashion companies). Through the membership we actively participate in their Environmental group where current issues related to sustainability is jointly discussed. Among others, the organization monitors current and upcoming legislation in the area of sustainability and cooperates widely with research institutes and authorities on issues related to the legislation's impact on the industry.

### STICA

Sandqvist has been part of the industry initiative STICA (Scandinavian Textile Initiative for Climate Action) since 2020. The purpose of STICA is to support the apparel and textile industry and their stakeholders in the Nordic region to, at minimum, reduce greenhouse gases in line with 1.5° C warming pathway, as outlined by the United Nations Framework on Climate Change and the Paris Agreement. As required by STICA, Sandqvist has been conducting, and reporting, our climate calculations based on the STICA guidelines and the Greenhouse Gas Protocol, since 2020.

## Corporate Social Responsibility

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.