

# Sustainability Report 2018/19

Esprit Holdings Limited  
Year ended 30 June 2019  
Stock Code 00330

# ESPRIT





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1 Welcome

## Letter from our CEO

### Dear reader,

Circularity, transparency, and collaboration are the core ideas behind our approach to sustainability, particularly over the past year. Our goal is that alongside creating beautiful garments, we help to co-create a new fashion business model that fosters an inclusive, circular fashion economy, where waste is eliminated, human resources are safeguarded, natural resources are recycled, and our planet is revitalized. In truth, we foresee and we support the end of fashion as we know it today. The fashion system of recent years is now obsolete, and in its place we want to foster a new kind of a system, where sustainability and circularity become the new normal.

The kind of transformation we envision is not one we can achieve alone. Building on our long-standing industry collaborations on topics like living wages (through “ACT on Living Wage”), building and fire safety (through the Bangladesh Accord on Fire and Building Safety), and elimination of hazardous chemicals (through ZDHC [zero discharge of hazardous chemicals]), we are applying this collaborative approach to one of the greatest challenges facing our industry—and indeed, our world—which is the looming climate crisis. We are a founding signatory of the Fashion Industry Charter for Climate Action, established at the UN Climate Change Conference in Katowice, Poland last December. Our goal is to pool resources and build synergy, supporting the world to achieve climate neutrality by 2050.



**Anders Kristiansen**  
Executive Director and Group CEO





Along with other visionary companies, we are also working in harmony with the United Nations Sustainable Development Goals (SDGs), an internationally recognized framework that aims to eradicate poverty and strengthen peace and freedom. The SDGs focus on 17 goals that address economic growth, social inclusion and environmental protection, and since FY16/17 we have used this framework to help us select the areas where we can have the most impact. We've critically examined our own internal processes, assumptions, habits, and activities at every step to ensure that the way we design products, the way we select and support our manufacturing partners, and the way we distribute and reclaim our goods all work together to support the SDGs, bringing us closer to our vision of a circular fashion economy and a better world.

The goals we have set for ourselves are not easy; we are working within a complex environment where we continually face new challenges and learn new lessons. Minimizing our carbon footprint is one example and we are expanding the scope we take responsibility for, while at the same time working to reduce our impact. Our approach to sustainable packaging and logistics has changed considerably in light of the rapidly-evolving shopping habits of our customers, and we have made sustainable shipping for e-commerce a major focus over the past year. Microplastic pollution continues to be a hurdle, and this is a priority topic going into the future.

But in the midst of these challenges, we are very proud to also share good news about our progress over the past year. We are now sourcing 38% of our cotton through the Better Cotton Initiative, and we have increased our organic cotton usage from 5% to 14% in just one year. Overall, 29% of the fibers composing the main fabrics used throughout our collections are now sustainable. One key to this success is that all members of our product teams have now been trained on circular fashion, and provided with tools and guidelines to support them in implementing this approach.

Our commitment to living out our ideals on transparency has been acknowledged this year, and we were thrilled to have this progress recognized by Fashion Revolution in the latest Fashion Transparency Index ranking of the most transparent fashion companies, where we were ranked in second place.

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**'We are convinced that we  
will transform our business  
and continue to demonstrate  
leadership in the fashion industry.'**

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We carry this momentum with us into the next year, and I am excited by the changes I see all around me, from the activism of our young people taking aim at climate change with the Fridays for Future campaign, to the blossoming collaborations among fashion companies to address sustainability challenges, to the changes I see here at Esprit in the tenor of the conversations in the halls to the tangible commitment to achieving our sustainability goals. I hope you will join me in celebrating our progress, and in building the movement toward a new fashion future.

**Anders Kristiansen**

*Executive Director and Group CEO*

## 2 About Esprit





## Where we come from

Esprit is an international fashion brand founded in 1968 that is recognized for style, quality, and a sunny Californian attitude. Ever since its founding in San Francisco by Susie and Doug Tompkins, Esprit has fused creativity and responsibility into our approach to making beautiful products.

Effortless style, authenticity and easy-going living are at the heart of the brand's philosophy. These values shine through at every level, from the laid-back tailoring and made-to-last quality, to our use of natural materials and our commitment to responsible production. Esprit's aspiration is to be the best casual fashion brand with an outstanding price-value proposition: Capturing trends in color, fabrics, and shapes, and expressing them in the timeless, effortless, and relaxed Esprit style. The company's "esprit de corps" reflects a positive and caring attitude towards life that celebrates real people and togetherness aligned with this promise:

**'We want to make you  
feel good to look good.'**

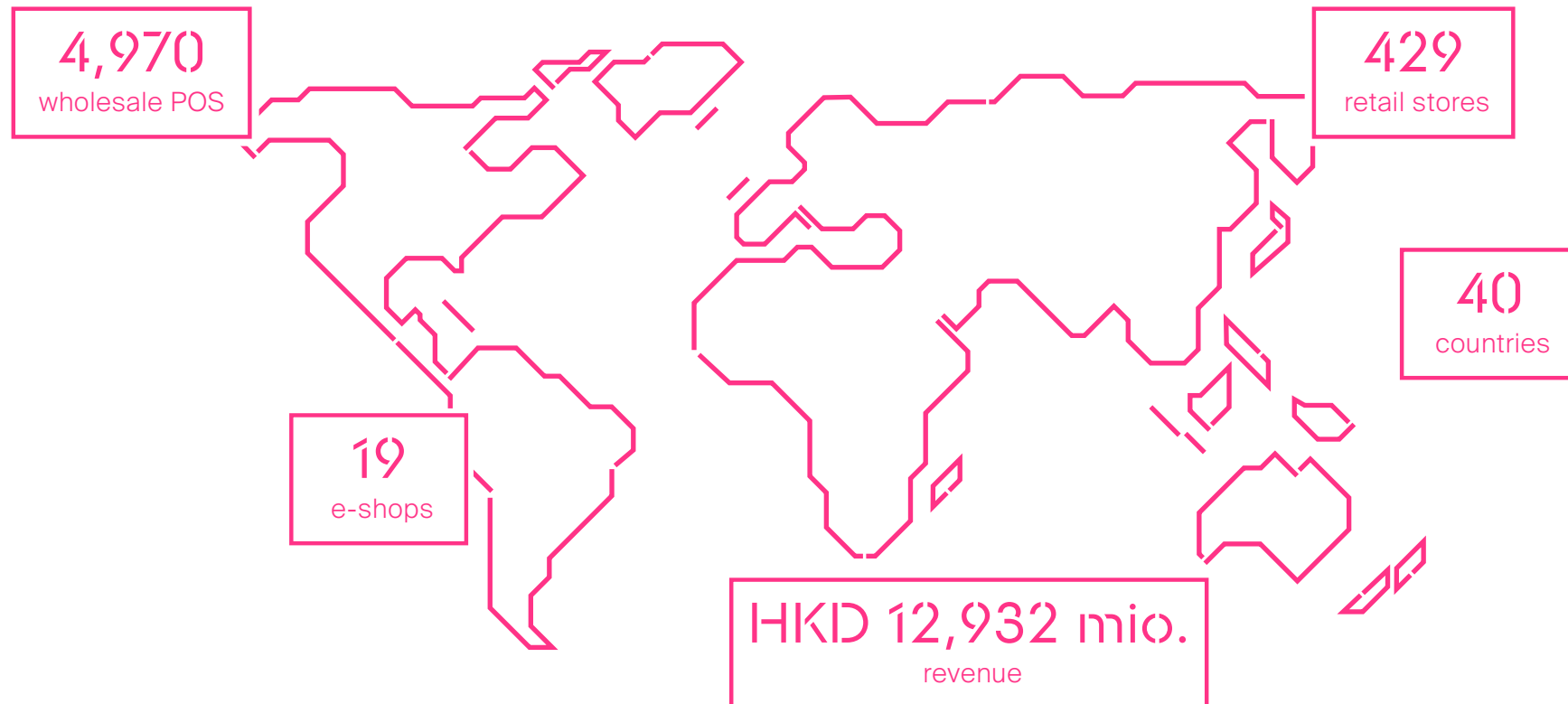




## Our business

Esprit has a presence in 40 countries with 761 directly managed retail stores and over 6,332 wholesale points of sale, including franchise stores and sales spaces in department stores, each sharing the company's quality standards and brand essence.

Listed on the Hong Kong Stock Exchange since 1993, Esprit has headquarters in Germany and Hong Kong.







## Our products

The Group markets its products under two brands, namely the Esprit brand and the edc brand. Both brands radiate a positive, carefree, California vibe. Our inspiring collections for women, men and kids include basics, business wear, special occasion garments, accessories, swim and sportswear, and more.

Look good, feel good. This is Esprit.

Casual



edc



Collection



Accessories



Shoes



Kids



Sports



Bodywear



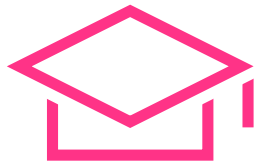
Licence





## Our people

Esprit is truly a global company, not just in terms of where we work, but in terms of who we are. Our global headquarters brings together people from 39 different nations, and we have over 6,500 team members worldwide, representing 93 different nationalities. Our diversity is our strength, lending depth of experience and richness of perspective to our work and our daily interactions with one another.



### Learning

Our training and development programs help employees reach their professional goals. Technical and soft skills training and support is available to our team members throughout their journey toward reaching their career aspirations.

# 24

apprentices successfully finished  
our apprentice program.  
63% of them stayed at Esprit.



# 3

trainees successfully finished  
our graduate program and  
all of them stayed at Esprit.

### Occupational Health and Safety at Esprit

We provide trained first aid responders and evacuation assistants at each of our German locations. First aid responders and evacuation assistants must pass an initial training and participate in regular trainings thereafter.

In Germany, we have around 340 first aid responders and 460 evacuation assistants.



# > 90

nationalities at Esprit



# 56%

of our people are covered by  
collective bargaining agreements.



**This year we kicked off our new international Sales Academy for Wholesale.** The trainees will run through an 18 month program with the aim to become our next Wholesale leaders.



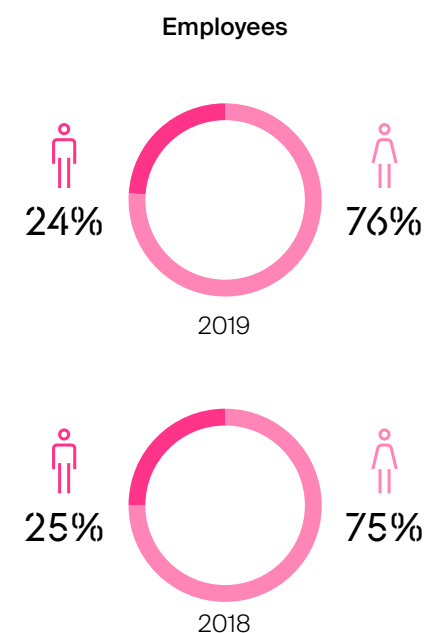
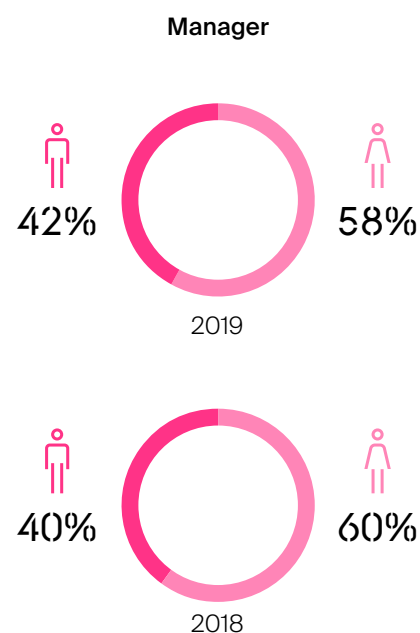
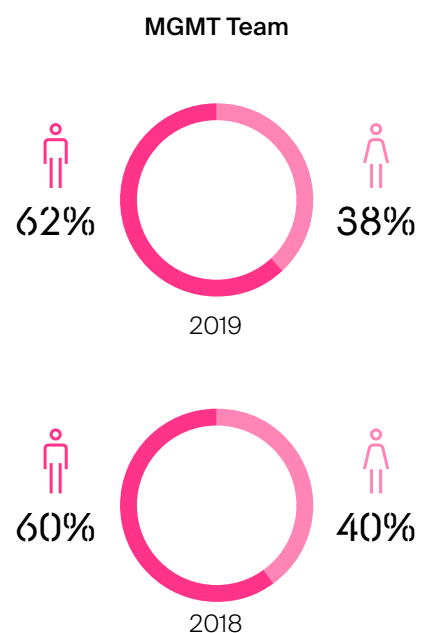
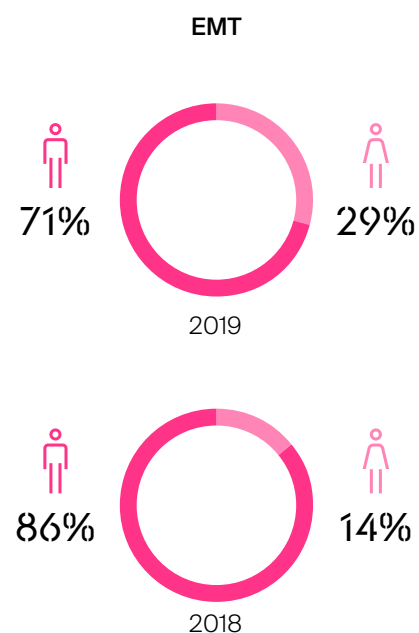


## Our people

We are making an effort to build a company where the management team is reflective of the company as a whole. One way we are looking at this is through a gender lens. Just as we work with our suppliers to ensure that women are represented on their leadership teams, we are working toward that same goal ourselves. Over the last year, we have shifted toward a more gender-balanced executive management team (EMT), with a 107% increase in

female representation at this highest level.

While the gender ratios have stayed roughly the same for our higher-level Management Team (MGMT Team), middle-level managers, and employees, we are examining ways to boost the number of women we have in leadership positions across the board.





## Our people

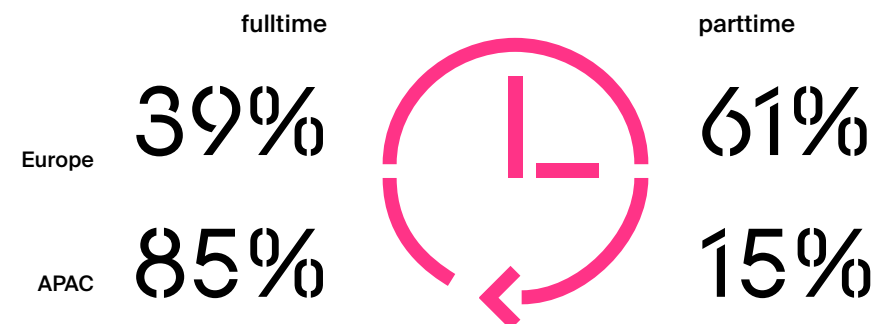
Our people are our most valuable resource, and we look for ways to support them in their individual career goals, and in building the work-life balance they each seek.



We aim to support our employees long term, helping them to build their experience and develop their careers. We favor permanent contracts as a way to demonstrate our commitment to our employees.

[Find out more here](#)

We recognize that work is only one component of a balanced and full life. We support our employees who prefer to work part-time, and over 60% of our team in Europe takes advantage of that flexibility.

[Find out more here](#)



## Esprit Cares

“Esprit Cares” is the global volunteer corps within our company, giving each and every Esprit employee the opportunity to be an agent for good and to change the world.

Volunteers come from different backgrounds, levels, and offices with one purpose: to be an agent for good and to change the world. Activities promote individual well-being, team building, and community building.

Looking internally, our volunteers aim to solve business needs while supporting charitable causes. Each country has a chapter, and supports local events and causes as well as joining in global initiatives.

Through social action and charitable projects benefitting others, building a strong sense of togetherness within Esprit, and feeling good about the impact we can make, we are doing good for ourselves, our team, and our communities. Activities range from our annual Family Day, to “Mind, Body, & Earth Week” to our holiday gift drive to benefit vulnerable children, to our inspiring speaker series.

### Charity Day launch – It’s time to make a difference.

We recently launched Charity Day globally, where Esprit sponsors all employees to take one day off to volunteer at a local charity of their choice. This is to encourage everyone to give back, to raise our voice for social topics close to us, and to honor our DNA of community service.

One example is the Creative Day our licensing team hosted with an arts education organization, enabling children from underprivileged backgrounds to come together to play, learn about the arts, and enjoy good food.

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**‘We have rolled out Esprit Cares globally with local chapters in our regional offices. This is a great platform for colleagues to participate all over the world.’**

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**We've helped the environment:**

Taiwan and Denmark have hosted beach clean-up volunteer events. China and Germany hosted plastic pick-up events.

**We've donated clothing, money, and electronics:**

We creatively found a circular solution to unsold merchandise – we sell leftover clothing to our colleagues at internal pop-up sales. We have raised and donated over 45K EUR. What-ever is unsold, we donate to local charities and organizations and, so far, we donated over 280 boxes of clothing and roughly 8,500 pieces to a variety of organizations.

**We've supported education:**

We have donated leftover clothing and fixtures to the Crest Center in Singapore, which is a school to support students in vocational training for jobs after their studies. Additionally, we have corporate partnerships with Labdoo, a humanitarian social network, and with AfB Social and Green IT. Through these organizations, we are able to donate our unneeded laptops and computers, which will be loaded with educational software and given to children in need all over the globe. This approach has been acknowledged by the United Nations Educational, Scientific and Cultural Organization (UNESCO) as “promoting a valuable and sustainable contribution to the development of educational learning in foreign countries.”

**Marketing Esprit Cares – Spende Wärme**

For every sale over 50EUR during selected Saturdays, we donated 1 care package to a local charity in Germany, Sweden, or Finland. Beneficiaries include SOS Kinderdorf and DKMS. In addition to raising awareness of this issue, we donated 265 care packages to keep children and adults warm during the winter.





## WE ALL Campaign

It's about awareness and collective action: Esprit believes that "WE ALL", working together, can achieve gender equality. The campaign is a joint effort of Esprit and the UN Women's National Committee Germany to show that empowerment can only be achieved if we all act together and support each other. That's why Esprit invited everyone to become part of its mission by purchasing the Esprit "WE ALL" statement t-shirt.

### **Over 4000 voices: A fashion statement for gender equality**

As a part of this campaign, Esprit sold unisex "WE ALL" t-shirts made of sustainable cotton. What makes it special? For every t-shirt sold, Esprit donated the full retail price to UN Women National Committee of Germany. In total Esprit was able to collect around 85.000€ to support UN Women's National Committee Germany and its women's projects all over the world.

### **Motivating, inspiring, strong: The ambassadors empowering women**

The ambassadors of the campaign stand for women empowerment. As part of Esprit's awareness campaign, every protagonist used their personal messages to support diversity, equality and equal opportunities. "We all fight for gender equality." With this statement 90s top model and nature activist Tatjana Patitz is supporting the "WE ALL" campaign as an ambassador.

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'Esprit is about diversity! This is us! So be proud of your gender, and do not let others tell you what it means to be yourself! Be you!'

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**Dr. Marion Welp**  
Chief Human Resources and Legal Affairs Officer



PR consultant and body positivity activist Melodie Michelberger stands up for women's rights and raises her voice against sexism, discrimination, body shaming and speaks out for gender equality. As a face of the campaign, her message is: "We all have a voice." Model and social entrepreneur Sara Nuru, "Rolemodels" podcast founder and presenter David Noel and the founders Corinna and Theresa Williams complete the round of ambassadors.

### UN Women supports women projects worldwide.

"Planet 50:50" by 2030 – this is the vision of UN Women, as gender inequality remains an issue. Although men and women in Germany have had equal rights by law since 1957, there is still a long way to go to achieve real gender equality. Women in Germany earn 21 percent less than men. They do one and a half times more unpaid work in health care and are suffer more from poverty in old age. That is why Esprit and UN Women National Committee of Germany are joining forces to ensure that women and men have the same rights and opportunities.



"WE ALL is the theme of our campaign in partnership with ESPRIT to promote the work of UN Women in Germany. This motto was selected because it conveys the truth that when all people have equal rights, and equal opportunities to achieve their highest potential, we all win. Through our collaboration with ESPRIT, we have raised awareness of our work in Germany, we have gained new members, and we have secured funding for UN Women projects through the sale of ESPRIT 'WE ALL' shirts. We are so pleased with the campaign's success at promoting the work of UN Women. Thank you for this great support."

**Bettina Metz**

Executive Director UN Women Germany



Panel discussion at the Esprit Headquarter

On March 6, 2019, as part of the lead-up to International Women's Day, we hosted an internal Inspirational Women's Day at our headquarters in Ratingen. The goal was to educate our internal team about the importance of equal rights for women, and our role in making this a reality. The day included presentations on the UN Women projects, panel discussions with internal senior leaders and external experts, lunch sessions to drill down on various gender equality topics, and an empowering talk on personal change management. We also hosted a pop-up sale to celebrate the launch of a limited-edition 100% organic WE ALL T-shirt.

Through this campaign, we hope that we helped to spread the message that every voice counts, and dialogue and mutual support are crucial for real change.





## Supporting Love, Equality, and Opportunity

In celebration of Pride 2019, which was the 50th anniversary of Pride, Esprit partnered with design duo Craig & Karl on a limited-edition unisex collection that promoted messages of love, equality, and unity. The face of the collection was social media influencer and transgender top model Teddy Quinlivan. Teddy's story was featured during the Esprit Voices internal series, where she bravely told her personal story of transition and what it means to be transgender in the fashion industry.

Esprit also took part in Pride demonstrations in Vienna, Cologne, and Antwerp. We made our presence known through our bold and colorful Esprit Pride truck, branded with the graphics of the Craig & Karl collection. This collection was sold in select stores across Europe and the Asia Pacific region, as well as online. Sales funded 12,500 meals for young people staying at the Ali Forney Center in New York City, which is the largest LGBTQ+ community center helping homeless youth in the United States.





### Responsible marketing guideline

Our marketing materials illustrate our values as a company, and so we have created clear policies for our advertisement campaigns. They are developed in-house and often in collaboration with international creative agencies. The following requirements are included:

- **Campaigns:** Claims and messages within our campaigns are chosen carefully
- **Choosing models:** We aim to celebrate diversity by selecting models who represent various sizes, skin colors, cultures, ethnicities, and genders, and portraying them in a healthy and appropriate way.
- **Health & safety during photo shoots:** For all our models, adults or children, we are constantly looking out for their health and well-being, providing nourishing food and maintaining a work/break balance.
- **Kids campaigns:** We follow all international and local laws and requirements for our photo shoots with children. There is also at least one representative from Esprit on hand to monitor the process and make sure that all requirements are met. We also ensure that a parent is always present.
- **Animals:** When animals are used in our photo shoots, we follow all international and local laws and requirements. No animals are harmed during production and we engage professional guidance to ensure proper treatment.







## Yes Center

Our YES Centers bring opportunities hope, and new skills to young people around the world who may otherwise miss out on educational and economic stepping stones.

We've partnered with the UN-endorsed YOU Foundation to open these vocational training centers in communities in Bangladesh, Vietnam, Pakistan, and India. Esprit supports each center for two years before handing it over to local partners.

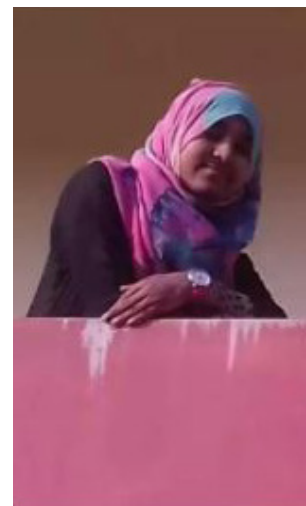
Each YES Center aligns its curriculum with local industry, local culture, and local needs, and aims to train young people in areas including English, computers, and fashion/textiles. The life skills curriculum helps to build self-esteem, educates young people about their rights, and teaches them how to handle their new world with confidence. This is particularly valuable for the young women in the program, as they generally have fewer options, but have the potential to be a driving force for building stronger communities. We are proud to share the stories of some of the students and graduates of our YES Center programs.

Rimsha has worked hard to overcome a physical disability, build her skills, and financially support her family. Her training at the YES Center prepared her to launch her own handmade jewelry business.



"My parents are very happy to see me stronger and confident and taking an initiative to take control of my life."

— Rimsha



"Hello, I am Afroza. I am 18 years old and I live in Cox's Bazar district. I am very happy to be a trainee of the YES Center Cox's Bazar. First, I didn't know that the YES Center provides different training to young people to empower them. Back home, I discussed the issue of getting familiar with computers with my family members. All of them took it positively and gave me permission to enroll in the YES Center. I am really happy to get the chance to join this training, as this course will enlighten my career, and I really enjoy this course!"

— Afroza

Twenty-two-year-old Tanjina spent her days worrying about her family's finances until she learned about the YES Dhaka Satellite Center and its educational offer for young women:



"Now I am equipped with knowledge of Microsoft Word, Microsoft Excel and other programmes, thanks to the Center and my inner desire to continue to learn and the computer classes have also been sparked my hope, that one day I can use this experience to get a good job and fight my family's poverty and make them proud- and none of this would have ever been possible without the YES Satellite Center."

— Tanjina





Pushpalatha struggled growing up with a single mother and insecure housing, at one point failing her school exams because of the stress in her home life. She was introduced to the YES Center, and found help dealing with her stress and depression through the life-skills sessions and through counseling. The Center provided housing for Pushpalatha and her mother, and she began to thrive in the atmosphere of the school, where she appreciated the discipline, the cordiality, and the personal interest the trainers took in helping her to develop her skills. Upon graduation, she landed a job sewing garments



“The six months training at YES Center was a life-changing event of my life. I have grown strong emotionally, mentally and psychologically. There are challenges ahead but the YES Center has taught me not to get bogged down with the difficulties of life. The YES Center has breathed into me courage and strength to scale the mountains. The meaning of my name, Pushpalatha is flower creeper. The flower creepers climb up the walls defying gravity. I am resolved that this is going to be the goal of my life – no giving up but emerge victorious amidst life's challenges and struggles.”

— Pushpalatha

Manju and her father had different ideas of what her education should look like, but ultimately they found common ground with the YES Center. Manju studied design and dressmaking, and she is now looking forward to launching her own fabric designing enterprise.



“My dad has happily embraced the fact that failure in formal education does not mean failure in one's career. He is proud to introduce me to his colleagues and friends. He is my strong support now... My gratitude goes to the YES Center supported by Esprit in the DB Professional Academy for giving wings to my dreams to fly successfully into the horizons of future!”

— Manju

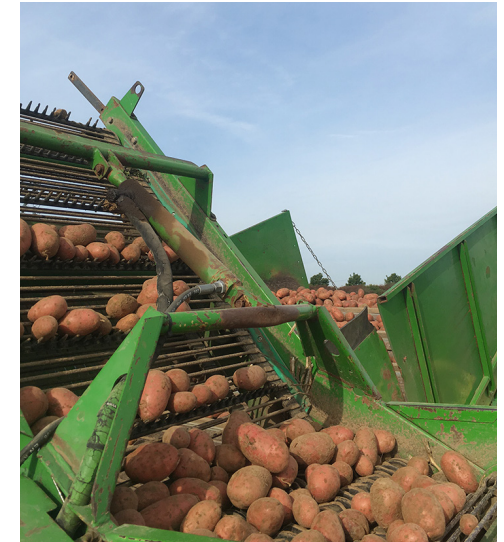


## Green Canteen

As with the other parts of our business, our canteen strives to make responsible and transparent choices so our colleagues know where their food is coming from as well as how it was made. Our chef is a member of the “BioMentoren” Network, a group of leaders who deliberately engage their workplace community in health, environmental protection, and building a positive social culture, while also creating opportunities for young people through internships. Our canteen emphasizes organic vegetables, fruit, dairy, and meat, and we have set a goal of continually increasing the percentage of organic food we offer, aiming for 90-100% in the coming years. Meat is organically raised, and depending on the species, fish will be either wild-caught or MSC (Marine Stewardship Council) certified to ensure sustainable fishing practices. Our menu focuses on regionally as well as seasonally available foods; we know that fresh, local food is not only healthy and delicious, but it reduces the environmental impact of transporting ingredients, and supports our local community. Vegetarian options are always available, and we are introducing daily vegan options as well. Starting in June 2019, we began making fruit freely available to our teams at any time, with the goal of promoting a healthy lifestyle.



**Stautenhof:** one of our regional and organic food suppliers



Our commitment to circularity is also demonstrated in our zero-food-waste approach to menu planning: leftovers are incorporated into the next day's offerings.

We have continued to reduce our use of plastic for drinking water, and we are aiming to be plastic-free by August 2019. All employees are given glass bottles to refill at our many water stations, where they have a choice of sparkling or still water. Our next target is coffee: We will introduce coffee with reusable packaging starting in FY19/20.

Another way we are minimizing packaging is through family-style serving; we purchase large glass containers of items like jam and honey, to which people may help themselves with washable metal spoons. Even the small kitchens on the floors of the main office building separate food waste for composting.

# 3 Towards circularity

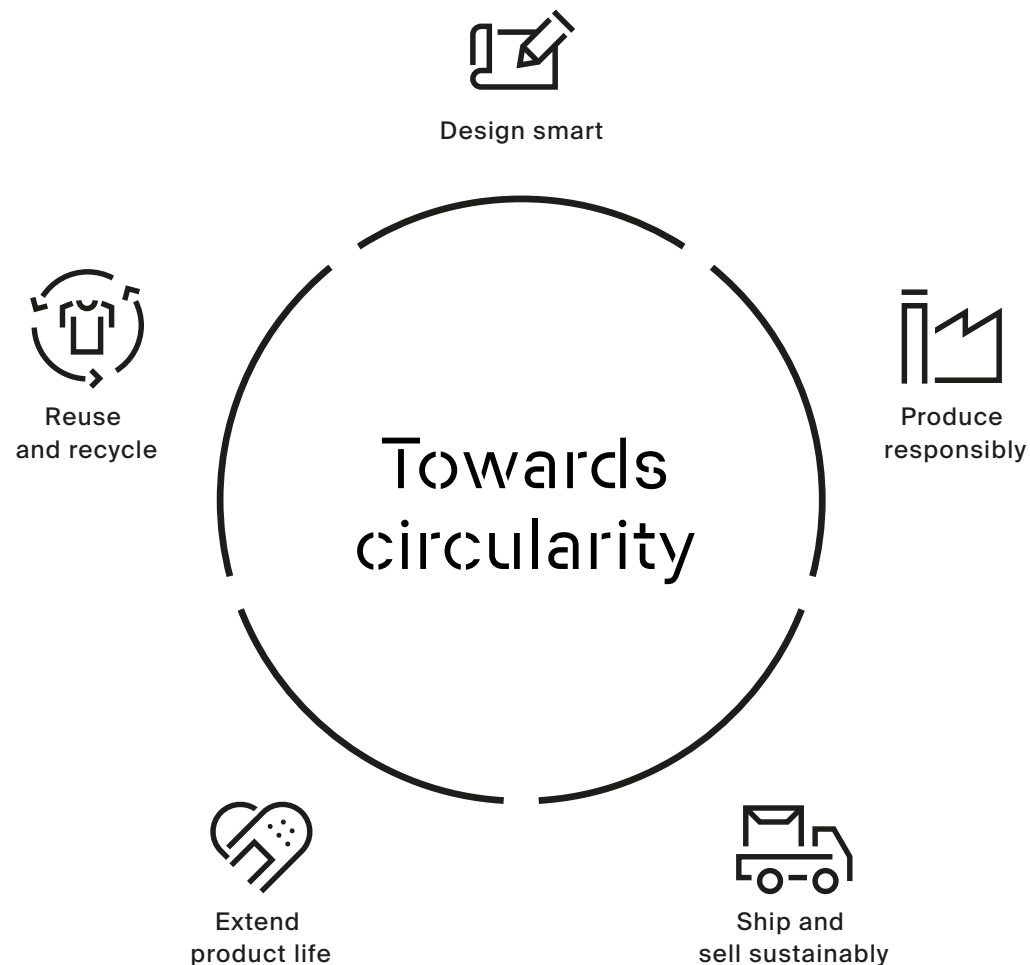




## Closing the loop

Esprit's approach to sustainability builds upon the concept of circularity. In a circular fashion industry, we must design waste out of the process, and look holistically at all inputs—both the natural resources and human resources—to ensure that we create beautiful, timeless, and high quality garments in a way that is respectful of our planetary boundaries. It also means that we strive to ensure that our business activities promote the well-being of the many people whose hands touch our products along their journey from design, to production, to sales, through collection, resale, recycling, and back again to design.

The goal is to initiate a regenerative cycle, where people thrive and natural resources are endlessly recycled into new materials or reintegrated into nature to nourish the growth of new materials.





Design smart

Produce responsibly

Ship and sell sustainably

Extend product life

Reuse and recycle



\*targets based on the Global Fashion Agenda Commitment 2020



## Design Smart

Material selection is another significant part of our Design Smart approach. Our goal is to select sustainable materials so inputs can be recycled as materials or nutrients. Part of our strategy to achieve this is to pair our designers and product teams together with

our Environmental Sustainability and Product Safety teams to ensure that we select more sustainable materials that promote circularity whenever possible. This has helped us shift nearly 30% of our shell fabrics from conventional to more sustainable options in FY 18/19.

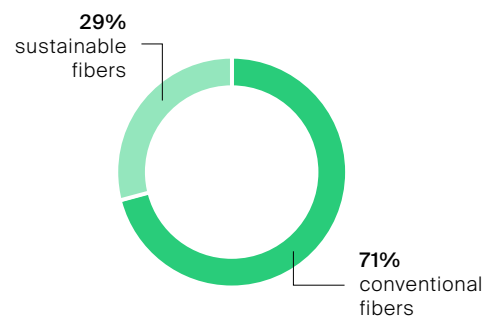




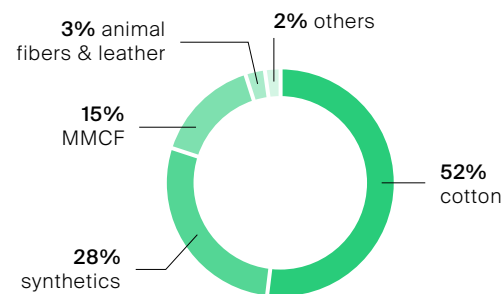


### Share of fibers in our products in FY 18/19 based on shell fabric

#### SHARE OF SUSTAINABLE FIBERS



#### FIBER SHARE - BASED ON SHELL FABRIC



#### Ensuring Progress

In order to support our product teams to use sustainable materials, we've rolled out a tool to enable all divisions to have a full and clear overview of all products alongside sustainable material options. Not only does this lead to greater transparency and the ability to learn from one another's challenges and successes, but each division can see where they stand in terms of sustainable material use in relation to the other divisions. Through an ongoing review process with the product teams, we expect each department to be inspired to push themselves to lead the way, raising our performance across the board. This is how we want to achieve significant growth in sustainable materials usage, as well as how we have measured it, since the tool enables ongoing tracking of sustainable materials use.







## Accomplishments



### We have sourced...



**38%** Better Cotton



**14%** organic and recycled cotton



## 61,000 bags

We have developed a first collection of bags **made of water-based PU.**



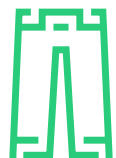
We have increased the amount of more sustainable viscose (**LENZING™ ECOVERO™**) to **10%**.



FY18/19, we developed about 50 new styles featuring recycled 3M Thinsulate™ (fake down). This means that we will be releasing over 260,000 garments with a **recycled alternative to conventional down filler.**



We are **34%** of the way towards our goal to shift to a chrome-free tanning process for our leather
































For most of our denim we use the **Environmental Impact Measurement** software by Jeanologia to evaluate the environmental impact of our denim finishes.



We **banned the use of mohair** beginning in mid-2019.



# Goals

TOPIC	TARGET BY JULY 2021	FY 18/19	FY 17/18	SUSTAINABLE DEVELOPMENT GOALS
 DESIGN SMART				
Cotton	100% more sustainable cotton	 52%	 18%	  
Man-made cellulose fibers	30% more sustainable man-made cellulosic fibers	 36%	 23%	 
Synthetics	30% more sustainable synthetic fibers	 6%	 <1%	 
	100% of the synthetic down we use is made from recycled or biodegradable materials	 <1%	 <1%	
Better processes	60% dimethylformamide-free synthetic leather (100% by 2025)	 7%	 <1%	 
	30% of our leather is tanned using a chrome-free tanning process	 34%	 <1%	
	50% of our denim is rated as low impact by 2021	 72%	 66%	
Animal fibers	100% of our down products are certified according to the Responsible Down Standard (ongoing)	 100%	 100%	
	50% of our wool is certified according to the Responsible Wool Standard by 2022	 2%	 <1%	



## Design for long lasting products



### 01. Design phase

Our design teams must balance beauty and trends with functionality and durability. True durability comes from a series of thoughtful choices on style and construction on through to materials, and processes. Our aim is timeless style, flawless and reinforced construction, and easy-care materials from sustainable sources.

### 02. Product development

In addition to examining fit and ensuring that each garment we make meets our quality standards, our Product Development teams work with our designers to ensure that the final materials that compose each garment—including trims, thread and linings, and considering all chemical processes—fit our circular economy goals. The aim is that they can cleanly biodegrade or be used to make a new product at the end of their first useful life.

### 03. Risk assessment

Prior to production, our Product Safety team conducts assessments based on internationally recognized norms and our own quality standards for properties such as resistance to pilling, colorfastness, shrinkage and appearance after home laundering. We also evaluate chemicals used in manufacturing. In order to build their capacity, we help our suppliers establish their own in-house quality control systems, sharing best-practices, guidelines and supporting implementation on-site.

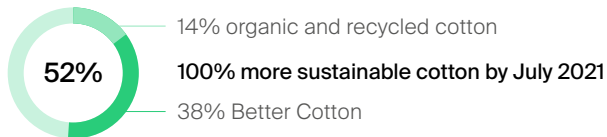
### 04. Quality assessment

Esprit has a series of quality-control systems running alongside our products every step of the way from sketch to fit prototype to final garment. Our Quality Assurance team works with our direct suppliers to ensure they meet our technical standards, and we use technical workmanship audits to make sure complicated pieces can meet our durability requirements. Quality checks are performed onsite, then prior to shipping, at our Headquarters, and finally at our distribution centers.





## Cotton



Cotton makes up more than half of our total fiber usage, and we are proud to share that we are now sourcing 38% of our cotton through the Better Cotton Initiative, and we have nearly tripled our organic cotton usage, going from 5% to 14% in just one year.

We became a member of the Better Cotton Initiative (BCI) in February 2016. BCI works with farmers to help them grow cotton with more environmentally-friendly cultivation methods, while also helping them to reduce costs, increase profits, and better support their communities. Our organic cotton is grown according to strict standards, without pesticides or synthetic fertilizers, and we track it from farm to garment using the Organic Content Standard and the Global Organic Textile Standard.

Another sustainable cotton option that we incorporate is recycled cotton. Recycled cotton can come from cutting scraps or waste during production, or it can come from garments that have already had a first life. In both cases, cotton that could otherwise end up in a landfill is put to use creating something new, useful, and beautiful. The Recycled Claim Standard and the Global Recycling Standard systems are used to accurately represent the presence and amount of recycled material in our finished garments.

### Soil Health

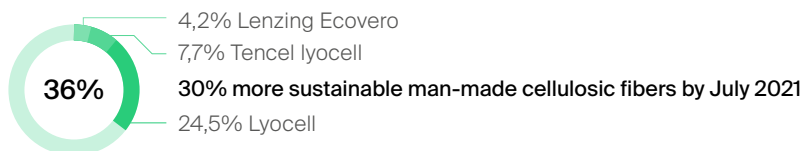
Our goal is a circular economy and a protected environment, and one important consideration for each is healthy soil. Organic cotton farming is one approach that supports soil health, which in turn enables plants to reach optimal productivity without artificial supplementation. But it is not the only way. “Soil Health” is one of the seven “Better Cotton Principles and Criteria” behind the Better Cotton Initiative.

Farming that takes into account soil health becomes an art that balances considerations like erosion, nutrient cycling and fertility, the use of cover crops, and integrated pest management to encourage beneficial insect populations.





## Man-made cellulose



Man-made cellulose, including lyocell, Tencel™, and viscose, often begin as trees. Cellulose is extracted from the wood and then regenerated into luxurious, smooth fibers known for their soft drape and comfortable feel. In order to responsibly source cellulose, we need to look carefully at both logging and processing.

We partnered with the environmental non-profit organization Canopy in September of 2015 to ensure that our cellulose fabrics are not sourced from at-risk or old-growth forests. Canopy, in partnership with NEPCo (formerly Rainforest Alliance), uses audits to verify that producers are at low risk of sourcing from ancient and endangered forests. For more information, please see Esprit's Policy on Protecting Forests through Fabric Choices.

At the end of May 2018, we committed to the Roadmap Towards Responsible Viscose as outlined by the Changing Markets Foundation. Our goal with this commitment is to push the wider industry to adopt a closed-loop manufacturing process in order to minimize the use of harmful chemicals in viscose production. In addition to evaluating the environmental impact of the production process, we are also looking at the social impacts on the suppliers along the whole supply chain. Through our participation on the Task Team for Man Made Cellulosic Fibers, launched by the Zero Discharge of Hazardous Chemicals Group in 2018, we are developing tools and protocols to improve viscose manufacturing.

Finally, we have mapped our complete viscose supply chain, and the results has been published from August 2018 onwards as part of our publicly available supplier list.

### Sustainable Forests

We are proud of the improvements we have made as we have tackled the challenges of cellulosic manufacturing, and we are exploring concrete ways to amplify this impact.

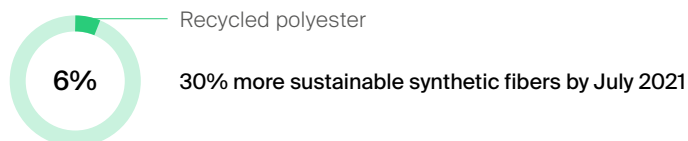
One resource we are using is the “Hot Button Report” rankings from Canopy. This tool provides a detailed overview of the largest global producers of viscose, ranking their raw material sourcing practices and risks, highlighting lower impact fibers and innovative options, and acknowledging those producers who show leadership supporting global forest conservation. A green t-shirt icon highlights top performers that share our values, and we encourage our suppliers to purchase viscose from these producers as this will be a requirement by the end of 2020.







## Synthetics



We use synthetics such as polyester, polyamide and acrylic in blends and in our sportswear. However, we are concerned that conventional synthetics are derived from non-renewable resources, they are not biodegradable, and they contribute to microplastic pollution in our oceans. Over the past year we have focused on replacing conventional synthetics with more sustainable alternatives, improving from less than 1% of the way toward our goal in FY17/18 to 6% for FY18/19.

One example of an innovative alternative to conventional polyester is Sorona®, from DuPont, which we have been working to develop and integrate. One major difference between Sorona and conventional synthetic materials is that Sorona incorporates annually renewable plant-based ingredients, replacing about 37% of the typical petroleum-based components and shifting from a chemical process to an eco-efficient biological one. This saves 30–40% of the energy needed for conventional nylon manufacturing, and the production process releases 56–63% fewer greenhouse gas emissions.

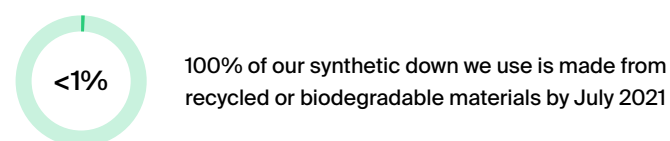
The first Esprit products containing Sorona fibers will be in shops in the Fall of 2019.

### What can you do?

All stakeholders from designers, to our manufacturers, to our consumers, must work together to address the issue of microplastic pollution. Over recent years, we have learned that washing garments made with synthetic fibers releases plastic particles (called microplastics) into the sewage system. Eventually, these can be consumed by marine life, ultimately compromising their health and potentially impacting ours as these particles move up the food chain.

We are now testing new filters from Planet Care to prevent the introduction of microfibers into the sewage system, and we look forward to sharing the results of this trial and development phase in future communications.

## More sustainable fillers



Finding sustainable materials to use for the warm fillings inside our outerwear has been a complex challenge. There are animal welfare issues associated with using down and feathers from geese and ducks, but switching to synthetic fillers brings a host of other issues, since these materials come from non-renewable sources, they do not biodegrade, and they may contribute to microplastic pollution.

Therefore, we've taken a two-pronged approach to this issue. On the one hand, since the Fall of 2016 we have consistently ensured that 100% of our down products are certified according to the Responsible Down Standard, so we know that the ducks and geese that supply feathers for Esprit products have been treated humanely, including no live-plucking or force-feeding. On the other hand, where we use synthetic down, our goal is that 100% of our synthetic fillers will be made from recycled or biodegradable materials by 2021.







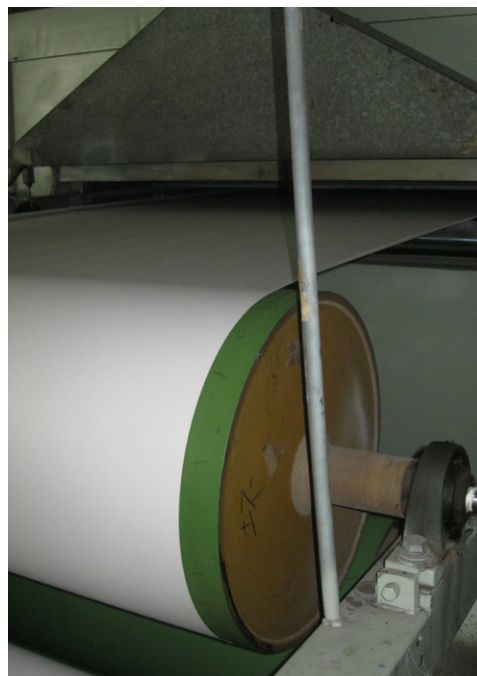
## Better Processes

The rich and beautiful colors, eye-catching prints, touchable textures, and fine details and embellishments that our customers appreciate often require mechanical or chemical processing to achieve. Building from our smart design method and our thoughtful approach to material selection, we must make sure that each of these processing steps fits into our overall circular philosophy.

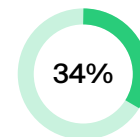
Our Environmental Sustainability team works closely with our supply chain partners as well as the textile chemical industry to monitor and improve these production processes with the goal of reducing water, energy, and chemical use, and ensuring that all inputs and process steps are safe for the environment and our community of workers.

### We are PFC-free

Since December 2014, all our water-repellent products have been made without per-fluorinated chemicals (PFCs). PFCs are known for polluting the environment, so we have switched to safer alternatives.



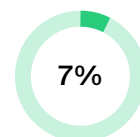
### Leather tanning



30% of our leather is tanned using a chrome-free tanning process by July 2021

Tanning, which is the process of transforming hide into long-lasting leather, is chemically complex and requires expertise and precision. Nearly all leather tanning—between 85% and 90%—is done through a chrome tanning process. If chrome tanning is not implemented properly, there is a risk that the chromium(III) added to the process can develop into chromium(VI) which is hazardous to people and the environment. This is why we have focused on building our suppliers' skills regarding tanning. We have developed special environmental assessments for leather tanneries so that we can be sure they understand how to conduct proper tanning, and we also created a guideline for our suppliers on the prevention of chromium(VI) formation. Additionally, we continue to explore and introduce chrome-free tanning alternatives, such as vegetable tanning and reactive tanning.

### Synthetic leather



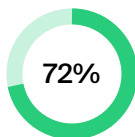
60% dimethylformamide-free synthetic leather (100 % by 2025)

Synthetic leather, which is generally polyurethane-based, allows us to create leather-like products without using material derived from an animal. However, manufacturing conventional polyurethane (PU) requires a solvent called dimethylformamide (DMF), which can be hazardous for workers and can pollute the environment.

We are working to shift our production from conventional polyurethane to water-based polyurethane which does not require DMF.



## Low Impact Denim



50% of our denim is rated as low impact\* by 2021

\*We are using the Environmental Impact Measuring software by Jeanologia™

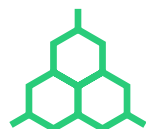
Denim jeans are a focus area at Esprit. Jeans inspire an emotional response, and they can tell a story; in their unique fades and markings, they share clues to where we've been, and who we are. We want our low impact denim to also tell a story about sustainability.

Denim garments are known for having a significant environmental footprint because of the multiple processing and finishing steps they undergo. Together with our suppliers, we are implementing innovative solutions that save us water and energy, and that don't require hazardous chemicals, but still provide the unique look and feel our customers love to wear.

These processes include laser finishing to add detail and character, ozone for softness and authentic fades, and "nano-bubble" technology to apply finishes without wasting water.

We use a software system developed by Jeanologia™ called Environmental Impact Measuring (EIM) to rate our denim finishing performance related to water consumption, energy consumption, chemical use and worker health. We use these insights as we design new styles, continuously working to lower the impact of our denim.

6% of Esprit denim is made with Lyocell (an environmentally sustainable cellulose fiber made from dissolving pulp, produced in a closed loop process)



25% of the polyester used in our denim is recycled



36% of Esprit denim is rated "low impact" because it has a lower footprint in terms of water, chemicals and/or energy



32% of Esprit denim contains organic cotton





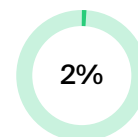
## Animal Welfare

Our respect for nature extends to all the creatures that are part of the fashion supply chain, and we are dedicated to animal welfare in every case where we use animal derived-materials. Our expectations are set forth in our strict Code of Conduct as well as the Five Freedoms of the Farm Animal Welfare Committees (FAWC).

### Five Freedoms

- 1 Freedom from Hunger and Thirst
- 2 Freedom from Discomfort
- 3 Freedom from Pain, Injury or Disease
- 4 Freedom to Express Normal Behaviour
- 5 Freedom from Fear and Distress

## Wool



50% of our wool is certified according to the Responsible Wool Standard by 2022

Sheep's wool is prized for its warmth and durability. It is also biodegradable, making it a sustainable choice for heirloom, timeless garments. The welfare of the sheep that provide the wool for our products is something we take seriously, so we worked with Textile Exchange to help create the Responsible Wool Standard. This industry standard seeks to ensure that the sheep in our supply chain are treated in accordance with the Five Freedoms of the Farm Animal Welfare Committee, and it safeguards grazing land. In 2017, we funded the Responsible Wool Standard Kickstarter program to speed implementation of this standard.



**i** Since 2012, Esprit has expressly prohibited surgical mulesing of sheep in our supply chain.





## Down



100% Responsible Down Standard (ongoing)

Our approach to using more sustainable options for down is detailed above in the “More Sustainable Fillers” section. Overall, we have greatly reduced our use of down, and throughout Europe we are only offering vegan jackets. All remaining down jackets have been fully certified with the Responsible Down Standard.

### Introducing our Leather-Free and Down-Free Vegan Options

While the percentage of animal-derived materials we use throughout our collections is quite small, at only about 2%, we recognize that some of our consumers are intentionally seeking products that align with a vegan perspective. We’ve responded with a collection of vegan shoes, and we are now only offering vegan jackets, without feather and down fillers, in Europe.





## Leather

Any leather we use for our products must meet our strict criteria; for example, the leather must be a byproduct of the meat industry, and each hide or skin must be traceable to its country of origin. We do not source leather from endangered or threatened species as defined by the International Union for the Conservation of Nature or the Convention of International Trade in Endangered Species of Wild Fauna and Flora.

We have been a member of the Responsible Leather Initiative since its 2017 founding by Textile Exchange, and we use this platform to address the issues found within the global leather supply chain, including animal welfare concerns, social and labor issues, and deforestation.



### Material Bans

#### • Fur:

Esprit is a fur free company and part of the Fur Free Retailer Program. This means that we only use simulated fur in our products.

#### • Angora:

Since November 2013, angora wool, which comes from the angora rabbit, has been banned from all our products. The ban on angora wool will remain in place until proper controls and transparency can be established to assure the humane treatment of angora rabbits.

#### • Mohair:

Mohair fiber comes from the angora goat. We discontinued selling mohair in mid-2019, as the humane treatment of the goats can't be assured.



## ECOLlection Eyewear: Making Earth Cooler with WeForest

One collection that we feel embodies our approach to sustainability is our Esprit ECOLlection eyewear, which launched in 2017. For the first year, we focused on working with bio-based plastics. This resulted in beautiful frames that are lightweight, flexible and durable. The key ingredient of the ECOLlection frames is castor oil, which is extracted from the beans of the environmentally-friendly castor oil plant: It absorbs carbon dioxide; grows on poor soil in Mediterranean and tropical regions; and doesn't compete for land with food crops.

For 2019, we began to expand the materials we use, to achieve 100% recyclability and 100% biodegradability. The material of our latest collection is crafted in Italy using special cellulose made from organic sources: cotton-seed and wood fibers and bio-plasticizers. The result is a lustrous, high-quality natural acetate that is so much kinder to our planet.

Each ECOLlection frame is presented in an eco-friendly Esprit case made of recycled paper.

Through our collaboration with the NGO WeForest, we are replenishing forests and making a vital contribution to our environment. So for every pair of ECOLlection eyewear sold by July 31st 2020, we will plant a tree and help reduce our CO<sub>2</sub> footprint. Esprit has funded over 10,000 trees so far.

### Statement WeForest

"The fashion industry contributes to around 10% of global greenhouse gas emissions due to its long supply chains and energy intensive production: what if for every garment or every accessory we purchase, a tree was planted? It would take us no time to stop global warming. Well done for Esprit who have started this movement with the ECOLlection."

**Marie Noelle Keijzer CEO and cofounder of WeForest. An NGO that Makes Earth Cooler.**



**ECOLLECTION**  
100% RECYCLABLE · 100% BIODEGRADABLE

**ESPRIT**

**For every pair of ECOLLECTION glasses we sell, we'll plant a tree to support the mission of WeForest.\***

\* The promotion ends on July 31, 2020



**WeForest**  
Making Earth Cooler





## Produce Responsibly

Our focus on building a circular and self-sustaining industry influences how we work with our suppliers. We've found that building long-term and close relationships with a small, stable portfolio of top-performing suppliers allows us to foster a sense of community, positions us to provide support when needed, and helps our suppliers grow alongside us as we work together toward a more sustainable industry.

We have strict requirements for our partners, and before we embark on a partnership we ensure that they are up to the challenge, for example through our environmental assessments for key wet processing suppliers.







## Transparency

One way we work towards our goal to produce responsibly is to focus on increasing our transparency, which increases accountability. We are very proud to have been ranked in second place for top performing global brands in terms of transparency in the latest Transparency Index from Fashion Revolution. We focus on building long term relationships with our key supply chain partners, where we are invested in one another's success. Before embarking on a relationship with any potential new suppliers, we require the disclosure of our direct

suppliers' supply chain, going past our Tier 1 direct suppliers to encompass our suppliers' subcontractors (Tier 2) and fiber producers (Tier 3).

Another prerequisite is a commitment to meeting our Esprit Minimum Requirements, and a willingness to work transparently and collaboratively with us to guarantee compliance with those requirements.

### Accomplishments








#### Accuracy & Transparency:

Our new Vendor Portal Self Service can now be used to publish updated supplier maps twice per year.

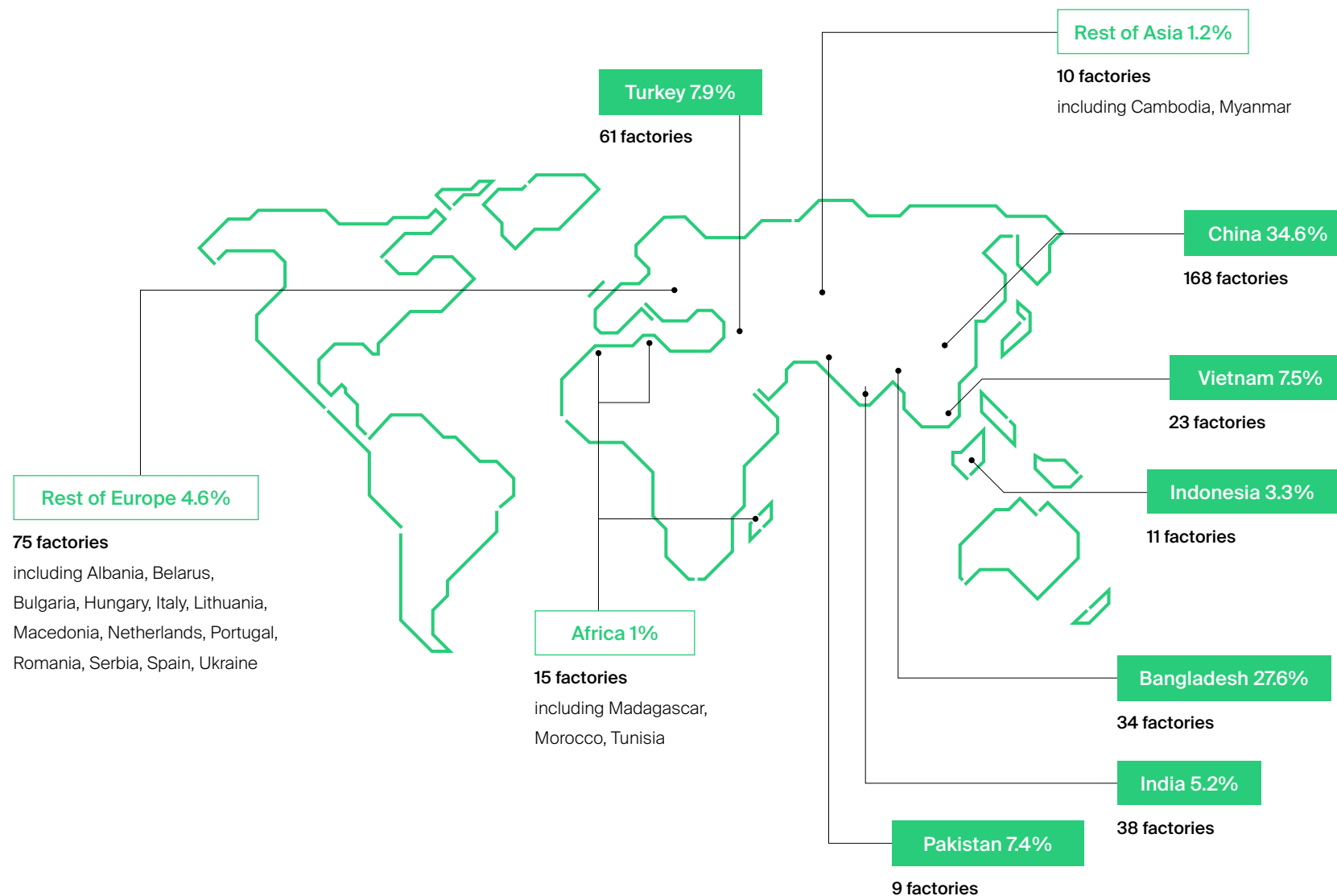


Esprit is ranked **2nd place in the Fashion Transparency Index 2019.**

TOPIC	TARGET BY JULY 2021	FY 18/19	FY 17/18
 <b>PRODUCE RESPONSIBLY</b>			
Transparency	Map and publish our Tier 1 and Tier 2 suppliers every six months (ongoing)	 100%	 100%
	Map and publish key Tier 3 suppliers every six months	 33%	 15%



# Made in





## Supply Chain Mapping



Map and publish our Tier 1 and Tier 2 suppliers every six months (ongoing)

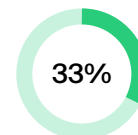
We rely on our direct suppliers to source some of the components for our products, such as trims, accessories, and fabrics. And all of these components must meet our strict requirements. Our ongoing environmental assessment program helps us to monitor compliance, but also helps us identify areas where we are able to provide support, tools, or resources to promising new or existing partners—from our direct suppliers through to our key fiber producers.

Demonstrating our shared value of transparency, our direct suppliers disclose their subcontractors to us, and in turn we are able to directly assess them and build capacity among all key partners as our requirements are cascaded down the chain.

Our direct suppliers become our partners in ensuring compliance, quality, and safety. We then conduct audits through several industry initiatives, and we also have our own assessments in place for key suppliers.

We then publicly share this information, publishing a list of our Tier 1 and 2 suppliers every 6 months.

Beginning August 2019, we have expanded the scope of our public supplier maps to include our fiber producers, such as polyester manufacturers, wool traders, and viscose producers.



Map and publish key Tier 3 suppliers every six months

### Ongoing monitoring of our supply chain

In July 2019, we launched a new system which enables our direct suppliers to continuously update and maintain all their data, including their information on subcontractors (Tier 2). This ensures that we have instant access to updated information about our supply chain. This data is used to develop the supply chain maps we publish every six months.



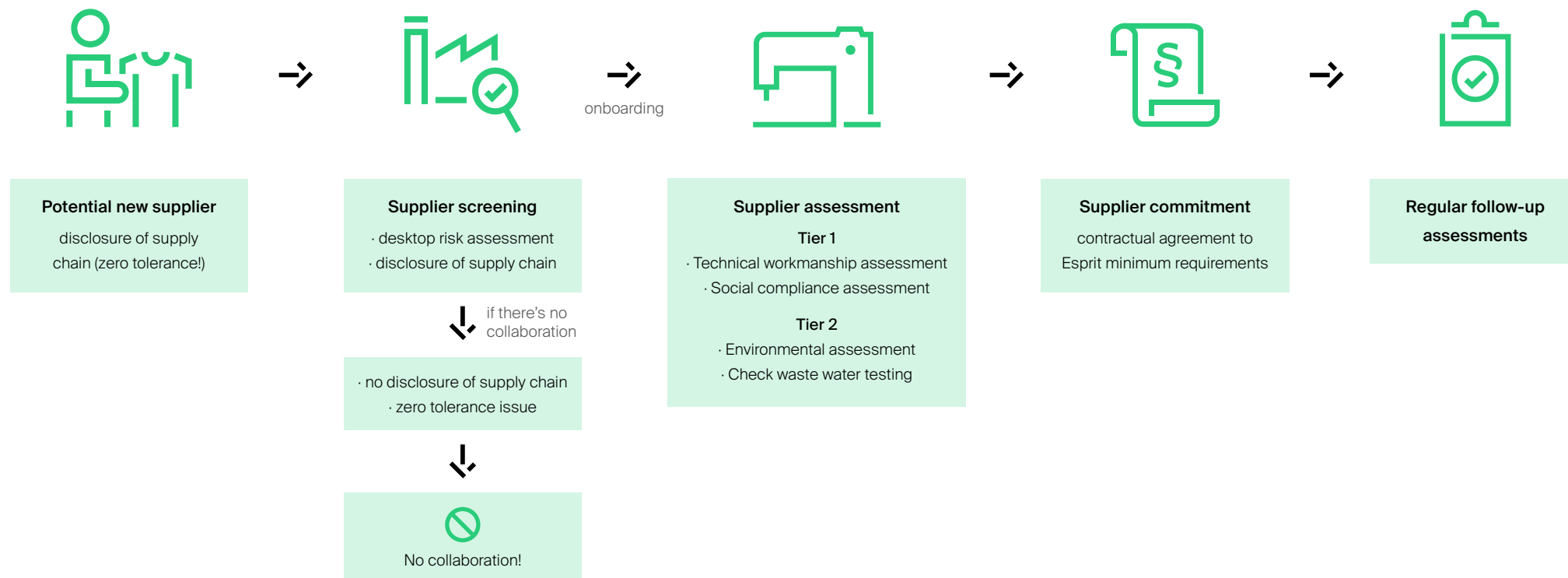


## Monitoring

We have strict systems in place to monitor our suppliers' performance and ensure that they meet our expectations. In addition to our transparency requirements, we expect ongoing compliance with our Esprit Minimum Requirements. We have developed a continuous monitoring and environmental assessment program that encompasses not only our most direct partners, but also the deeper supply chain.

### Esprit Minimum requirements

- Esprit Supplier Code of Conduct
- Esprit Material Quality Requirements
- Esprit Restricted Substances List (RSL) and Manufacturing Restricted Substances List (MRSL)







## Our assessments

We use two streams of auditing to ensure that our partners understand and live up to our requirements. First, we are members of several key industry initiatives that conduct monitoring and assessment on our behalf. Additionally, we have our own internal teams who regularly visit and assess our suppliers.

### Ethical

Our internal social compliance team conducts both pre-planned and unannounced audits at the facilities where Esprit products are manufactured. The aim of these audits is to ensure that the all facilities helping to produce Esprit products meet the requirements of the Esprit “Supplier Code of Conduct.”



“I have been with Esprit for four years. Throughout the years, I have seen the evolution of Esprit sustainability program. And today, our suppliers, to us, are more partners rather than short-term suppliers. Our suppliers understand that they must have a system in place, and be open and transparent for our assessment at any time. Although an assessment may happen at one point of time in a year, our relationship is built on ongoing communication, remediation and improvement throughout the year, where we, Esprit and our suppliers, work together to continuously improve the working conditions, the environment and community where our factories are located. Through sustainability work, our suppliers understand that we respect them, we trust them and they also understand our commitment to sustainability, not only globally but also locally where Esprit is sourcing.”

— Minh Pham  
Social and Environmental Sustainability Manager

### Environmental

In addition to our social compliance protocols, we have a system in place to monitor our suppliers’ environmental performance, which includes key areas such as chemical management, RSL and MRSL compliance, Material Quality Requirement compliance, and proper process control. We have an internal Environmental Sustainability team that is geographically split across our production countries, with some members sitting in the global headquarters in Germany, giving us a mix of local access and direct HQ representation.



“I’m Amy Chen, from Esprit’s Sustainability team and based in Shanghai. I’m proud to be part of this team since our job is so important and meaningful. I love my job, especially our Tier 2 environmental assessment. It not only allows me to understand the environmental aspects of the entire supply chain, but also every time when they make progress using the Corrective Action Plan (CAP) which comes out of our assessment, I feel quite happy, and I feel my dream has also made progress. My hometown is in the north of China, and it known as the capital of steel. It has the worst air pollution in China. As you can imagine, how I long for the blue sky, clean water and fresh air, so I became a loyal practitioner of environmental protection. I’m grateful to have the chance to work hard for the environment, and for the nature. Now and in the future, I will always be committed to environmental protection, both from my job side and my personal life.”

— Amy Chen  
Environmental Sustainability Specialist



I am Kabita Gloria Gomes and I joined Esprit on September 12, 2011. I am working in the Product Safety and Environment Sustainability team based in Bangladesh. My main responsibility is to monitor & control tier 2 suppliers to help them establish best practices and meet Esprit requirements. My colleagues and I conduct technical audits on tier 2 suppliers, and we propose & follow up on action plans to improve supplier performance. I also monitor ZDHC wastewater testing and ZDHC InCheck reports, and I support product safety management team on ensuring global quality. One focus area for me is internal testing assessments for pigment dyed garments, and I review ISO reports prior to releasing any shipments from Bangladesh.

My team and I play a crucial role with product safety team by providing advice to suppliers during production. We also visit factories if they have RSL failures to find the root cause & make an action plan. If destruction of products is necessary, we oversee that process.

Our aim is to make the supplier understand that they are our partners & to push them to grow together with us. I especially enjoy finding solutions to quality-related issues. The biggest challenges are to deal with different people, different cultures & different demands both from the vendors' side & also within the company.

My favorite part about working for Esprit is to be connected with the different area & be in touch with the various processes along with supply chain. I am lucky to get this opportunity. It is always exciting. My colleagues in Bangladesh, Hong Kong, and Germany are all very supportive & they are always ready to help. I am very proud to be part of Esprit family & enjoy my work with the team. I would like to take this great opportunity to express my sincere thanks to every single one of them.

— Kabita Gloria Gomes  
Environmental Sustainability Specialist



## Quality

Esprit products must meet our rigorous quality standards in order to live up to our smart design commitment. Our Quality Assurance (QA) team audits every direct Tier 1 supplier to ensure they meet our technical standards, and to confirm that the right combination of equipment and expertise comes together for each manufacturing step. Our QA teams go beyond auditing to also train both the management and the staff at each production facility on the Esprit quality requirements.

Periodically, depending on assessment outcomes and needs for each supplier, we also conduct special technical workmanship audits. Where gaps between performance and requirements are found, we provide factory management with a plan for implementing corrective actions, and our QA team then monitors progress while they are on site.



“What does ‘good quality’ mean? ‘Good quality’ means our products will satisfy our customers and make them love Esprit. There’s no better way to represent our brand than with a product that meets our customers’ expectation. This has to be achieved by team work – from product development to production, involving everyone in our company, suppliers and factories. The Quality Assurance team is not only responsible to carry out inspections but to control from the very beginning, before bulk production, to minimize possible quality issues. We also provide training and support to our suppliers on our quality standards and we work closely with different departments in the company from design to fabric, buying, sourcing, technical, product safety, and social compliance to work together on achieving the best quality for our products.

Great results are the fruit of great team work. Quality ALWAYS – this is not only our one of our core company values but our everyday business.”

– Ricky Lau  
Quality Assurance Manager





## No Cut and Run

We focus on building and maintaining relationships with our suppliers that are based on openness, trust, and a sense of shared responsibility. Our thorough auditing process means that we do occasionally come across situations where suppliers are falling short of our expectations. We make sure our partners know that we will not immediately withdraw orders from suppliers who are facing challenges—a practice known as “cut and run.” We don’t believe that transparent and honest relationships can exist if our partners are constantly in fear of losing our business, and we don’t believe real improvements in the textile supply chain can be achieved if suppliers are not able to see us as partners invested in their success.

Where we find an issue, we develop a Corrective Action Plan (CAP) together with the supplier, and conduct regular re-audits to verify improvement. A relationship is only ended if we see that improvements are not made, or that there is a lack of willingness to address the issues.



“Sustainability has been part of our culture since Esprit was born in 1968, and it is good to see more and more people taking an interest now. For us, we see sustainability as our responsibility—it isn’t just a public commitment or marketing statement. Everybody must take action to share and transfer knowledge. And it is essential that every human in this world understands their own possible contribution towards environmental and social sustainability. We all have to work together as a team with our employees, suppliers, partners and customers to make it happen.”

— Ute Wienkoetter  
Senior Vice President  
Sourcing and Supply



## Empowerment

Creating a regenerative, circular fashion industry means that the people and businesses at each step in the loop must understand and support this goal, and they must have the knowledge and the equipment to contribute to achieving it. While audits are crucial to monitoring compliance, we also believe that self-assessments are a key part of building ownership of improvement goals.

We use self-assessments to empower our suppliers, to help them become partners in sustainable production who can independently identify risks and opportunities, and take steps to improve. We are founding members of the Sustainable Apparel Coalition (SAC), and we use the SAC's Higg Index Facility Environmental Module throughout our entire supply chain to help our partners take charge of their own sustainability journey.

We then verify the data gathered through the Higg Index self-assessments during our on-site sustainability assessments.



Our supplier Fakir Fashion receiving our supplier reward for the highest scoring in the Vendor Score Card.

## Rewarding

One outcome of our ongoing social and environmental auditing is a twice-yearly Vendor Scorecard which includes a rating of the sustainability performance of each facility. This Scorecard helps us identify, acknowledge, and reward those suppliers who show significant improvement, invest in sustainable processes, join relevant initiatives, or maintain top-notch performance.

Our buying teams consider the Vendor Scorecard ratings in their process of allocating orders among approved suppliers.



"The Vendor Scorecard provides an objective evaluation of our vendors, based on actual figures and not personal judgements and preferences. With this scorecard, Esprit is able to compare all suppliers and factories to each other on a common basis, analyze the performances of each review period in contrast to previous periods, and identify areas of improvement for individual vendors.

With this detailed analysis of our supply chain, Esprit has been able to identify and shift away from poor-performing vendors and work together with our remaining business partners to achieve even better performance, focusing on the individual areas of improvement for each vendor. The outcome is that after three years, we have been able to raise the number of vendors with scores above the median from just one fourth to 84% and we will continue to strive for the best-performing vendor base."

— Aglaja Hinkelmann  
Coordinator Vendor Management



## Responsible for the planet

Our commitment to a circular economy means that we are serious about taking responsibility for our planet. Expanding upon our environmental requirements detailed above, we have a particular focus on eliminating the discharge of hazardous chemicals in our supply chain, protecting people's access to clean water in manufacturing regions around the world.

**75%** of our wet process mills took part in our environmental assessment initial or re-audit



**95%** of our re-audited mills could increase their score in our environmental assessment due to improvements



**69%** of our wet process mills conducted wastewater testing over the past year.



### InCheck:

12 of our wet processing supply chain partners are using ZDHC's InCheck system to improve their chemical management and shift toward cleaner, approved chemistry.























### Leading the way with ZDHC:

Our participation in the ZDHC Signature Brand Leading Programme pilot is accelerating the impact of both our internal and external efforts toward zero discharge of hazardous chemicals.





# Goals

TOPIC	TARGET BY JULY 2021	FY 18/19	FY 17/18	SUSTAINABLE DEVELOPMENT GOALS
 RESPONSIBLE FOR THE PLANET				
Environmental assessments	100% of our key wet process mills have been audited based on our audit protocol	 75%	 73%	  
Wastewater testing	100% of our wet processing mills test their wastewater according to the ZDHC Wastewater Guidelines	 69%	 56%	   
Performance measuring	100% of our suppliers (Tier 1 and Tier 2) conduct the Higg Index Facility Environmental Module self-assessment	 21%	 24%	     



## Detox

In 2012, we made the commitment to eliminate the discharge of hazardous chemicals in our supply chain by 2020. We are nearly at the 2020 mark, and we are proud of what we have accomplished. Prior to our Detox commitment, there was no transparency regarding our wet processing supply chain, and consequently there was no auditing at these facilities, nor was there wastewater testing. However, our Detox commitment radically changed the way we work. One example is the expansion of the scope of our restricted chemicals. For many years we've had a strict process in place to ensure that all of our garments are safe. This is grounded in our Restricted Substances List (RSL), which lists chemicals that are forbidden from remaining in our products when our customers bring them home. And while the safety for our customers has always been our top priority, we realized that a fully circular fashion industry must also include safer chemicals used in manufacturing, as these chemicals can potentially impact workers, community members, and the natural environment in our manufacturing areas. This led to the creation of our MRSL. Read more about both the RSL and the MRSL in the Clean Production section.

Alongside our Detox commitment, we launched a major Detox initiative with our key wet processing partners, focused on building their knowledge and skills. Some of the major topics we address through this capacity building program are good housekeeping practices, maintaining a proper chemical inventory, establishing sound environmental and chemical management processes, and implementing process controls. Additionally, we've made wastewater testing mandatory for all key facilities that conduct wet processing.

Through this approach, we can first inspire our suppliers to understand why closing the loop in chemicals is important for keeping their community safe and clean. Then we can empower them with the knowledge and tools they need to take control of their chemical use. Finally, we are able to monitor and evaluate their progress so we can acknowledge growth, or potentially step in to provide additional support where necessary. We see progress toward the zero discharge goal, and we are proud of our role in fostering this change. We are convinced that this momentum will continue, and we urge those companies not yet participating to join us in making a Detox commitment and moving the industry forward together.



Advanced three-stage water treatment plant for water recycling

### Signature Brand Leading Program

ZDHC's Signatory Brand Leading Programme aims to accelerate the impact of ZDHC activities with a structured approach to our internal efforts (such as legal compliance, corporate policies, implementation, and progress measurement) alongside our external efforts (including supply chain engagement and commitment).

Esprit amongst other ZDHC Signatory Brands takes part in the pilot of this program, which includes a baseline assessment by a third party, roadmap development together with ZDHC (which we have defined for FY 19/20), and implementation in a harmonized and accelerated way.

Our participation in the pilot not only helps to improve the performance of our supply chain partners, and ourselves, but it also helps to improve the ZDHC Roadmap to Zero Programme as a whole since we are able to help develop appropriate KPIs and metrics, gather data that will inform the scoring process, and identify gaps and improvement opportunities that will benefit all stakeholders.



## Clean Production

Alongside our existing Restricted Substances List (RSL), in 2013 we released the new Manufacturing Restricted Substances List (MRSL), which we co-created along with other brands in the Zero Discharge of Hazardous Chemicals group. This harmonized approach to chemicals management simplifies the compliance process for our partners, and supports them in meeting stricter MRSL requirements.

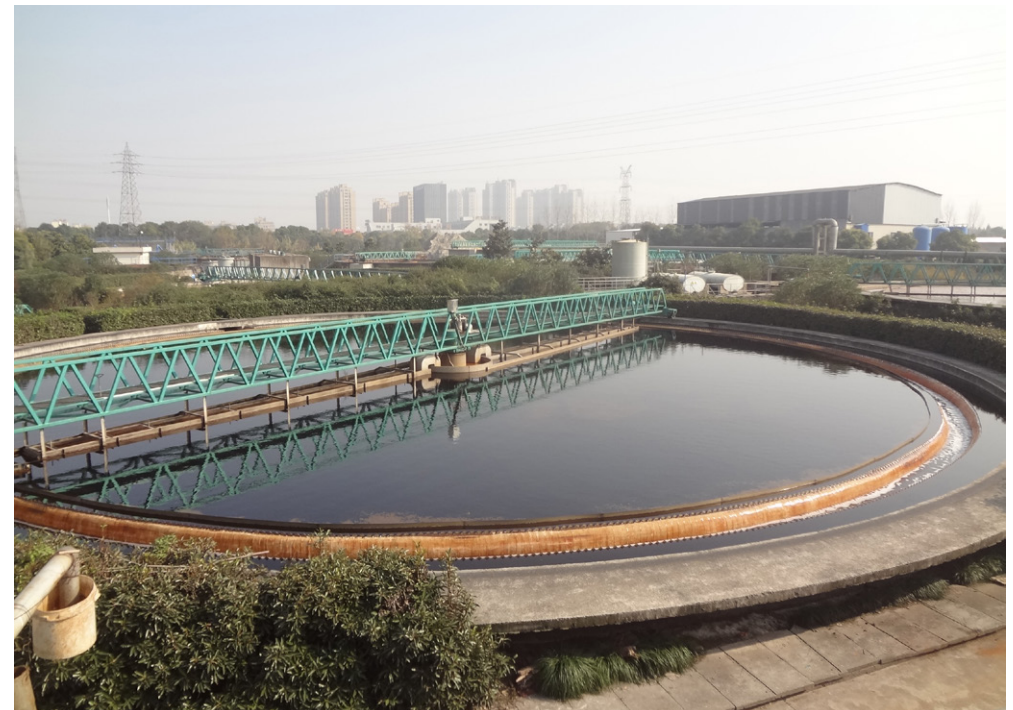
These two lists address distinctly different, but equally important, aspects of chemical use.

- Our RSL covers the international chemical requirements (and, where applicable, our own stricter standards) that all final Esprit products and packaging must meet. The intention of this list is to protect the health and safety of our customers.
- Second, our MRSL identifies hazardous chemicals or formulations that must not be used during the manufacture of Esprit products, regardless of whether these chemicals can be detected in the final garments. This list addresses the workers in our supply chain, and their local environment.

Together, our RSL and MRSL complement one another, looking at safety and wellness through a circular and holistic lens, encompassing our customers, our workers, and our planet. To support our suppliers in meeting our expectations, we've also developed an RSL and MRSL Supplier Guideline which serves as a handbook for our suppliers, ensuring that they understand the risks related to chemical use, and clarifying our expectations related to chemical management.

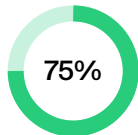
We are constantly updating the RSL, the MRSL, and the Guideline based on several factors. We have developed a hazard screening methodology to continuously evaluate the risks associated with any chemicals that are used during the manufacture of our products. We then aggregate the findings from our chemical risk assessment into an update of our RSL and MRSL, at least once every year.

We also monitor the findings, recommendations, and demands of other stakeholders including civil society and research institutes, as well as our customers. We are also actively participating members of several collaborative industry and multi-stakeholder initiatives, including the Zero Discharge of Hazardous Chemicals (ZDHC) Group, the Sustainable Apparel Coalition (SAC) and the German Partnership for Sustainable Textiles.





## Environmental Assessment



100% of our key wet processing mills have been audited based on the Esprit technical audit protocol

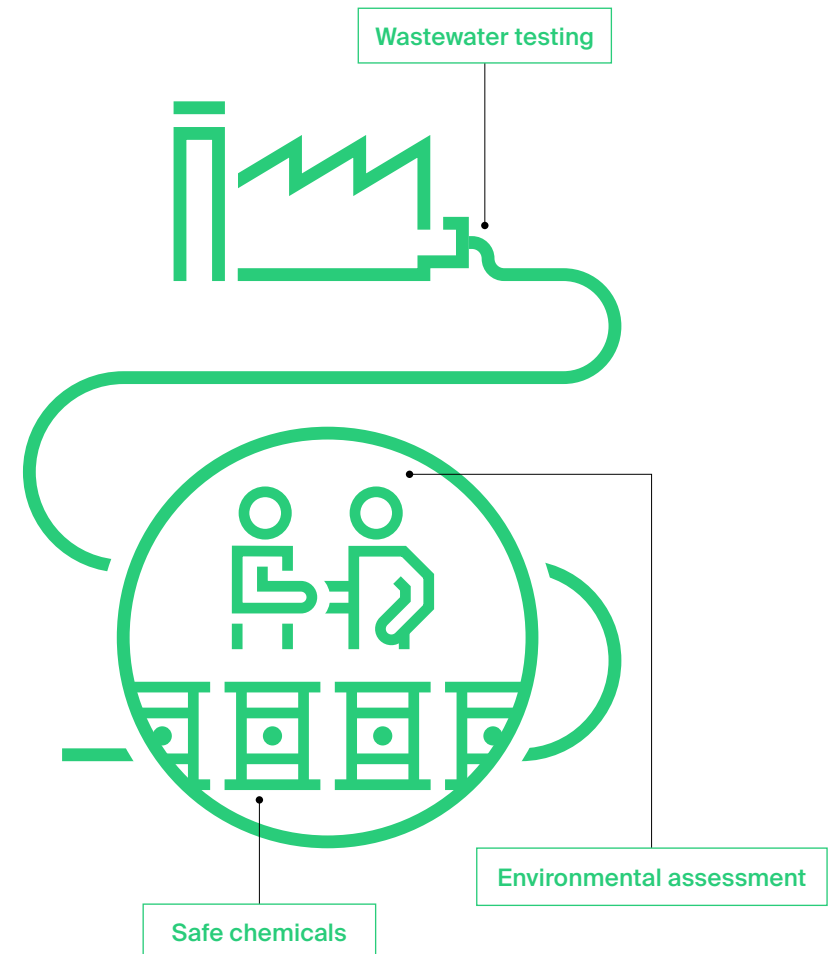
We've re-examined our previous goal to audit 100% of our wet processing mills based on the Esprit Technical Audit Protocol, and we've decided to take this a step further. We've broadened the audit protocol, which is expected to go live in FY19/20, and we are now looking at more parameters, including water use, energy use, carbon footprint, and a social risk assessment. Because the scope is larger, we are narrowing our focus to key wet processing partners, which we define as nominated fabric suppliers who produce the majority of our fabrics and the tier 2 suppliers of the tier 1 suppliers with 85% of our FOB volume.

Our new goal is that 100% of our key wet process mills will be environmentally assessed in 2021 based on the updated audit protocol.

## Knowledge sharing via Chemical Corner

The Esprit Chemical Corner is an open resource for our suppliers built on our experience investigating chemical non-compliances to get to the root of the issue. Our investigations, and the sharing of our findings, helps us to raise our own level of knowledge and performance, as well as that of our suppliers.

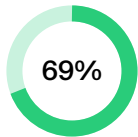
One of the helpful tools we've included in the Chemical Corner is a "blacklist" of chemicals likely to cause non-compliances, as well as a "green list" with recommended alternatives.



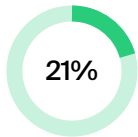




## Wastewater Testing



100% of our wet processing mills test their wastewater according to the ZDHC Wastewater Guidelines



100% of our suppliers (Tier 1 and Tier 2) conduct the Higg Index Facility Environmental Module self-assessment by July 2021

In addition to setting clear expectations and providing support to help our suppliers meet our chemical expectations, we also conduct wastewater testing, which is crucial for monitoring compliance. As a member of the Zero Discharge of Hazardous Chemicals (ZDHC) group, we adopted the ZDHC Wastewater Guidelines in February 2016. By using a common standard, we simplify the compliance process for our suppliers, enabling them to focus on meeting one harmonized standard that multiple brands have agreed upon.

Key wet-processing facilities producing Esprit garments must have their wastewater tested according to the ZDHC Wastewater Guidelines, and they must upload their results to the publically-available Institute of Public & Environmental Affairs (IPE) website, or to the ZDHC platform.

As with our noncompliance investigations, we use this data to further grow the knowledge of our partners, and improve their performance. Based on the first two rounds of testing, we established an Esprit Wastewater Case Study, which was shared with our wet processing partners. We also organize trainings on chemical management, wastewater treatment, and the ZDHC wastewater testing requirements. In FY18/19, 192 wet processing mills took part in the wastewater testing, which is 69% of our wet processing mills.

Additionally, 21% of our Tier 1 and Tier 2 suppliers have completed the Higg Index Facility Environmental Module self-assessment. This assessment process is complex and requires significant time and resources to do properly; to help prepare our partners for this process, and to gather necessary data, we also use our own sustainability assessment which covers similar areas. This is particularly helpful for our smaller suppliers.





## Our memberships

### ZDHC

To achieve our Detox commitment, we have partnered with leading brands from the apparel and footwear industry to exchange best practices, and to align on industry-wide substances limits, standards and wastewater testing methods.



### AFIRM Group

We are a member of AFIRM, an industry body dedicated to maintaining the highest standards for implementing chemical restrictions. Members exchange on the latest testing methods and, by involving the chemical industry, work together to increase the demand for more sustainable chemical alternatives.



### Sustainable Apparel Coalition

Esprit is a founding member of the Sustainable Apparel Coalition, which was launched in 2009 and has become the apparel, footwear, and textile industry's leading alliance for sustainable production. The SAC's flagship tool is the Higg Index, a suite of standardized measurement tools for all industry participants throughout the value chain.



### German Partnership for Sustainable Textiles – Textilbündnis

The Partnership was launched in 2014 by German Federal Minister for Economic Cooperation and Development Dr. Gerd Müller. It is a multi-stakeholder coalition made up of around 130 companies, associations, NGOs, trade unions, standards organizations and the Federal German Government. The goal of the Partnership is to achieve social, ecological and economic improvements alongside the entire textile supply chain.





## Safe products

Our Restricted Substances List (RSL), combined with our Manufacturing Restricted Substances List (MRSL), is the backbone of our product safety process. To monitor compliance with our RSL, we employ a testing process based on REACH, the European Union regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals, as well as applicable national legislation in Esprit's sales markets.

Additionally, mechanical tests are conducted on our products. These are in accordance with our Material Quality and Safety Requirements, based on global standards and norms.

We also consider the safety of our packaging materials, and we implemented the AFIRM Packaging Restricted Substances List in July 2018.







## How we ensure safe products

Our goal is to create safe, long-lasting and high-quality products that our customers will love for years to come. Each item must pass through multiple chemical and mechanical tests by independent and certified testing institutes, as well as internal reviews to ensure it meets our safety and quality requirements.



**On-site check:** Before shipment, an inline and final inspection is performed by the local Esprit QA team, or by an approved third party inspector. Our unique digital QA tool enables onsite teams to transmit information in real time to our HQ.

**Testing Integrated with Manufacturing:** Throughout product Development, Sampling, and Production, our Product Safety Management and Local QA teams are working with our suppliers and overseeing quality and testing.

All Esprit products are tested by independent and certified laboratories before leaving the factory.

**HQ Review:** Our Product Safety Managers review the test reports and advise our suppliers about improvements if they are needed.

**Distribution:** Only products with a test report showing they have passed inspection are allowed to be shipped to our Distribution Centers.

**Incoming goods quality check:** Goods are examined again by our Quality Control teams when arriving in our European Distribution Center. These controls monitor whether material or workmanship quality were impacted during transportation, and also verify again that our standards, and any improvements we identified, were applied for bulk production.

**Post-testing at incoming goods:** Our Esprit in-house laboratory also checks goods as they are delivered to our distribution center to verify testing results and ensure that any required improvements have been applied to bulk production.

**Customer Feedback:** Our customers' feedback is the most important feedback we get. We take our customer requests seriously, and follow-up on every comment we receive, whether it is feedback on our quality, or opinions we receive via our e-shop. We also analyze data on customer returns and compile feedback which comes via our customer service or social media. This information enables us to see where we can improve our products in the future and helps us ensure high quality as we create new items our customers will love.

### How we handle non-compliances

We investigate on-site to find the root cause of any chemical non-compliance, which can arise from chemical products, processing conditions, or other unexpected sources. We work together on process improvement to resolve the issue. Then, we share the findings with our supplier network so that everyone learns from the process.

As a last resort, if we cannot assure the safety of a product, it is destroyed safely and in accordance with legal requirements, under our supervision.



### Case study on InCheck (ZDHC)

We joined the ZDHC Foundation, to improve the safety of the chemicals we use, and ultimately the health and safety of our manufacturing partners, their communities, and the environment. One way we are working toward this goal is through supporting our suppliers to improve their chemical management – which can be quite a challenge. To simplify the process, we are encouraging our suppliers to use ZDHC's InCheck report to benchmark and understand their current performance based on the chemicals they are using. Twelve mills in our supply chain are currently using InCheck.

Once suppliers join the ZDHC Gateway and upload their chemical inventory data, they are able to download their InCheck report, which they can use to evaluate whether the chemicals they are using conform to the ZDHC Manufacturing Restricted Substances List (ZDHC MRSL). Where chemicals do not meet requirements, the system suggests approved alternatives.

Use of InCheck not only promotes the procurement and use of sustainable chemicals, it also builds awareness and knowledge, as mills can use the system to research chemical product information, find Safety Data Sheet documents, and view certifications and the associated ZDHC MRSL conformance level for certain chemical products.

InCheck provides suppliers with clear results and guidance to improve the quality of their chemical inputs, and it allows us to understand their performance, and to provide support if needed. In this way, we work as partners toward our shared goal of achieving zero discharge of hazardous chemicals.





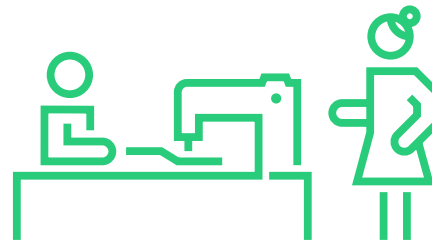
## Responsible for People

We are very careful to select partners who share our vision for a regenerative fashion industry, capable of supplying millions of jobs and a stepping stone toward economic freedom for workers and their families.

### Accomplishments



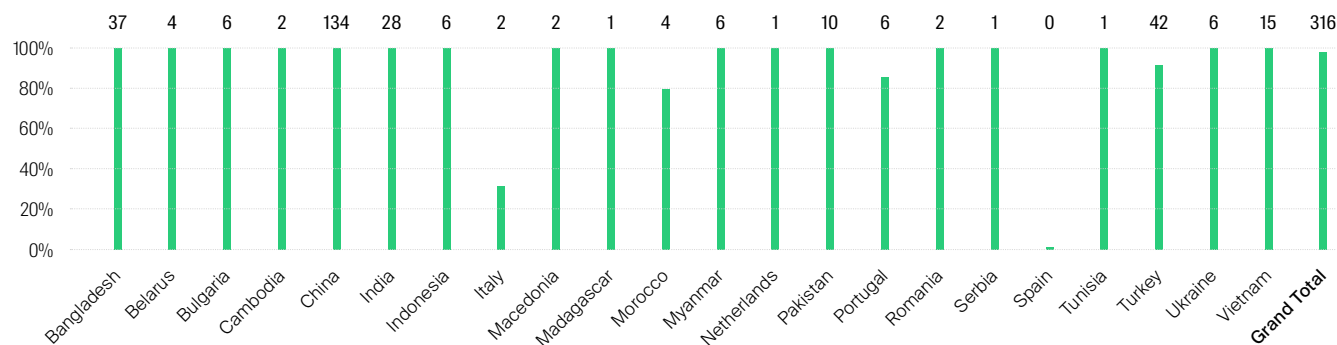
We have conducted **316** social compliance audits in **22** countries.



All of our Tier 1 suppliers in India and Bangladesh have set targets to **increase the number of female line supervisors**.

### Overview social compliance audits per country

Total number of operations that have completed human rights reviews or human rights impact assessments.
























# 95%

of our suppliers in Bangladesh have accomplished their corrective actions identified during **inspections by the auditors of the Bangladesh Accord**.





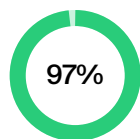
## Goals

TOPIC	TARGET BY JULY 2021	FY 18/19	FY 17/18	SUSTAINABLE DEVELOPMENT GOALS
 RESPONSIBLE FOR PEOPLE				
Social compliance	All factories (Tier 1) have at least a C-rating (acceptable) in their social compliance audit (ongoing)	 97%	 95%	       
Women empowerment	15% of supervisory roles across our supplier factories in Bangladesh will be held by female employees	 51%	 42%	 
	15% of supervisory roles across our supplier factories in India will be held by female employees	 75%	 55%	
Safe buildings	100% of our suppliers in Bangladesh have accomplished their corrective actions identified during inspections by the auditors of the Bangladesh Accord (ongoing)	 95%	 96%	 



## How we ensure fair and safe working conditions

We have clear requirements for factory working conditions based on local law and the International Labour Organisation (ILO) standards.



All factories (Tier 1) have at least a C-rating (acceptable) in their social compliance audit (ongoing)

Our Supplier Code of Conduct forms the basis of our continuous monitoring system, which is done by our internal teams and through partnerships with external auditing bodies. We also believe that collaboration leads to systemic, industry-wide improvements, so we work with international NGOs, global and local unions, and various multi-stakeholder and industry initiatives, such as Amfori Business Social Compliance Initiative (BSCI), the Bangladesh Accord on Fire and Building Safety, the German Partnership for Sustainable Textiles, and the ACT on Living Wage.

Our target is that all Tier 1 factories have at least a C-level rating in their social sustainability assessments. While 100% is our aspirational goal and the actual number will constantly fluctuate slightly, we are proud of reaching 97% for FY18/19. The remaining 3% of our suppliers are either working on improvement plans, or they are new suppliers that have yet to undergo an audit to receive a score.



“Being a part of a sustainability committed brand means doing hard work that you enjoy. Being able to see the change in workers’ lives is a powerful source of energy that does not just give motivation to work but also simple daily life itself.”

— Bayramhan Boyer  
Manager Social Sustainability



### What a social compliance audit looks like

A social compliance audit is a complex process that includes gathering and verifying feedback and information from multiple stakeholders. In high-risk regions, we audit our suppliers' factories at least once per year. The findings of each audit are used to create a time-bound corrective action plan so that the factory knows the steps they must take to address any problems that may have been found. We use both internal and external audits to help build an accurate picture of factory performance.

#### Internal audits:

We have a team of Social Sustainability Managers within our key sourcing countries. These teams conduct audits and follow-up visits as needed to ensure that factories make progress toward aligning with the Esprit Supplier Code of Conduct, as well as to verify the quality of the third-party audits.

#### External audits:

We also work with third party auditing firms who conduct audits on our behalf. Esprit is a member of Amfori Business Social Compliance Initiative (BSCI), a group of over 2000 companies that works to ensure that conditions in our suppliers' factories are appropriate, safe, and meet legal requirements.

Both auditing processes involve spending a lot of time cross-checking the data that is shared (for example payroll, production, quality or even energy consumption records) and verifying multiple data sources to make sure nothing has been manipulated and to confirm consistency. Auditors also discuss records and factory practices with workers and with management to confirm accuracy, and spend considerable time observing first-hand the way people interact and the way they perform their duties. Only after our audit teams have created a first-hand account of the factory's way of working, and thoroughly examined the data and stakeholder accounts, can we really say we have an audit report we can trust.



## What a social compliance audit looks like

### Time Records

These documents help us to understand work hours and expectations and whether workers are paid appropriately.

### Stakeholder interviews

Stakeholder interviews help us to understand the broader regional circumstances, and can help open our eyes to potential issues that the community is concerned about, or to positive feedback.

### Walkthrough

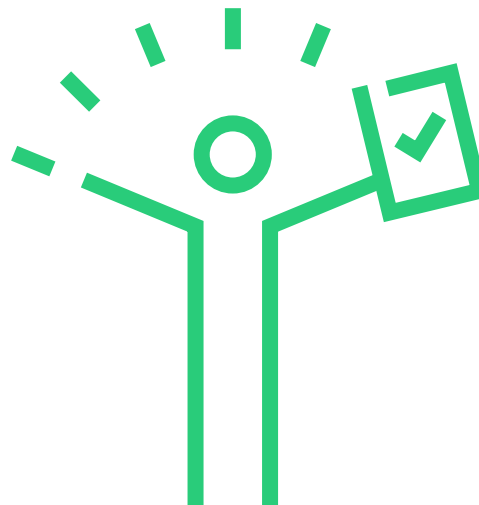
By walking through the factory and observing with our own eyes, we get a real feel for the surroundings, the risks, the morale, and the environment. This part of the audit is crucial.

### Management interview

Interviewing factory management provides a valuable perspective not only on factory practices, but on the reasons that underpin those practices.

### Worker interview

It is crucial to get the workers' perspectives on the factory, but also on their own lives and whether they are able to pursue their goals inside and outside of their jobs. We also verify other data with the workers, who have a good sense of whether the information that is being shared is genuine.



### Payroll Check

This is a check to ensure minimum wage and overtime requirements are met.

### Production Records Check

We gather a sample of production records, which must be kept on hand permanently, and we interview management about the data they contain. These records are difficult to manipulate and they provide valuable information to help us build our picture of the factory's operations.





### Non-compliance issues in FY18/19

The most common non-compliance issues were the following:

- Incomplete wage data, working hours and production records or inconsistencies and incorrect calculations in records
- Failure to meet daily and weekly workhour limits such as 60 hour work weeks or 1 day off in 7 days
- Failure to meet daily and weekly workhour limits such as 60 hour work weeks or 1 day off in 7 days
- Transparency problems that show up as inconsistencies between documents, management interviews and worker interviews
- Lack of effective worker grievance mechanisms
- Lack of procedures and policies in discrimination (gender, union, political affiliation, etc.), grievance and benefits (such as maternity, leaves, etc.)
- Lack of robust subcontractor management systems in suppliers



## Non-compliance

Monitoring compliance with these standards is a constant challenge in our industry. We use auditing to ensure that factories meet and maintain our requirements, and to detect violations and make plans to improve factories. All audits result in a time-bound corrective action plan detailing improvement expectations.

We support our suppliers to move beyond our minimum standards, focusing on helping factories to build better management systems so that they can be better equipped to maintain their progress. In the spirit of partnership, we make every reasonable effort to support our suppliers to improve.

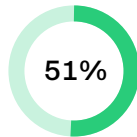
If an issue is exceptionally severe, however, it may be necessary to take immediate action, which could include suspending orders and shifting cut pieces or materials to other factories to be completed. Only when efforts to address problems fail, or if we see a lack of willingness to improve, will we stop doing business with the supplier. In FY18/19 Esprit dropped 3% of suppliers for poor social compliance performance. The most common zero-tolerance issues were working hours in excess of 60 hours per week per the ILO standards, failure to provide one day off over a seven day period as per ILO and BSCI standards, and inconsistencies between payroll, attendance and production records.

Another very serious issues we handle according to a specific protocol is child labor. In cases where child labor is uncovered, production can continue only if management immediately implements the remediation plan outlined in Esprit's Social Compliance Standards Manual. We also demand a high level of transparency from our partners. We define non-transparency as refusing audits, actively hiding documents or producing falsified records, actively misleading the auditor, or failing to participate in the audit process as agreed upon between Esprit and the supplier.

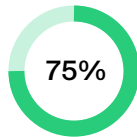




## Empowering Women



15% of supervisory roles across our supplier factories in Bangladesh will be held by female employees



15% of supervisory roles across our supplier factories in India will be held by female employees

The fashion industry is known for employing a large proportion of women, particularly in sewing factories. However, we find that within our industry – across the board – management teams do not reflect this female-dominated workforce. Female workers must receive the same opportunities as their male co-workers to learn, thrive and advance on the job, and we have committed ourselves to changing the current dynamic in order to bring about a more socially sustainable industry, and to support the UN Sustainable Development Goals related to reducing inequalities (SDG #10) and gender equality (SDG #5).

Our initial goal was to achieve complete gender parity among production supervisors by 2021. At the start of 2018, Esprit launched a pilot project to address this issue, starting with a survey of our suppliers' factories, first in Bangladesh and India. Our aim was to analyze the gender distribution of the workforce in order to see the percentages of women employed at various levels of the factories.

The results showed the disparity we suspected: While significant numbers of the workers in our suppliers' factories were female, the situation was exactly opposite in the supervisory level; the majority of supervisors were male.

We asked our suppliers in Bangladesh & India to set internal targets to increase the percentage of supervisory roles held by women, and we also asked them to examine current barriers and to create a plan that would enable them to successfully reach their target.

One year later, the results of a follow-up survey showed the beginnings of a meaningful shift. While specific goals were met or exceeded by only 30% of the suppliers in Bangladesh and

19% of the suppliers in India, an increase in female supervisors was seen overall in 47% of the Bangladeshi suppliers and 62% of the Indian suppliers.

Importantly, when asked whether there was a benefit to having more women in leadership roles, some very specific improvements were identified, including:

- Female supervisors can better empathize with and motivate female workers, leading to an increase in productivity.
- Female workers are more comfortable in sharing their personal challenges with female supervisors, who are then better able to help address and resolve these challenges.
- There was an overall reduction in absenteeism, worker turnover, harassment, and even abuse in the production lines.
- Female supervisors showed a better ability to achieve hourly targets, which ultimately helps in reducing overtime work.



### Examples of supplier initiatives

- Arrange counseling sessions for female workers on future prospects of working as production supervisors.
- Identify prospective female candidates within current workforce for supervisory role. Provide trainings on soft skills like decision-making, motivation, communication skills, and leadership, as well as technical skills.
- Give priority to female candidates during recruitment of production supervisors.
- Arrange gender-sensitization trainings for male supervisors and mid-level management staff.





Our suppliers were not the only ones who learned important lessons in this pilot; we also learned more about the social and cultural barriers to achieving our initial goal of gender parity. And we learned that our time frame was too short to inspire social change that goes against decades of structural norms. As a result, we have adjusted our goal to better reflect the changes we are able to effect. Instead of aiming for gender parity, we have set a goal that 15% of supervisory roles across our supplier base in both India and Bangladesh will be held by women. This is a more appropriate goal for the time-frame we are working with, and it is ambitious enough to be meaningful while also being achievable enough to motivate our suppliers to continue making progress.

Overall, we were gratified to see that the factories saw benefits of increasing the number of women in leadership roles, which is translating to an interest and investment in accelerating this change themselves.







## Freedom of association

Freedom of association is a fundamental right and the basis for employees to participate in shaping their working conditions. While most companies include respect for workers' freedom of association as a key part of their codes of conduct, brands often lack the tools to uphold this commitment in a meaningful way.

In order to support this important work, Esprit joined IndustriALL Global Union in signing a Global Framework Agreement. Under this agreement, IndustriALL and its affiliates in apparel producing countries will work with Esprit to support workers' freedom of association in countries where such rights are all too often ignored.



## Living wage

Esprit feels strongly that the workers making our products should be able to live on the money they earn. Low wages are a long-standing problem in the apparel industry for several reasons. The industry is highly fragmented, with multiple competing brands often sharing factories. This makes it difficult to bring about systemic change without cooperation among competitors in the industry, as well as with governments, labor unions, workers, and factory owners. Production is scattered across the globe, which makes calculating a living wage in myriad locations a complex task. Reaching a consensus on the understanding of fair wages presents one of the industry's biggest challenges.

To overcome this challenge, Esprit joined with 18 other brands in signing a memorandum of understanding with IndustriALL Global Union to form an initiative known as ACT, which stands for Action, Collaboration and Transformation. ACT seeks to address the problem of low wages in the apparel industry by promoting industry-wide, nation-wide collective bargaining agreements in key apparel exporting countries. Through their union representatives, workers can negotiate higher wages within agreements that address a range of concerns about working conditions, while preserving the competitiveness of their industry.

ACT makes it clear that wages and compensation must be paid regularly and on time, and be sufficient to meet basic needs and provide some discretionary income for workers and their families. Additionally, this living wage refers to the basic wage, not including payments like overtime, which are in addition to the living wage.

Additionally, we are piloting a project in partnership with Solidaridad, a Netherlands-based global not-for-profit organization. Through this pilot, we are deploying the Quizrr digital education tools, specifically on worker engagement and wage management systems, to one of our key suppliers in China. The program is a combination of the digital tools from Quizrr to raise awareness and train workers through tablets on the various modules and Solidaridad guidance and technical support on the ground. Solidaridad supports factory staff and management to actually implement more transparent and professional wage management systems at factory level by also giving workers the opportunity for development.

Quizrr's digital training platform for factories uses a gamification approach to address employment rights and responsibilities, and measure performance. The broader goal is to work toward better labor conditions and fair wages, promote skills development, and achieve progress on the SDGs.



## Review of buying practices

ACT also focuses on shifting brand behaviors to support these same goals, mainly through adjusting brand purchasing practices. In June 2017 Esprit's buying team took part in a pilot self-assessment study, which was used to develop a purchasing practices guideline, which has now been completed. Our Head of Buying will take part in a workshop in September 2019 to address implementation of this new guideline.

## Wage Data Compliance

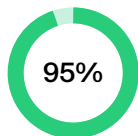
In addition to monitoring local minimum wage requirements, Esprit compiles wage data from our manufacturing regions. The goal is to understand how much money workers actually earn and take home, and to better understand the actual cost of living in their communities. Part of this data comes from the Fair Remuneration Scan that is part of BSCI audits. We are taking a special look at countries where a wage ladder is built into minimum wage regulation to find ways to move workers up the wage ladder as their skills and productivity improve.







## Fire and building safety



100% of our suppliers in Bangladesh have accomplished their corrective actions identified by the auditors of the Bangladesh Accord (ongoing)

The Rana Plaza building collapse in 2013 was both a tragedy and a turning point for the apparel industry in Bangladesh. Immediately following this, Esprit was one of the first companies to sign onto the Bangladesh Accord on Fire and Building Safety, and we have been working through the Accord to improve building, fire and electrical safety in our factories in Bangladesh since then. After the initial Accord expired in May 2018, we were part of the negotiation team that successfully secured an extension—ensuring that we can achieve improvements we set out to make.

While our target for remediation is that 100% of all issues identified through Accord audits are resolved, we know that factory performance fluctuates, and so our actual remediation percentage does as well.

Our remediation rate as of June 2019 was 95%. Most of our established suppliers have completed their initial corrective actions and are now working on fine tuning these improvements, for example, completing full synchronization of the fire alarm system with the fire hydrant and/or sprinkler system.

One challenge has been that some of our longer-standing suppliers have added new buildings to their premises, which added new corrective actions to their existing plans. Another challenge this past year has been that we on-boarded several newly-built factories who have only recently been audited by the Accord, so their remediation progress has been slower than that of established factories who have been working on their corrective actions for multiple years.





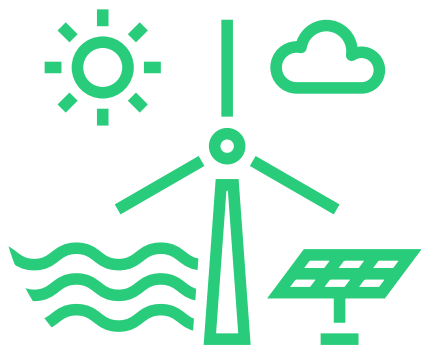
## Ship and Sell Sustainably

In addition to examining how we design and manufacture our products, to be truly circular we also need to assess whether our transportation, warehousing, headquarters operations, and retail practices support a circular economy.

As we have detailed below, we run a variety of projects tailored to the specific activities that take place at each step of shipping and selling. Our overarching goal with all of these projects is to reduce our carbon footprint, and minimize our waste.

### Waste Management

According to the “Commercial Waste Ordinance” legislation in Germany, we have implemented proper waste disposal systems in all German locations. We segregate waste within our office buildings, separately handling paper, plastics, and other recyclable material.



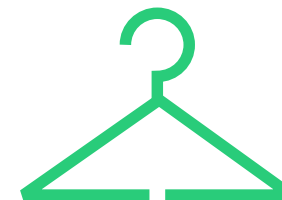
#### Renewable energy:

53,2%  
Germany

100%  
Showroom in Helsinki

100%  
Esprit office in New York

45% of the hangers we currently use are made of recycled PET bottles, and can be reused multiple times.



















We ship **80%** of our e-com parcels in Europe via climate-neutral or reduced-emissions modes of transport.



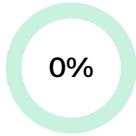


# Goals

TOPIC	TARGET BY JULY 2021	FY 18/19	FY 17/18	SUSTAINABLE DEVELOPMENT GOALS
 SHIP & SELL SUSTAINABLY				
Carbon footprint	Reduce greenhouse gas (GHG) emissions by 30%	 0%	 0%	
	Increase train shipments to 5%	 86%	 82%	
	Reduce air shipments to 5%	 0%	 0%	
	90% carbon-neutral or carbon-reduced shipping methods in our European e-shop	 88%	 80%	
Reducing and handling waste	Reduce the amount of damaged cardboard boxes for product shipment by 11%	 100%	 0%	 
	50% of hangers used for garment transportation are reused and made of recycled PET-bottles	 90%	 20%	



## Carbon Footprint



**Reduce greenhouse gas emissions (GHG)\* by 30%**

\*Baseline FY17/18: 40,674 CO<sub>2</sub>e

Our carbon footprint includes our local office operations, logistics centers, and our warehouses in both Europe and the Asia-Pacific region. We track our progress across Scopes 1, 2, and 3, which is how we classify our greenhouse gas emissions based on how directly our business activities are related to the impacts. Scope 1 refers to direct emissions related to fuel combustion, such as gas for heating our stores and offices. We've reduced our carbon footprint in Scope 1 over the past year. Scope 2 refers to indirect emissions coming from purchased electricity. This encompasses things like lighting for our warehouses, offices, and shops. Scope 3 is where we have the largest footprint, and this is also the most difficult area to address. Scope 3 relates to additional indirect emissions that occur related to logistics, business travel, and also commuting.





This year, we are doing two different calculations for the carbon footprint at each Scope. The first number below shows the calculation using the same methodology that was used to set our baseline figure. This calculation method is used to show our progress against our baseline. The second number is based on an expanded data set and new details that were

previously not available related to our centralized warehouse in Shanghai and inbound transportation figures. Therefore, we consider the second number to be the “actual figure.” Both numbers will continue to be monitored and shared going forward.

**SCOPE 1**

covers all emissions related to fuel combustion, such as gas combustion for heating or fuel combustion in a car.

**Gas for heating**

- Stores
- Offices

**Fuel**

- Fleet cars

**SCOPE 2**

is the applicable scope for emissions related to purchased electricity.

**Electricity**

- Warehouses
- Local offices / showrooms
- Retail stores
- Grid heating

**SCOPE 3**

is for all emissions generated by logistics processes, employee commuting and business travel

**Emissions**

- Logistics airplane, truck, rail, vessels
- Business travel train, airplane

Baseline figure:  
GHG: 2,457 T CO<sub>2</sub>E

Baseline figure:  
GHG: 10,189 T CO<sub>2</sub>E

Baseline figure:  
GHG: 34,949 T CO<sub>2</sub>E

**BASELINE<sup>\*</sup>: GHG: 47,595 T CO<sub>2</sub>E**

<sup>\*</sup>Calculation using baseline methodology

**ACTUAL FIGURE:**  
GHG: 2,457 T CO<sub>2</sub>E

**ACTUAL FIGURE:**  
GHG: 10,189 T CO<sub>2</sub>E

**ACTUAL FIGURE:**  
GHG: 49,064 T CO<sub>2</sub>E

**TOTAL ACTUAL<sup>\*\*</sup>: 61,710 T CO<sub>2</sub>E**

<sup>\*\*</sup>Calculation using updated methodology



## Scopes 1 & 2

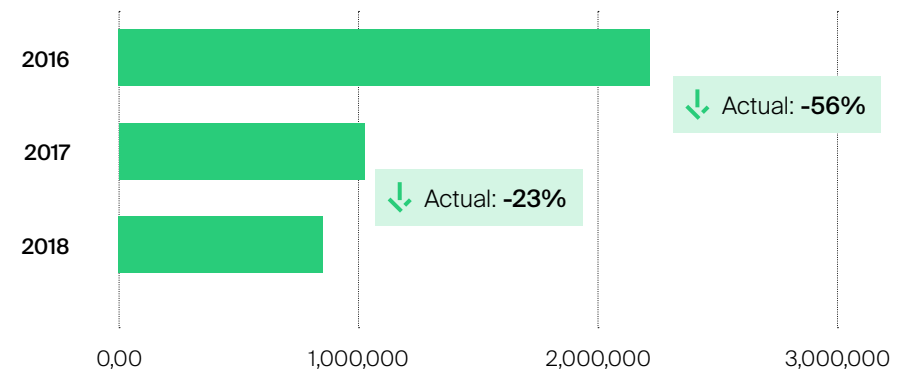
Electricity and gas for our buildings and fuel for our cars fall into our Scope 1 and 2 greenhouse gas emissions. We've looked carefully at how to minimize these emissions, and every two weeks, our headquarters taskforce measures the environmental impact of our day-to-day operations, including our gas, electricity, and also our water use. We use automatic systems to monitor and control our lighting, heating, ventilation, window shade, and air conditioning systems. We have also chosen to purchase carbon neutral energy from our service providers in Germany, Austria and Switzerland. Our operations in these countries now join those in the USA and Finland in being powered by 100% renewable energy.

Additionally, we conduct energy efficiency audits of our buildings in accordance with DIN 16247-1, an accredited set of energy efficiency standards. Twenty of the buildings we use in Germany have been through this process so far, with the most recent audit taking place in 2019.

We are proud that our German warehouse has also been certified according to the BREEAM standard, which evaluates and scores parameters such as energy and water use, health and well-being, pollution, transport, materials, waste, land use and ecology, management and innovation.

For local business travel, we maintain a fleet of cars available in Ratingen, Belgium, Netherlands, Luxemburg, Italy. We track all emissions associated with these vehicles, and we continually renew the fleet to use vehicles with low emissions.

### Reduction of carbon footprint in our headquarters





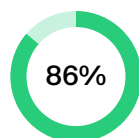


## Scope 3

Scope 3 is where our carbon footprint is the largest, and this is also the most difficult scope to impact since it is the business activities of our partners that directly impact this footprint. Over the past year, we have invested in centralizing our warehouse process in the APAC region, and this resulted in an increase of our Scope 3 carbon footprint over the short term. We are confident that the carbon reduction strategies we have established will efficiently reduce this impact once our warehouse transition is complete.

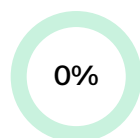
### Shipments

Shipments fall under Scope 3 because this is a value-chain activity; we are indirectly responsible for the emissions linked to transportation from the supplier to our warehouse. However, this is also a major component of our footprint and something we have taken very seriously.



**Increase train shipments to 5% by July 2021\***

\*Baseline FY17/18: 4.1% train shipments



**Reduce air shipments to 5% by July 2021\***

\*\*Baseline FY17/18: 8.3% air shipments

As a global company, we are keenly aware that some of our products may have traveled the world before landing in the hands of our customers. It is our duty to minimize the impact of this global travel, which may be by sea, truck, air, rail, or combined sea/air.

While CO2 emissions are front-of-mind when we think about shipments, the truth is that we must weigh different risks, benefits, business needs, and impacts on the environment for each mode of transportation. Our top choice is to use trains whenever feasible, since this has the lowest carbon footprint, allows for large quantities to be moved at once, and is not associated with risks for ocean life.

Regardless of the mode selected, we aim to reduce the carbon footprint by making sure cartons and containers are full, space is efficiently used, and orders are combined wherever possible.

### How we ship (Status FY18/19)

In brackets: change from previous year FY17/18 in percentage points



**Sea** (-1.8%)

68.7%



**Truck** (-2.4%)

11.3%



**Air** (+2.1%)

10.4%



**Sea/air** (+2.0%)

5.4%



**Rail** (+0.2%)

4.3%

#### Challenges

We have faced several challenges in working to achieve the goal of reducing our air shipments to 5%. The major reason for this shortfall in FY18/19 is that we are adjusting to new ways of working. For example, as we shift to using more sustainable materials, we are facing longer lead-times than expected, meaning our transportation time becomes shortened. In other cases we are working with newer suppliers and still establishing our relationships and our patterns.

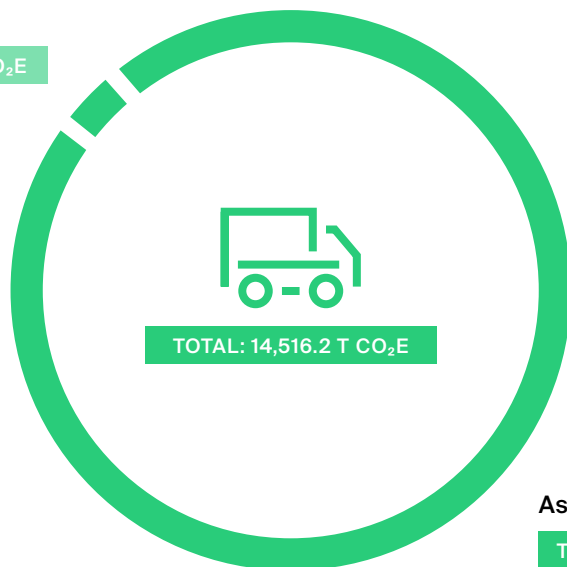


## Outbound Shipments – Warehouse to Retail

Outbound shipments, which account for a small percentage of our tracked emissions, are the second wave of shipping that originates at our distribution centers and ends with our goods arriving at our retail stores or with our wholesale partners

### Europe

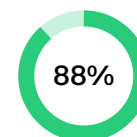
TOTAL: 401.4 T CO<sub>2</sub>E



### Asia Pacific

TOTAL: 14,114 T CO<sub>2</sub>E

## E-shop shipments

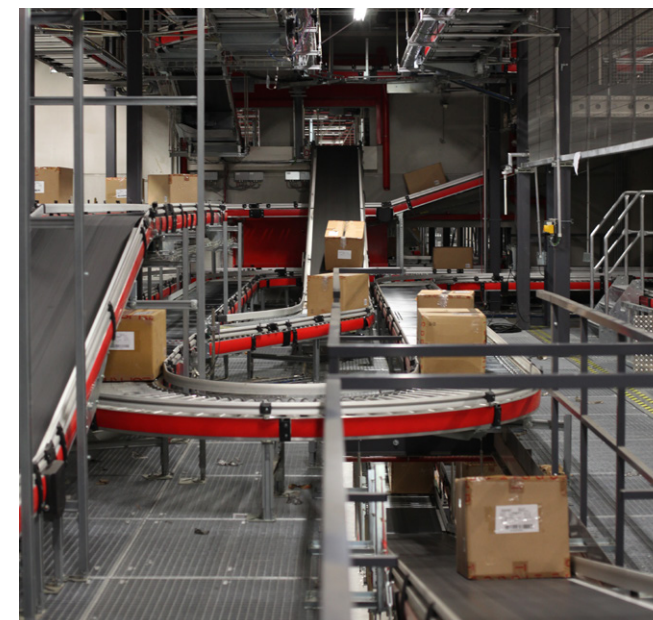


90% carbon-neutral or reduced-emissions shipping methods for products sold through our European e-shops by July 2021

Shipments from the warehouse to our customers also fall under Scope 3.

As more of our customers do their shopping online, we have been working hard to reduce the impact of shipping these online purchases, aiming to ship 90% of European e-commerce products through carbon-neutral or reduced-emissions modes of transport by July 2021.

By the end of FY18/19 around 80% of our European e-shop orders met this standard.





## Business Travel

Our preferred mode of transport for business travel is the train system. These trains use renewable energy and are carbon-neutral. We aim to avoid air travel as much as possible, and we track emissions associated with flying when this is deemed the appropriate option

### Carbon footprint of Esprit car fleet per km driven:

**2017 / 2018****5,066,667**

total km driven

**888,603**total CO<sub>2</sub>e [in kg]**+ 1,671,503 km****+ 172,460 CO<sub>2</sub>e [in kg]****2018 / 2019****6,738,170**

total km driven

**1,078,734**total CO<sub>2</sub>e [in kg]

### Carbon footprint generated by business flights:

**2017 / 2018****2,617**total CO<sub>2</sub>e [in t]**- 89 T CO<sub>2</sub>e [in kg]****2018 / 2019****2,528 T**total CO<sub>2</sub>e [in t]

## Commuting

As part of our emissions tracking, we look at the daily commutes of our colleagues, including distances and modes of transport. It is a reflection of our green culture that 18% of our headquarters employees have a carbon-neutral commute. Additionally, we have introduced mobile working in 2019, which has the benefit of reducing our carbon footprint in addition to enabling our employees to save time and gain flexibility.





## Packaging and Waste



**Reduce the amount of damaged cardboard boxes for product shipment by 11%**

Throughout transportation, we use cardboard boxes, hangers, and packaging to protect and organize our products. In 2017, we started to think critically about ways to reduce our packaging waste and be as efficient as possible in how we select, fill, and reuse our boxes, and how we fill our shipping containers. This minimizes waste and reduces weight in shipping, which ultimately saves energy.

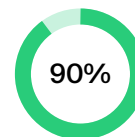
Our European Distribution Center has replaced cardboard with reusable boxes for transporting goods to our retail stores. By avoiding single-use boxes, we are able to save more than 790,000 boxes per year. For e-commerce, all our packaging (including cardboard boxes and envelopes) is made out of recycled paper. We have six different parcel and cardboard box sizes to achieve the best filling rate.

### E-Receipt Pilot

Starting from July 15 2019, we began piloting a digital receipt program in five of our German retail stores. This reflects our customers' increasing preference to use technology to organize their own lives, and it also saves paper and reduces waste. We know that people's preferences vary among different communities, so we've seen different adoption rates of digital receipts in our different stores.

However, we are encouraged that overall, our customers are taking advantage of the digital receipt option 12% of the time. Our shop with the highest uptake of the digital receipt option has seen digital receipts take a 23% share of their customer transactions.

In July 2018, we adopted the AFIRM Packaging Restricted Substances List to make sure all ensure the materials we use are safe, and we have systems in place for collection and recycling to minimize waste.



**50% of hangers used for garment transportation are reused and made of recycled PET-bottles**

We are particularly proud of our progress toward a more sustainable hanger system. We use hangers during transport for our more formal or more delicate garments, and last year we developed a program to standardize hangers, ensure they were made from recycled materials, and reuse them. We are on track to achieve our goal to reduce the usage of new hangers by 50% by July 2021.

### Packaging

We'd like to make plastic bubble-wrap a thing of the past. Our Logistics and Packaging teams are making the shift to recycled paper padding for transporting delicate items.





### Case Study: GHG reduction through energy saving

Last June, in partnership with GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit), Esprit launched a pilot project called “GHG Targets and implementation plans for Vietnamese garment and textile suppliers.”

Esprit’s nominated supplier, PPJ, was able to identify a number of specific energy-saving measures as a result of on-site assessments by GIZ’s energy consultants. It was estimated that those measures could help PPJ save up to 135 megawatt hours per year, which is the equivalent of 117 tons of CO<sub>2</sub> per year.

Now the factory is determining which areas to tackle first, with an update expected in October 2019.





# Extend Product Life

## Overview

Living our circular fashion philosophy means continuously thinking about ways to extend the useful life of each product, and approaching that question from multiple angles. While designing with quality and durability in mind is certainly part of this process, another equally

important aspect is engaging and educating our customers on their role in taking care of their garments. We are working to educate our customers on garment care and repair, and offering them support services in our shops.

## Accomplishments



We have provided **sustainable washing instructions** for each garment by including the **Clevercare** link into our care labels.









We have conducted a pilot in our German retail stores where our customers could **bring back broken garments for repairing**.



On our website we have **published a guideline** on how to wash garments right to extend their lives.

## Goals

TOPIC	TARGET BY JULY 2021		FY 18/19	SUSTAINABLE DEVELOPMENT GOALS
 <b>EXTEND PRODUCT LIFE</b>				
Reparable garments	Establish a repair service for Esprit garments in all our German retail stores	 100%	 36%	
	Establish a garment refinishing procedure for all our e-shops	 0%	 0%	



# How we take care

## Home laundering and care guidelines

Proper care is essential for each product to reach its longest possible life. Not only do we make sure that care instructions are always included on our labels, but we also provide helpful guidelines for our customers on how to interpret these care symbols, and additional care tips for delicate or specialized products. Our Care Guidelines are available on our website. Additionally, our care labels are aligned with the Clevercare system, which provides advice on how to “reduce climate impact, effort and money caring for fashion the clever way.” The Clevercare web address can be found on all of our apparel care labels.

## Product safety after sales

Our responsibility for the safety and quality of our products doesn't end when they reach our shops, or even when our customers take them home. We support spot checks conducted by national authorities in our shops all over the world, and we aim to transparently answer any questions or address any concerns, whether they come from national authorities or from any of our customers. Complaints are taken seriously, and we have established a thorough internal investigation process, and a swift and efficient recall process if ever it becomes necessary. In case you have any concerns or questions, please don't hesitate to contact customer service or [sustainability@esprit.com](mailto:sustainability@esprit.com).







## How we repair



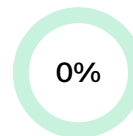
Establish a repair service for Esprit garments in all our German retail stores

### Repair Service

We aim to inspire our customers and equip them with the information they need to care for and repair their items instead of throwing them away. We offer a repair service for Esprit garments in all our retail stores in Germany.

We've also worked with professional local tailors to train our German store staff to pin and mark alterations in the shop before sending garments out for tailoring, saving our customers an extra trip to the tailor. They can simply pick up their newly customized or repaired products right there in the Esprit store about a week later.

We offer this service for free to our Esprit "Platinum" friends.



Establish a garment refinishing procedure for all our e-shops

### Garment refinishing

A new goal established last year was to reduce the number of garments returned to e-shops for minor, easily fixable problems. We are now testing a new initiative with our e-commerce partner to remove spots such as make-up marks, so that we can return these products to the stock. This would reclaim around 15,000 garments per year. At the same time, we are testing a repair initiative, enabling us to repair small defects such as loose buttons or open seams directly in the e-commerce warehouse.







## Reuse and Recycle

### Overview

While reuse and recycling may seem most relevant toward the end of a product's life, in reality, these are things we are considering from design concept through the full lifecycle of our products as we work to close the loop.

Here, we will share some of the ways we are working to ensure that after our products are made with smart design, using thoughtful materials and processes, we work to ensure that they don't become waste. Our goal is that they will re-enter the cycle to become useful, beautiful and long-lived garments once again. This is our commitment to circularity.

### Accomplishments


















We give customers the chance to return old clothes and give them a new life;  
**42,314 kg of products have been collected.**





## Goals

TOPIC	TARGET BY JULY 2021	FY 18/19	FY 17/18	SUSTAINABLE DEVELOPMENT GOALS
 REUSE & RECYCLE				
Product training	Everyone in our product teams will have gone through training in circular design (by 2020)	 100%	 100%	—
Collecting garments	Esprit will, in collaboration with PACKMEE, collect 50,000 kg of used garments via an e-tail garment collection program, with donation of 50% of the turnover to charity (by 2020)	 85%	 77%	 
Recycling	Esprit will produce at least 150,000 garments including at least 20% recycled post-consumer textile fibers (by 2020)	 95%	 61%	 
Lifecycle management	Esprit will increase the amount of garments resold by 40,000 kg (by 2020)	 100%	 100%	 



## Building Knowledge and Experience



By 2020, everyone in our product teams will have gone through training in circular design\*

\* and by 2020, we will establish a strategic plan to scale the cyclability of our product lines

We have already achieved our target that 100% of our designers are trained on circular fashion, which is detailed in the Design Smart chapter. We commit to maintaining this level of performance on our goal, while expanding the knowledge of our team members as they build experience, apply new tools, and share their success with colleagues.

Additionally, we continuously build and update our team's knowledge through regular product reviews and trainings, where we emphasize the vision of circularity, and invite an ongoing dialogue about how we will achieve it.

## Outlet and resale



By 2020, Esprit will increase the amount of garments resold by 40,000 kg

Any garments that are not sold through our retail and e-commerce channels within the expected timeframe are moved to one of our 32 outlets across Europe, where they are usually sold out completely.

Goods that do occasionally remain from our outlets are examined for quality issues, repaired as needed, and then sold in countries where Esprit does not have direct business, providing a third opportunity for that item to be purchased, loved, and used.

This process enables us to sell nearly 100% of the garments we create.

## Careful lifecycle management

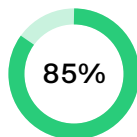
Proper stock planning allows us to minimize waste, and our aim is to make just the right number of products to meet our customer's needs, without generating waste in the raw materials, manufacturing, distribution, logistics, or sales steps.

Our Product, Buying and Merchandise divisions all work hand in hand to develop a smart purchasing strategy which ensures the right number of products, in the right places, at the right times.





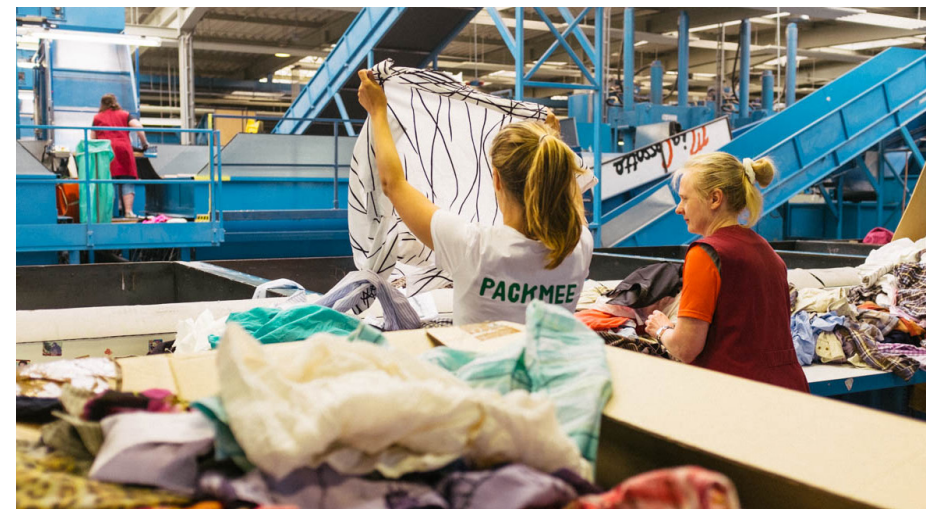
## Garment collection



By 2020, Esprit will, in collaboration with PACKMEE, collect 50,000 kg of used garments via an e-tail garment collection program, with donation of 100% of the profit to charity

Our vision is a fashion economy where people are uplifted, and where products have a long life, and ideally even a “second life,” before they re-enter the cycle for a new life. Through our partnership with PACKMEE, our customers can help us make this vision a reality. We provide a free shipping label to our customers and PACKMEE collects their old garments and shoes. PACKMEE ensures that the used clothing and shoes receive a second lease on life by selling the textiles. The profits are donated to Save the Children.

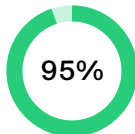
We are also working to establish a take-back program for all our European Retail stores by 2021.







## Closing the production loop



By 2020, Esprit will produce at least 150,000 garments including at least 20% recycled post-consumer textile fibers

We are working to incorporate pre-consumer fabric waste into our products, for example by recycling cotton cutting scraps into new yarn, or incorporating recycled denim scraps into new denim fabric. We encourage post-consumer recycling as well, by setting targets for recycled material use, and by supporting garment collection.

## Do we destroy garments?

Customer safety is our highest priority. A garment is only destroyed if customer safety cannot be guaranteed; for example, if a supplier has applied a restricted chemical that we do not permit. These situations occur very rarely since we work closely with our suppliers to monitor and manage chemical use. If destruction must occur, products are destroyed in the country of production under our supervision and in accordance with Esprit environmental directives.



4 Set the frame



# Embedding Sustainability

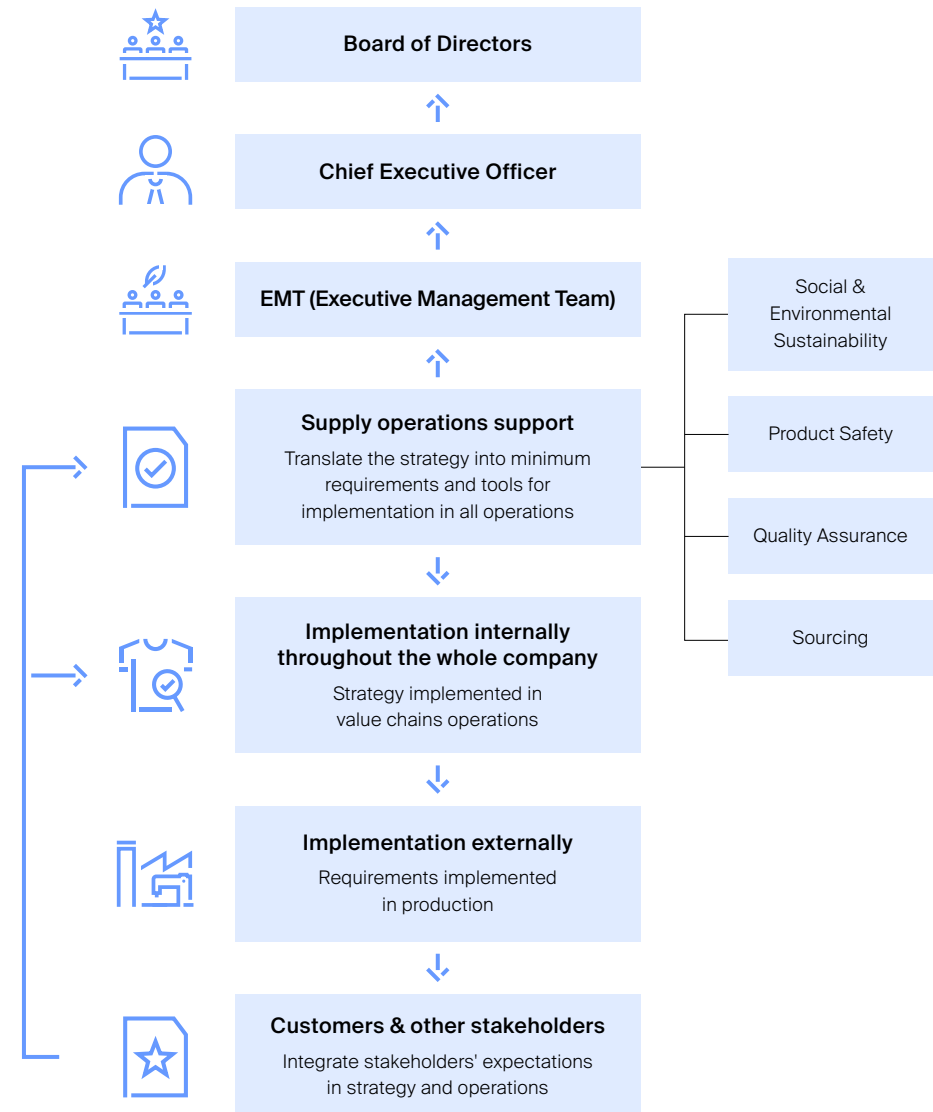
Our sustainability goals are embedded in our culture, in our daily decision-making, and in our planning for the future. This is true at every level of our company, and reinforced by the business structures and social platforms in place that ensure communication, consensus, and commitment to our circular economy goals.

## Implementing into supply chain

Members of the Esprit team who work closely with our supply chain partners, including our designers, product safety teams, technicians, quality assurance teams, and buying teams, take on the role of an ambassador, communicating our goals and our expectations to our partners.

Our partnership goes beyond communication, however. Our supply chain partners know they can rely on a network of support teams we've created specifically to help them implement our requirements and grow their own capabilities, building a more sustainable industry together.

## How sustainability is embedded





## The core of our policies

Our foundational policy, which sets the core framework for how we work, is our Code of Conduct. This document formalizes our expectations of our employees, and clarifies our philosophy, our values, and our ways of working. Each employee of Esprit signs this Code before starting, ensuring that they understand the principles behind Esprit, as well as the specific expectations regarding conflicts of interest, gifts and invitations, handling of confidential or proprietary information and the use of Esprit's resources.

The Code of Conduct also lays out the resources and protections we have established for our employees. For example, our Code of Conduct formalizes our values of diversity and equality, with clearly defined rules and processes to prevent discrimination.

All of our employees must be treated with respect and dignity; harassment and intimidation are not tolerated at Esprit, regardless of our peoples' national origin, gender, religion, age, sexual orientation, or whether they are disabled. Violations of our Code of Conduct are rigorously pursued to protect our employees and we have established a grievance mechanism in case situations do arise.

### Anti-corruption

We disapprove of any kind of corruption and expect our employees and all business partners to clearly denounce corruption and unfair business practices. We have an Anti-Corruption Policy that outlines the expected behavior of all of our employees related to integrity and fairness. This covers corrupt business practices as well as criminal offenses, including bribery, misappropriation, embezzlement, fraud, money laundering, and violations of tax and foreign exchange laws. Through the combination of our Code of Conduct and the Anti-Corruption Policy, Esprit commits to a global Anti-Corruption Program. Its implementation and enforcement are risk-based and tailored to prevent corruption throughout Esprit's business activities, applying to all persons working for or on behalf of Esprit. The Anti-Corruption Policy and the effectiveness of the Anti-Corruption Program are assessed and revised by the Compliance team on a regular basis.

### Anti trust

Free and fair competition forms the basis of commercial activity. We have an Antitrust Policy, in alignment with antitrust legislation, which helps to ensure and maintain effective competition in the market. Antitrust and competition laws thus prohibit certain agreements, practices and conduct which could have a damaging effect on competition. They have a significant impact on most aspects of Esprit's everyday business activities, including pricing, promotion and sale of products and services, relationships with suppliers, distributors, dealers, franchisees and competitors. We are committed to the principle of free competition, which requires that those in positions of management within Esprit are familiar and at all times compliant with the principles of both national and international competition laws.





## Training

Corruption and unfair competition is a very serious issue for any company, as is breaking competition law. To ensure that our employees fully understand our expectations and requirements, and to ensure that they are able to comply with our Anti-Corruption and Antitrust Policies, we conduct regular trainings in high-risk departments and regions on both policies.

**i** In FY18/19 our Compliance team trained around 150 new colleagues from different departments, such as Finance, Human Resources, Marketing and Operations

## Grievance process

If sensitive situations arise, we have a Whistleblowing Helpline in place. This Helpline is open for all Esprit employees worldwide, as well as for the employees of our wholesale and franchise partners, suppliers and other business partners. The Whistleblower Helpline provides direct contact with our Compliance department, which provides confidential guidance and help. We follow a strict zero-tolerance approach for non-compliance with our policies

**i** In FY18/19, there was not a single public legal allegation against Esprit on compliance issues, such as corruption and unfair competition or breaches of antitrust law.

## Supplier Code of Conduct

Since we do not own the manufacturing facilities we work with, we need to carefully select partners who share our values. Our Supplier Code of Conduct sets forth our expectations, and each supplier must agree to these requirements prior to working with us.

Our publicly available Supplier Code of Conduct is based on the ILO Convention, an internationally-acknowledged regulation developed by the International Labour Organisation.

## Sustainable Materials Policy

Alongside our Supplier Code of Conduct, our suppliers must also comply with the Esprit Sustainable Materials Policy, which includes the following:

- Our Animal Welfare Policy and Requirements for animal-derived fibers, such as expectations regarding support for the Five Freedoms as well as requirements on wool (with a focus on mulesing), down, leather and a ban on fur, angora and mohair.
- Our requirements on traceability of subcontractors
- Prohibition of certain materials, including cotton from Turkmenistan and Uzbekistan, Cupro and Polyvinylchloride (PVC)



# 5 How we report

## 5. How We Report

This report is Esprit Holdings Limited's (called "Esprit" in this report) Sustainability Report, written in accordance with the Global Reporting Initiative (GRI) G4 "Core" level. Our Sustainability Report is produced annually, together with our Annual Report covering our financial performance. This Sustainability Report covers our identified risks, focus areas and material topics (see Materiality assessment) and gives an overview of our new strategy towards circularity, including tools, targets, and progress of Esprit and all its entities covered in our Annual Report for financial year (FY18/19), ended June 30, 2019.

### Ongoing Dialogue

Ongoing stakeholder dialogue is integrated in our business processes, and has informed the priorities and the sustainability targets shared in this report. For example, our stakeholders, from civil society organizations to customers, expressed a desire for greater transparency, and we responded—achieving second place in the 2019 Fashion Transparency Index. This is emblematic of the way we work: we strive for open and transparent dialogue to explain challenges in our industry and to communicate how we are tackling them.



**Employees**

Our employees are the heart and soul of our company, and we foster a culture that they can feel proud to contribute to. Alongside trainings and workshops, we offer opportunities for community engagement, and ways to shape our company through groups such as the Workers Council, the Canteen team, or our employee health and sustainability team.

**Shareholders**

Our shareholders help to define the priorities of the company, including our sustainability goals and our overall ambition to help build a circular economy for fashion. Our shareholders play a key role in the development of our materiality assessment.

**Business Partners**

We carefully select and support our business partners. Over the past two years, we've invested in expanding and improving our Vendor Portal, which is a direct line between Esprit and our business partners. This tool streamlines dialogue, allows for real-time communication, and ensures that no important information is lost.

**Customers**

We always welcome our customers' feedback, which they can easily share through our Customer Service department. We also proactively reach out to invite our customers to share their thoughts through our customer surveys. Core customers are periodically invited to in-person review sessions with our executive management team at our German HQ.

**Industry Initiatives**

Our active participation in various multi-stakeholder industry initiatives and organizations enables dialogue with governments and with civil society. Examples of these groups include Business Social Compliance Initiative, Zero Discharge of Hazardous Chemicals, and ACT on Living Wage.

# ESPRIT





## Our partners and memberships





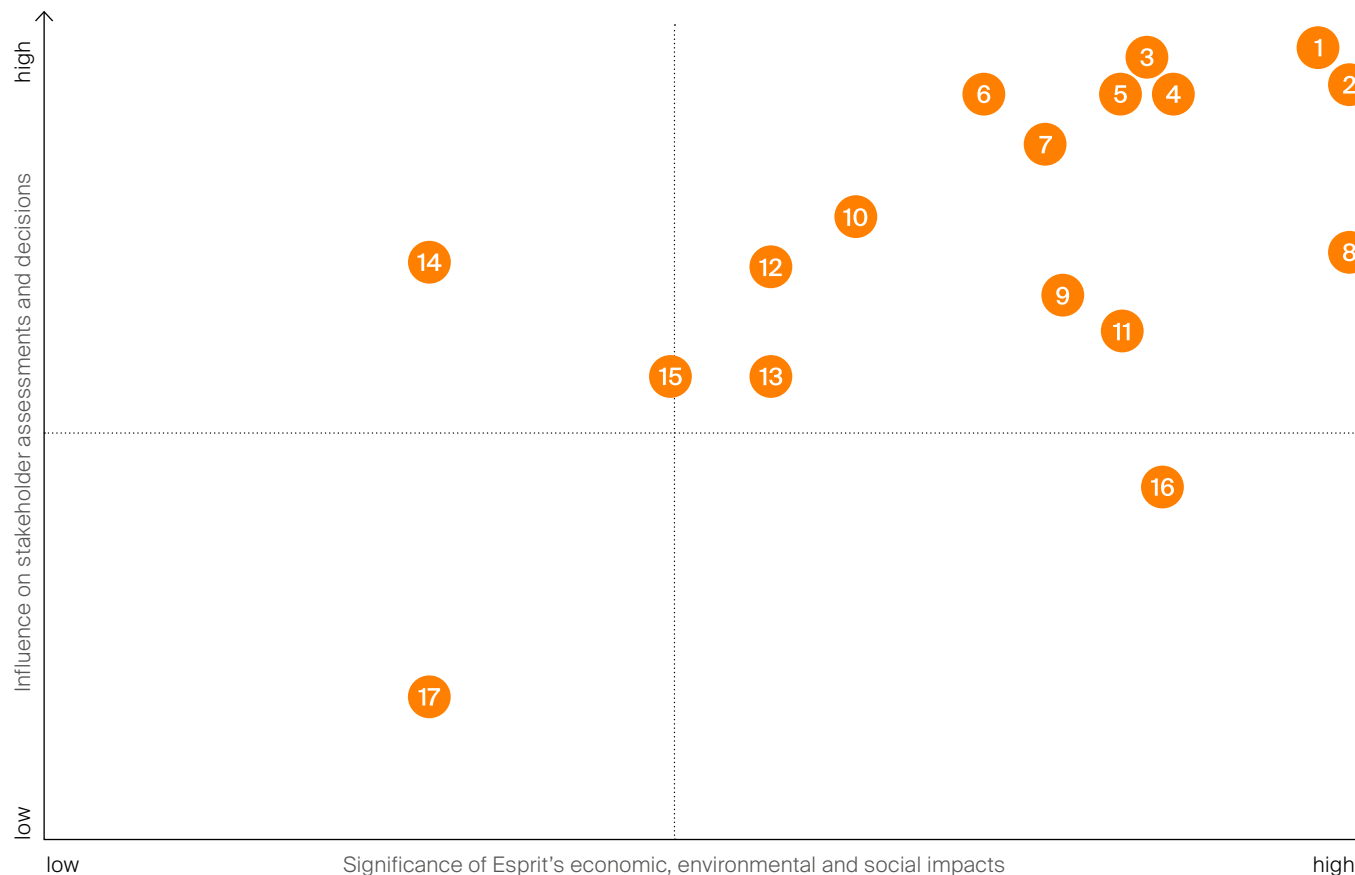
## Materiality assessment

As a result of the dialogue with all stakeholder groups, we have again refined our priorities. This materiality assessment plots our top priorities, mapping them in terms of our social, environmental, and economic impacts, as well as their relevance to our stakeholders.

Top priorities of our stakeholders align with our commitments to circularity, to responsible sourcing, to living wages, to responsible water and chemical management, and to using more sustainable materials.

1. Business performance
2. Customer satisfaction
3. Responsible sourcing
4. Product safety
5. Sustainable materials
6. Water and chemical management
7. Living wage
8. Compliance
9. Animal Welfare
10. Carbon footprint
11. Relationship with our suppliers
12. Gender equality
13. Diversity and equality
14. Solid waste
15. Responsible marketing
16. Employee development
17. Community and employee engagement

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# Corporate information

**Executive Chairman**

· Dr Raymond OR Ching Fai

**Deputy Chairman**

· Paul CHENG Ming Fun  
Independent Non-executive Director  
(retired on 5 December 2018)

**Executive Directors**

· Anders Christian KRISTIANSEN  
Group CEO  
· Thomas TANG Wing Yung  
Group CFO

**Non-executive Director**

· Jürgen Alfred Rudolf FRIEDRICH

**Independent Non-executive Directors**

· Alexander Reid HAMILTON  
· Carmelo LEE Ka Sze  
· Norbert Adolf PLATT  
· Dr José María CASTELLANO RIOS  
(retired on 5 December 2018)

**Company Secretary**

· HUNG Lee Lee

**Principal bankers**

· The Hongkong and Shanghai Banking Corporation Limited  
· Deutsche Bank AG  
· BNP Paribas  
· Hang Seng Bank Limited  
· Mizuho Bank, Ltd

**Auditor**

· PricewaterhouseCoopers  
· Certified Public Accountants

**Principal legal advisor**

· Baker & McKenzie  
· Freshfields Bruckhaus Deringer

**Share listing**

Esprit's shares are listed on The Stock Exchange of Hong Kong Limited (SEHK). The Company has a Level 1 sponsored American Depositary Receipt (ADR) program.

**Stock code**

· SEHK: 00330  
· ADR: ESPGY

**Principal share registrar**

MUFG Fund Services (Bermuda) Limited  
4th Floor North, Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
Bermuda

**Hong Kong branch share registrar**

Tricor Secretaries Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**Registered office**

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

**Hong Kong headquarters**

Unit 1101, 11/F  
Goldin Financial Global Centre  
17 Kai Cheung Road  
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Kowloon, Hong Kong  
**t** + 852 2765 4321  
**f** + 852 2362 5576

**Global business headquarters**

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40882 Ratingen  
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**t** + 49 2102 123-0  
**f** + 49 2102 12315-100

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# We welcome your feedback and thoughts!

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