

# SANDQVIST

FROM NORDIC LANDSCAPES SINCE 2004

## Responsible Business Conduct Policy

### Introduction

This Responsible business conduct policy outline the framework for Sandqvist's commitment to upholding Human Rights, high environmental standards and zero-tolerance for ethical malpractice within our business and in our supply chain.

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

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

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

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

- Transparent and Fair supply chain
- Sustainable products
- Responsible operations and community engagement

Our first version of our Responsible Business Conduct policy was published in 2022. It was updated in 2024 as part of our process to continuously secure the relevance of this policy as and when any material changes occur which affect how we work with sustainability, for example if any risk areas change or we adopt new processes.

This policy is endorsed and approved by senior management and communicated to all Sandqvist employees and suppliers, as well as to the public through our website.

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

## **Management system**

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

The policy is integrated in our management system and supports the yearly processes of formulating our business goals and KPI's, as well as defining resources to allocate and responsible functions that should act towards reaching set goals. On a yearly basis, Sandqvist's sustainability strategy for Responsible growth is revisited based on last year's performance, stakeholder expectations and new regulations, to ensure its continued relevance and our ambition to remain as a front-runner in terms of sustainability in the textile- and fashion industry.

Several other policies and processes define more in-depth how we conduct our business, namely:

- Sandqvist sourcing-, onboarding-, and monitoring processes for supply chain management

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- Sandqvist Responsible exit policy
- Sandqvist CSDD risk assessment
- Sandqvist Anti bribery and corruption policy
- Sandqvist Environmental policy
- Sandqvist Complaints Handling Process
- Sandqvist's Chemical Policy
- Sandqvist Supplier Code of Conduct
- Sandqvist supplier contract (TEMPLATE)
- Sandqvist yearly workflow for planning
- Sandqvist pricing process
- Sandqvist work environment policy, employee handbook and safety routines
- Sandqvist Climate roadmap tool
- Sandqvist Carbon calculation tool

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## Transparent and Fair supply chain

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

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

## 1. Identify

### Scope

We identify risks to breaches of human rights on several different levels; in the country, in the sector, in the business model we have/expect to have with a factory and in the sourcing model we adopt with the factory. Throughout this exercise, we also focus specifically in gathering information regarding gender-based risks as well as the local conditions to uphold rights to freedom of association for workers. All information gathered in accordance with our sourcing process is informing our risk assessment, which is also informed by various stakeholders and other credible, independent sources.

We identify the most salient risks to breaches to human rights in our supply chain. We do this for all potential factories during our sourcing process, for all new factories during our onboarding process and for all existing factories once a year or whenever there has been a changing circumstance to risks in our supply

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chain (such as a pandemic). In accordance with the UNGPs we assess actual and potential negative impacts, and we look at the severity of harm, the likelihood of harm and the irremediable character of the harm. Our production team works closely with these processes, especially in the sourcing and onboarding phase.

We have clear expectations on subcontracting in our Code of Conduct, whereby we do not allow for any manufacturing to take place in a factory that has not gone through and been approved by our onboarding process. This is also clearly outlined and communicated in our Supplier Code of Conduct as well as in our Supplier contract.

## **Sourcing process**

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

## **Onboarding process**

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

## **Risk assessment**

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

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

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

→ Child labour

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- Discrimination
- Forced labour
- Excessive hours of work and low wages
- Occupational health and safety
- The right to establish or join a trade union and representative worker organisation and right to collective bargaining
- Regular employment
- Hazardous chemicals
- Water consumption
- Water pollution
- High energy consumption and CO2 emissions
- Bribery
- Corruption

As of 2024, we have production mainly in Vietnam and India. All of the risks listed above are present in all of these production countries, some more than others. For example the right to Freedom of Association is most acute in Vietnam. The right against discrimination, most particularly discrimination against women's rights, are most acute in India. Risks related to excessive hours of work and low wages are clearly intertwined and are also most acute for female workers. These risks are generally present in both our main countries of sourcing. All of these risks are weighed in our risk assessment exercise.

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

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

In our sourcing model we work with a relatively larger number of accessory factories that produce small orders for us. This means we have very little leverage in these factories, as we are a very small customer. This in turn can lead to us experiencing challenges in initiating projects or gaining insights from monitoring initiatives. In Vietnam, we work with an agent that helps us mediate between our Vietnamese producers. For some brands, having an agent can be a

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risk, as it creates distance between the factory workers and the brand. For us however, having our longstanding agent minimises risk as they work very closely with us, are aligned with our sustainability commitments, and can visit our Vietnamese producers often and work to strengthen relationships.

## **Stakeholder engagement**

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

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

As of now, we collect information from worker representatives on a regular basis, by asking for minutes of meetings and discussing with factory management how the issues brought up by workers have been resolved and escalated through their internal processes.

## **2. Mitigate and prevent**

### **Take action to stop harm**

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

A pre-emptive measure that Sandqvist has implemented during 2023, was to ensure our purchasing agreements (supplier contracts) with our suppliers help prevent and mitigate negative impacts on workers. Our contracts foster responsible purchasing practices and ensure we take responsibility for areas such as fair payment terms and sustainable costing. As outlined in our supplier contracts responsible purchasing practices includes transparency in costing, collaboratively setting production time lines, forecasting on material supply and financial liability for overstock materials.

Our best connection between us as a brand and workers, is the Fair Wear hotline phone number, that is posted on posters in all factories that produce our products, except for our factories in Sweden. This hotline number can be used

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

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

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

## **Prioritise**

Apart from looking inwards to our own practices, we also look outward, to the risks that we face in our supply chain and analysing how best we can address them within the factories. To start off, we prioritise the risks that we see based on the severity of harm, the likelihood of harm and the harm's irremediable character.

## **Implement Improvement and Prevention programs**

Based on the risks we detect in our risk assessments and following our prioritisation, we decide whether to implement improvement programs or prevention programs. This will depend on the types of risks, resources and areas of influence. An improvement programme corresponding with a high-risk profile includes a needs assessment (an adapted form of audit), corrective actions, and dialogue with suppliers and workers.

On the other hand, a prevention programme will include learning lessons, worker involvement sessions, and a review of a member's purchasing practices. As stated, we aim to continuously develop our means for social dialogue with



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workers, as we recognise the importance of hearing first-hand how working conditions are in the factories we work with.

## **Remediation**

In accordance with the UNGPs, Sandqvist will provide workers with access to remedy if a situation occurs where actual harm can be concluded. In practice this means that if Sandqvist becomes aware of a breach of the Supplier Code of Conduct, that has not been effectively remedied, Sandqvist will (in collaboration with the supplier's other buyers where it is legally appropriate) collaborate with the supplier to prepare a remediation plan. The Remediation Plan should enable remediation that is proportionate to the adverse impact and shall include a timeline and objective milestones for remediation, including objective standards for determining when such remediation is completed, and the breach cured. If the supplier can verify that the breach has occurred due to Sandqvist's failure to conduct responsible purchasing practices, Sandqvist will participate in the preparation and effective implementation of the Remediation Plan.

Depending on the actual harm, which is to be determined on a case-by-case basis through dialogue with affected stakeholders, remediation might include both financial and non-financial reimbursements.

## **3. Review**

### **Track progress made from Improvement and Prevention programs**

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

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

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## 4. Accountability

### Publicly report on risk and progress

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

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

## GOALS

We have set short term and long-term goals for our focus area *Transparent and Fair supply chain*, which are integrated in our long-term strategy for Responsible growth.

Long-term goals:

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

## Sustainable products

### Bags made to last

Our mission is to create sustainable bags that are made to last and our work to produce bags with as little harm as possible from an environmental perspective is guided by our Environmental policy.

Scandinavian design, quality, function and sustainability are the key values that guide the design of all our products. To make sure that every product that we manufacture lives up to this ambition, we need to ask the following questions:

- Will this product be used?
- Does it have a Scandinavian feel?

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

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

## **Our products and the environment**

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

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

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

Our design decisions are informed by priorities set up within our Climate roadmap as well as our Corporate Responsibility Due diligence risk assessment, in order to ensure a focus on developments where our impact and risks are most prominent.

## **Climate**

We are committed to stay proactive and work harder to reduce the energy used when making our products. This requires stronger partnerships with our suppliers, so that we together can make that happen. It is for this reason that we are part of Scandinavian Textiles Initiative for Climate Action (STICA). The

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purpose of STICA is to support the apparel and textile industries and their stakeholders in the Nordic region to, at minimum, reduce greenhouse gases in line with 1.5° C warming pathway, as outlined by the United Nations Framework on Climate Change and the Paris Agreement.

Ultimately STICA's aim is to ensure the Swedish and Nordic textile industry does more than its share by becoming the first climate positive apparel and textiles industry in the world well before 2050.

Our work with climate related risks, carbon accounting and reduction measures are guided by our Carbon calculation tool as well as our Climate action roadmap for 2030.

## **Chemicals**

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

Towards suppliers, our requirements on Chemical content and production processes are stipulated in our Chemical policy and referred to in our Supplier contract.

## **Water**

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

## **GOALS**

We have set short term and long-term goals for our focus area *Sustainable products*, which are integrated in our long-term strategy for Responsible growth.

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## Long-term goals:

- Climate: Reduce our carbon emissions with 50% (from base year 2020)
- Safeguard water: Sandqvist production should have no negative impact on waterways and Sandqvist should actively promote the protection of natural waterways.
- Support biodiversity: Sandqvist and the production of our products should strengthen biodiversity.

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## Responsible operations and community engagement

### Our vow to be a responsible and inclusive business

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

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

### Transparency

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

### Our business and the environment

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

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

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

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## People

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

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

Courage, commitment and drive should inspire the work. As an employer we have a responsibility to facilitate this by giving each employee equal opportunities, rights and obligations. We also strongly believe in investing in our employees in order to achieve a healthy work-life balance and engaged co-workers.

## Culture

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

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

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

## GOALS

We have set short term and long-term goals for our focus area *Responsible operations and community engagement*

Long-term goals:

- Climate: Reduce our carbon emissions with 50% (from base year 2020)
- Workplace: Ensure a healthy work environment, work-life balance and maintain a NPS-score above 50
- Ethics: Ensuring no ethical non-compliances

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→ Communication: Inform consumers about sustainability topics, beyond our own operations, to create change agents in society

## CEO Signature

The policy is endorsed by senior management within the company and the management is committed to ensuring the principles herein are upheld.



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Caroline Lind

2024-06-11

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Date

### *Version history*

Version 1: March 2022

Version 2: June 2024