

SANDQVIST

Reporting period January 2016 till December 2016

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1. SUMMARY: GOALS & ACHIEVEMENTS 2016

“Our ambition is that all Sandqvist’s products should be produced with care for the environment and under decent working conditions, throughout our supply chains. During 2016 Sandqvist took two big steps to make this reality, first by becoming a member of Fair Wear Foundation, and secondly, by setting ambitious goals on the use of sustainable fibres in our products.”

– Caroline Andersson, CEO Sandqvist

Sandqvist was founded in Stockholm, Sweden in 2004 by Anton Sandqvist. Together, with his brother Daniel and their friend Sebastian, they are the soul behind the brand. The Nordic landscape with its forests, rivers and vast unpopulated areas as well as an urban city lifestyle have always been our main inspiration. Accordingly, the Sandqvist designs are uncomplicated, functional and beautiful, with clear Swedish heritage.

Today, Sandqvist sell bags and accessories globally. The products are sold through our own shops (three in Sweden and one in London), the homepage, corporate sales and through wholesale. The largest share is sold through wholesale and the biggest markets are Sweden, Germany, UK, France, Switzerland and Japan.

2016 was an eventful year for Sandqvist, the company grew by over 20 percent producing over 100,000 bags. During the year, Sandqvist opened a store in London, the first store outside Sweden, as well as a shop-in-shop in Citadium in Paris. In 2016, Sandqvist also launched two collections together with Volvo Cars.

Sandqvist’s vision is to become the world’s leading brand in stylish and long lasting everyday bags. On our way there, we aim to have fun, be fair, inspiring and care for the environment. This, Sandqvist’s first sustainability report, will focus on the fair and caring for the environment part of this vision.

Our first focus when it comes to being a fair company in all we do, is securing good working conditions at our suppliers. An important step in this was becoming Fair Wear Foundation (FWF) members on 15 March 2016. During Sandqvist’s first 9 months as members we have introduced FWF and its requirements to all our suppliers.

Monitoring and improvement activities at suppliers were initiated by letting FWF’s local team in Chennai (India) audit our main supplier of leather goods, following up of two BSCI-audits at our supplier in Delhi (India) and Dong Nai (Vietnam), as well as helping our supplier in Kolkata (India) to prepare for SA8000-certification.

Discussions were also started with our main supplier of leather bags in India on how we could work together to raise wages in the factory, and several options were developed. A decision was also taken to join the FWF living wage incubator together with this supplier. The living wage incubator will bring together FWF member brands and suppliers in concrete projects aiming to raise wages.

During 2016, the Sandqvist took the decision to source at least 80% sustainable fibres by 2020. For Sandqvist, this will mean using recycled materials and organic cotton. Sourcing of new materials was started so organic cotton and recycled polyester can be launched during 2017.

2. PRODUCTION

2.1. BUYING STRATEGY & PRICING

Sandqvist's production strategy is to work with long term relations with few suppliers. We work closely with our suppliers in developing our products and in the planning of production. The ambition is that Sandqvist's suppliers should grow and develop together with us.

During 2016, Sandqvist also expanded its production network to include two new suppliers, one in China and one Vietnam. At the end of the year, it was decided to only continue working with the new supplier in Vietnam.

The production during 2016 took place at five suppliers, three in India, two new suppliers, one in China and one in Vietnam. Contacts with the suppliers are direct, however in Vietnam, we also use a buying agent to help us with production. Sandqvist tries to work with suppliers where we have a large share of the business, making us an important partner for the factory.

All new suppliers will be evaluated according to: quality (skill and the ability to make the products we look for), price, production capacity, structure and stability of the company, code of conduct compliance and environmental performance. The sustainability manager is involved in the first communication and visit to potential new suppliers. The final decision to start working with a new supplier is taken by the CEO, the sustainability manager and the purchasing manager.

Sandqvist is a mid-price brand with bags of recommended retail price ranging from 80 to 500 EUR. We work with open costing with our supplier to allow for open discussion on how to meet price targets. Presently, wages account for 15-30% of production cost. Based on the present cost, wages and margins, Sandqvist plan to implement living wages by 2024 at our suppliers in India. Sourcing of materials and trims is done by the suppliers or Sandqvist depending on product. During 2016 Sandqvist has mapped all materials suppliers. Important material suppliers, dye houses and tanneries were visited by Sandqvist. Our ambition is to nominate all our material suppliers and follow up working conditions upstream in our supply chains with a focus on tanneries, spinning units and wet processing units.

2.2. ORGANISATION OF THE PRODUCTION DEPARTMENT

The buying and production manager Gabriella Frie manages the production department where also two designers and a buyer works. The sustainability manager, Henrik Lindholm, works closely with this team to coordinate all efforts regarding code implementation.

2.3. PRODUCTION CYCLE

Sandqvist designs two collections per year with around 70 styles and 140 stock keeping units (SKUs) per season. There are 10-20 new styles every season (around 30 SKUs), the rest are carry-overs. Autumn/winter (AW) season is more important than spring/summer (SS) in terms of sales.

The AW wholesales period starts in December and ends in March. Orders are then placed at the suppliers for delivery to Sandqvist in June. Similarly, the SS wholesale period starts in June and ends in October, with products being delivered in January. The lead time from placing an order until the goods are ready to ship out is around 60-75 days. Already one year before production, Sandqvist starts developing samples together with suppliers.

In addition to this, monthly orders are placed at the suppliers based on demand statistics and sales estimates. These monthly orders include the production orders for the coming two months, as well as the forecasts for the following four-months period. This gives suppliers a six-month forecast for ordering materials and planning production capacity.

As our suppliers can produce most of our products, this gives us the possibility to shift the production between these factories if this would be needed for production purposes.

2.4. INTEGRATING MONITORING ACTIVITIES AND SOURCING DECISIONS

Results of audits and compliance visits are considered in production planning. This done on a continuous basis as well as during supplier evaluation meetings that are being done two times per year.

3. COHERENT SYSTEM FOR MONITORING AND REMEDIATION

Code of conduct compliance is evaluated by visiting the factory, discussing the code with the management, evaluating results from previous audits at the factory and communicating with other buyers when this is possible.

3.1. BUTLER LEATHER, INDIA

Sandqvist introduced FWF's requirements at factory level during a visit to Butler Leather in July 2016. The code was thoroughly discussed with management at Butler, and together with Sandqvist a first review of improvements needed were done. The information sheet for workers was posted and a meeting held with the factory workers where this was explained.

In July 2017, the factory was audited by the local FWF audit team. The audit listed several areas for improvements, these included wages, working times, worker representation, and health and safety improvements. Immediately after the audit, wages were raised. During the autumn, Butler implemented most of the requirements in the corrective action plan. Improvements included forming of required committees for workers, training of workers on health and safety, improving fire safety and decreasing over time. The factory also signed up for a training of workers to be arranged by FWF (originally scheduled for autumn 2016, but executed in February 2017).

3.2. KRAFTI LEATHER, INDIA

Sandqvist introduced FWF's requirements at factory level during a visit to Krafti Leather in July 2016. The code was thoroughly discussed with management at Krafti, and together with Sandqvist a first review of improvements needed were done. Management at Krafti had decided they wanted to have their factory SA8000 certified, and hence, the focus of the visit was to help prepare the factory for the SA8000 certification.

During the visit, it was pointed out that grievance system was missing, no committees were functioning, fire safety improvement were needed, chemical safety needed improvement, some personal protective equipment missing and employment relations needed to be formalised. In November, Krafti reported having achieved improvements in most of areas in the corrective action plan, and in December the factory underwent the first stage SA8000-audit.

3.3. PUNIHANI INTERNATIONAL, INDIA

Sandqvist introduced FWF at factory level during a visit to Punihani in July 2016. The code was thoroughly discussed with management at Punihani. At the sampling making unit, a first review of improvements needed was done. At the CMT-unit, a follow up of a previous BSCI audit was done. The review of the sampling unit resulted in a list of improvements regarding health and safety to be implemented.

3.4. LUCK SKY, CHINA

Lucky Sky was not visited to monitor working conditions. Before an audit or visit could be planned, Sandqvist decided to stop production with Lucky Sky. The decision to stop the cooperation was because the factory could not find the right type of material for Sandqvist's products. Follow up was made through email communication regarding the BSCI-audit performed there.

3.4. MOLAND, VIETNAM

Moland was visited and FWF introduced. Corrective actions from previous audits were followed up over email, these mainly focused on chemical health and safety.

4. COMPLAINTS HANDLING

During 2016, Sandqvist received no complaints from workers at suppliers through the FWF workers' helpline. Sandqvist checks that the information sheet for workers were posted correctly at all facilities during our visits. Suppliers were requested to inform workers about the helpline verbally at meetings, and Sandqvist participated in one of these meeting.

5. TRAINING AND CAPACITY BUILDING

The biggest challenge is to make sure everyone working to produce Sandqvist's products are also informed about their rights. As a first step, the FWF information sheet for workers was posted in all factories producing for Sandqvist. The information sheet contains the basic rights of the workers in their local language, as well as the number to an independent complaints handler. That the information sheet is posted at all suppliers was checked during factory visits. As a second step, we asked our suppliers to verbally inform the staff about the code. Sandqvist participated in one such meeting at Butler in July. The same supplier also signed up to a workers training session by FWF.

Staff at Sandqvist's headquarters have also received training on what our FWF membership means and how we are implementing our code of conduct. During the monthly meetings for all staff at the headquarters, staff is continuously updated on the progress of the sustainability work at Sandqvist. Staff working in Sandqvist's stores as well as distributors and sales agents have also received training on FWF. Partners such as our agent responsible for Sandqvist's production in Vietnam were also informed in meeting, but also through participating in a training by FWF in Vietnam.

6. INFORMATION MANAGEMENT

The sustainability manager is responsible for keeping the supplier information updated. This information is kept on the server at the Sandqvist headquarters. All relevant staff have access to this. A spreadsheet system is used to keep track of the corrective action plans of each manufacturer. The corrective action plan is available as an internal document for all relevant staff. Stakeholders interested in a detail look at our suppliers' performance, should contact Sandqvist sustainability department. All information regarding working conditions will be shared if our suppliers agree to this.

7. TRANSPARENCY, COMMUNICATION AND STAKEHOLDER ENGAGEMENT

As 2016 was Sandqvist's first year of membership in FWF, we have not communicated extensively about our FWF membership. Presently, we only inform about our membership, and about our suppliers in India. During 2017, sustainability information on our homepage will be updated to include information about all suppliers, their location and working conditions there.

During 2016 Sandqvist had informal discussions with NGOs and business organisations working with improving the environmental performance as well as working conditions in the tannery industry.

8. ENVIRONMENT

Several important decisions were taken during 2016 to decrease the environmental impact of Sandqvist's activities. The major decisions included, aiming at 80% sustainable fibres in all Sandqvist products by 2020, introducing a repair service for our customers and setting a new chemicals policy.

The 80% sustainable fibres by 2020 target sets an ambitious goal for Sandqvist. For Sandqvist, sustainable fibres mean organic or recycled cotton, and for man-made fibres, using recycled materials only. The targets are based on the Fibre Benchmark developed by the organisation Made-By. For leather, not covered in the benchmark, the target is set to using tanneries certified by the Leather Working Group. For Sandqvist's customers, these steps will become visible during 2017 when organic cotton and recycled polyester products will be launched.

During 2016, a repair service concept was developed to be launched at Sandqvist's own stores in 2017. The first Sandqvist Repair Shop is in the flagship store on Swedenborgsgatan 3, Södermalm, Stockholm and will include the sales of second hand products as well as redesigned old bags. Bags beyond repair will be taken apart and used for spare parts, or in the making of redesigned bags. Commonly used spare parts and repairs of worn out Sandqvist products will be available at a reasonable cost through all the Sandqvist stores. Customers can choose to have their old and used Sandqvist bag repaired for a new life, or hand it in for second hand sales and receive a voucher with a 20% discount to be used at the next purchase.

9. ORGANISATIONAL CHART OF SANDQVIST

