



ESPRIT

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT 2021

Hong Kong Stock Code 00330
Esprit Holdings Limited (Incorporated in Bermuda with limited liability)

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WELCOME



Letter from the Group

Dear Readers,

Welcome to the Esprit ESG Report 2021. Esprit's approach to business and product creation has always been deeply rooted in its values of environmental sustainability and fashion circularity. This remains true even during the challenging conditions brought on by the lingering COVID-19 pandemic, on top of increasing raw material prices around the world. Esprit did not lose focus on its sustainability mission. The company made significant progress with the integration of sustainable fibers across its value chain with over 78% being supplied from sustainable sources, compared to 60% in 2020. The company is incredibly proud of this achievement. It is no easy feat.

The team at Esprit continuously monitors legislations and due diligence standards that must be fulfilled by retail companies alike. The apparel supply chain is very complex and long. The company has put a strong emphasis on policies and monitoring systems to create a transparent and sustainable supply chain. Esprit has successfully accomplished the Green Button company assessment in May 2021 and can therefore apply the Green button logo on all GOTS*-certified Esprit products. The Green Button is a government-run certification label for sustainable textiles, developed by the Federal Ministry for Economic Cooperation and Development.

The team at Esprit continues to monitor the development process of supply chain law in Germany, ensuring all obligations to legislative updates are planned and actioned for implementation. Furthermore, in each sourcing market, all product categories as well as raw materials are taken through risk assessment protocols aimed at identifying potential issues that may occur within its supply chain, with a focus on the most salient risks to workers, suppliers, producers and other key stakeholders.

The latest Fashion Revolution Transparency Index has been released in July 2021. The company is proud to announce that Esprit ranks amongst the Index's top 10 global brands. This Index is a global fashion activism movement, which campaigns for greater transparency in fashion industry supply chains and has been publishing data since 2014. It analyses and ranks 250 of the world's largest fashion brands and retailers based on their public disclosure of human rights and environmental policies, practices, and impacts, in their operations and supply chains. This is certainly a great achievement, one that reflects Esprit's effort in sustainability matters across all business areas and proves that Esprit is an ethical and sustainable brand from its inception.

What are Esprit's short term sustainability goals?

Although raw material prices will continue to increase, the company is currently planning to use more sustainable fibers and allocating time to research new innovative product options to support the circular fashion approach. The company strongly believes that the future of the fashion industry must be one of openness to new ideas and constant change to ever-changing market conditions, while ensuring high quality and innovative product offerings and exceptional value for money. This is to be achieved with a greater focus on respecting the world's resources, both in terms of the material, the environment and the people who create Esprit products. The company strives to meticulously monitor daily operations in an ethical and sustainable manner – ensuring that the brand embodies the Esprit philosophy that 'waste is no longer an option'. As a result, the company believes this calls for an added sense of inquisitiveness as it continuously challenges internal stakeholders to rethink its actions, remodel its supply chain, and integrate these values into every single step of the production lifecycle.



What are Esprit's long term sustainability goals?

Calculating carbon footprint is not an easy task, especially for a company that does not own its production units. In 2021, the company has therefore rolled out its data system to retrieve carbon footprint data from its suppliers, based on Esprit's production volume. These so-called Scope 3 emissions are by far the majority of the brand's footprint. However, there is currently not one systematic approach to calculate these emissions. Together with Esprit's suppliers and partners, the company is currently working on solutions and are proud to show for the second time a much more comprehensive carbon footprint. However, the company will not just stop here. As data gathering is a key aspect to calculate the status quo, the next step requires the need to consider reduction targets. This will be one of Esprit's biggest challenges within the coming years, but the company is confident that it can embrace new processes.

Forward Focus

The present management team in Hong Kong Headquarters and Esprit Europe believes the company is well on its way to revitalising the 50-year strong Esprit brand and cementing its commitment to make its customers feel happy and joyful. Whether it is producing timeless versatile wardrobe pieces or colorful archive-inspired collaborations, Esprit will stay true to its promise to make clothing with high-quality and innovative fabrics that are good for the environment.

With Kind Regards,

The Board of Directors of Esprit Holdings Limited

March 2022

* The Global Organic Textile Standard

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ABOUT ESPRIT

Our Culture and Brand Story

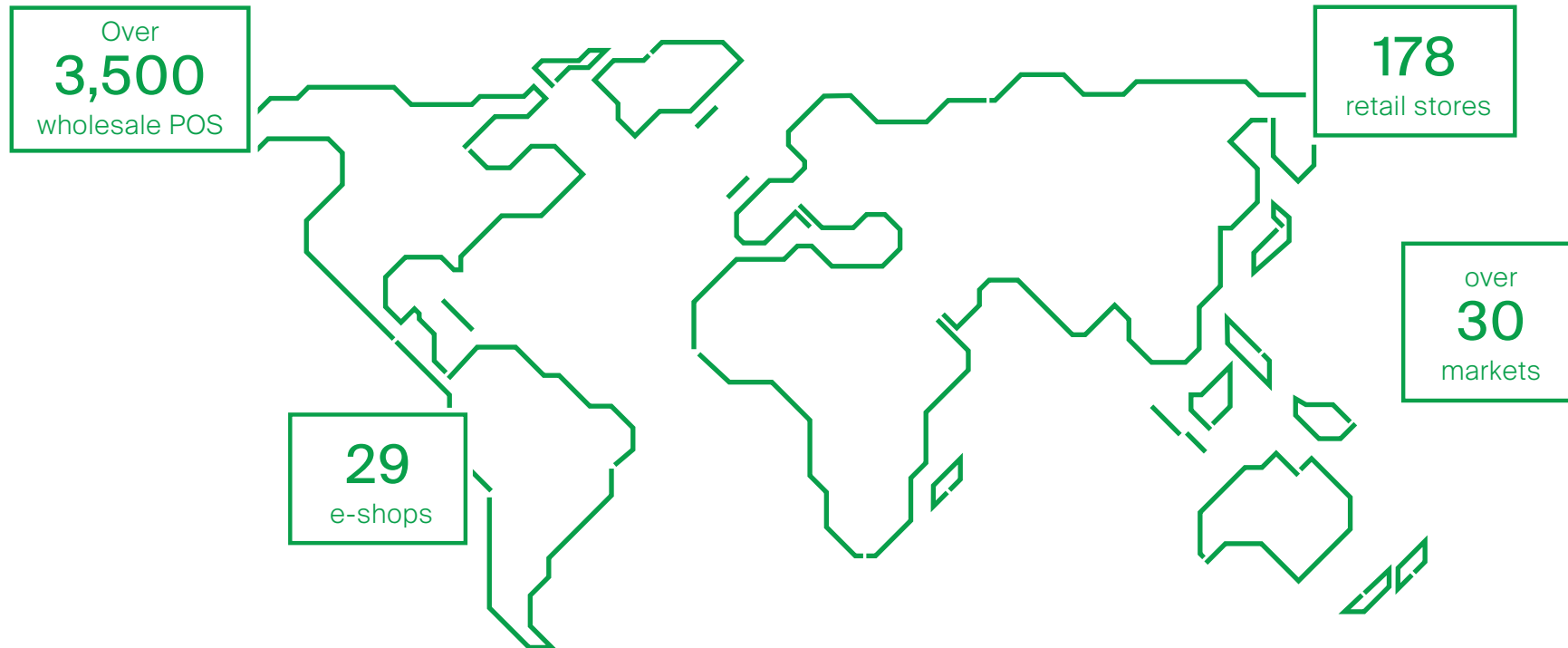
Clean. Ethical. Sustainable

Fueled by a vision of radical positivity, Esprit was founded in California by environmentalists Susie and Doug Tompkins in 1968. Since then, Esprit has always been more than just clothing. Today, we are on a mission to push the boundaries of authentic and intelligent fashion with mindfully designed collections. With a fully operational international headquarters office in Hong Kong and a new management team, Esprit has already begun the process of revitalizing the brand and recommitting to its core ethos. This also involves setting new standards with a continuous focus on diversity, ethicality and sustainability. Esprit is reintroducing the brand's story in a modern context. We believe in a common spirit of a life inspired. We believe in thinking outside the box and championing innovative ideas as the catalyst for positive change in the world. It's been in our DNA from the very beginning.



Our Business

Esprit is a global company, selling in more than 30 markets as at 31 December 2021 with 178 retail stores, 29 own e-shops, and over 3,500 wholesale points of sale.



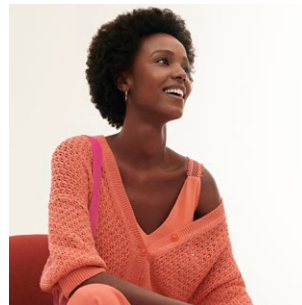
As at 31 December 2021

Our Products

The brand simplifies wardrobe choices with timeless and consciously sourced pieces for women, men and kids. Our inspiring collections include basics, business looks, special occasion styles, accessories, swim and sportswear, and more.



Casual



Collection



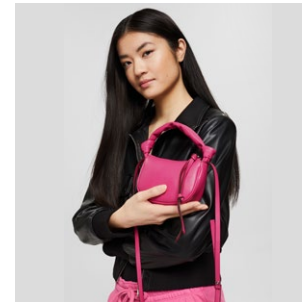
edc



Licence



Shoes



Accessories



Sports



Bodywear



Kids

We are committed to adopting a fair recruitment and promotion policy that prohibits unfair treatment or any other behavior contrary to the provision of equal opportunity. All decisions in relation to recruitment, promotion, and dismissal are concluded based on the experience, ability, and capacity of candidates/employees, irrespective of factors such as their age, race, gender, religious belief and marital status, etc.

Diversity is a strength here at Esprit, and we are proud that the makeup of our team reflects this belief. Esprit alone brings together people from 37 different nations. Globally, our team includes over 3,400 team members representing 79 different nationalities. This diversity of life experience and perspective enhances our work, and our relationships with one another.

Learning

We help our employees identify and reach their professional goals and provide them skills and knowledges for discharging their duties at work through our technical and soft skills training programs. These programs are available to our team members regardless of where they are on their professional journey, whether they are in the early days of a first job, or established professionals. We want to give everyone the opportunity to continuously grow and develop their skills. Due to the Pandemic and company restructuring activities, Esprit held no employee trainings in FY2020, but restarted its activities in Q2 2021. In FY2021, our Human Resources department trained 34% of the C-Level & Leadership Teams, 47% of People Leaders, and 50% of Employees. They developed 9 different trainings and workshops. A few examples of the types of training programs offered included TechWeek sessions, motivation and appreciation trainings, agile work method workshops, and train-the-trainer activities. The average training hours totaled 10.5 hours for C-Level & Leadership Teams, 17 hours for People Leaders and 16.1 hours for Employees.

Safe Working Conditions

We take safe and healthy working condition very seriously and have a team of trained first aid responders and evacuation assistants who are ready to help should the need arise. At Esprit, we have 35 first aid responders and 50 evacuation assistants. These first aid responders and evacuation assistants have all passed an initial training, and they must maintain current knowledge through ongoing training sessions as well.

We unfortunately accounted one work-related fatality in 2021, while we had no work-related fatalities in 2019 and 2020. In Europe, we lost 777 working days due to work injury during the reported period. The following occupational health and safety measures have been implemented in the respective period: there have been several instructions to all employees about diverse topics, such as COVID-19 via email, sheets or Excel file. Eye examinations take place at regular intervals for all employees. As a matter of course, we ask all Headquarter employees to work from home, wherever possible during the Pandemic. In general, all new employees are being instructed by their supervisors, around relevant occupational health and safety topics. In addition, comprehensive information around health and safety can be found on the Esprit intranet and is therefore accessible for all employees at any time.

With regards to safe working environment and protecting employees from occupational hazards, Esprit complies with all relevant laws and regulations, such as the Labor Protection Law (“Arbeitsschutzgesetz”) as well as the Safety at Work Act (“Arbeitssicherheitsgesetz”).

75%
of our people globally, and

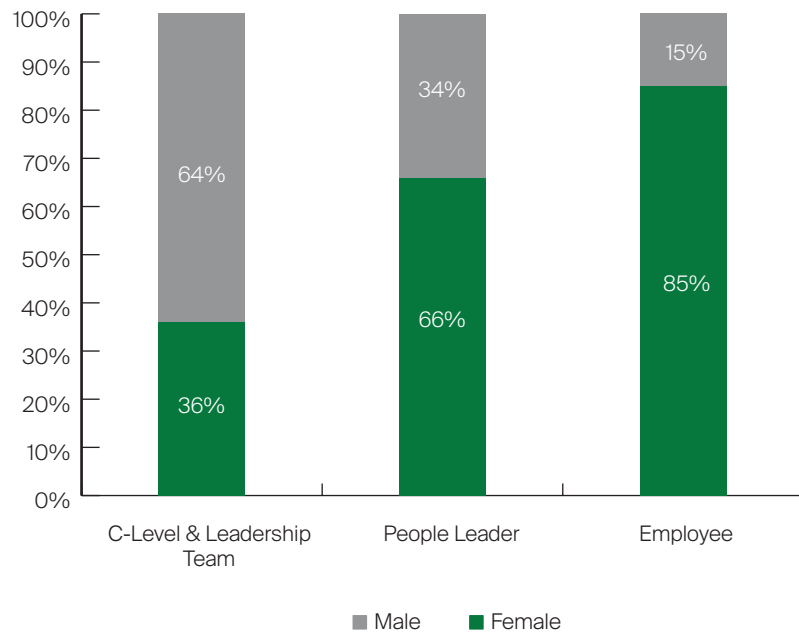


73%
of our European employees,
are covered by collective
bargaining agreements.

We aim to create a gender diverse balance within our leadership that is reflective of our company as a whole. We want to build greater female representation at the highest levels, which means building a culture and system that supports this goal.

Following a significant jump in female representation amongst the Executive Management Team from 2018 to 2019, we have largely maintained our gender balance over the past year.

Our Team by Gender



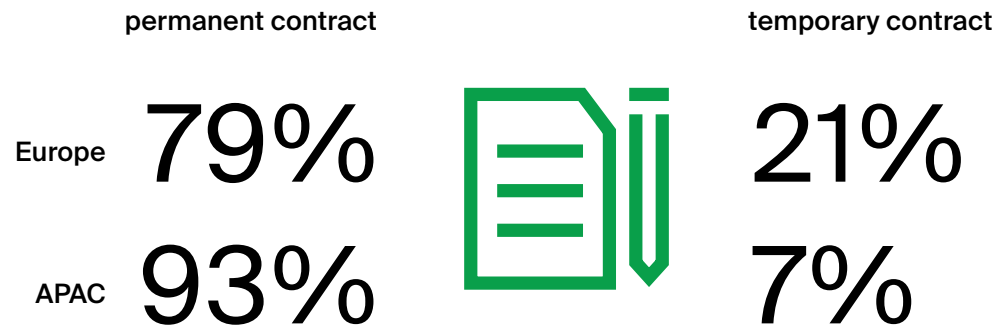
C-Level & Leadership Team: C-Level, SVPs, VPs, Directors

People Leader: Head of, Team Leader, Manager with leadership responsibility

Employees: Employees without leadership responsibility

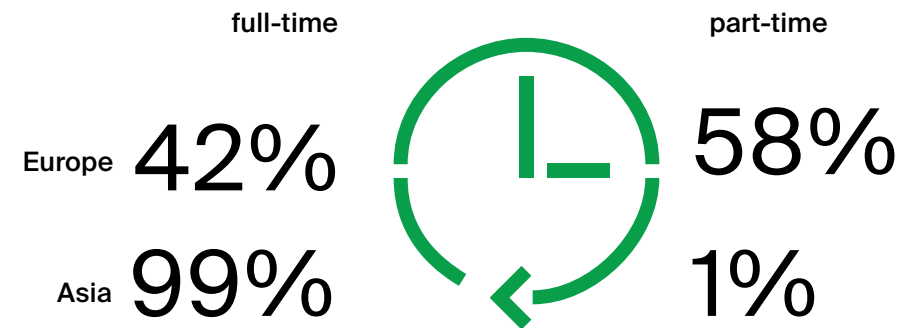


Our people are our most valuable resource, and we look for ways to support them in their individual career goals, and in building the work-life balance they each seek.



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.

We recognize that work is only one component of a balanced life. We support our employees who prefer to work part-time, and over 58% of our team in Europe takes advantage of that flexibility.





Where We Are

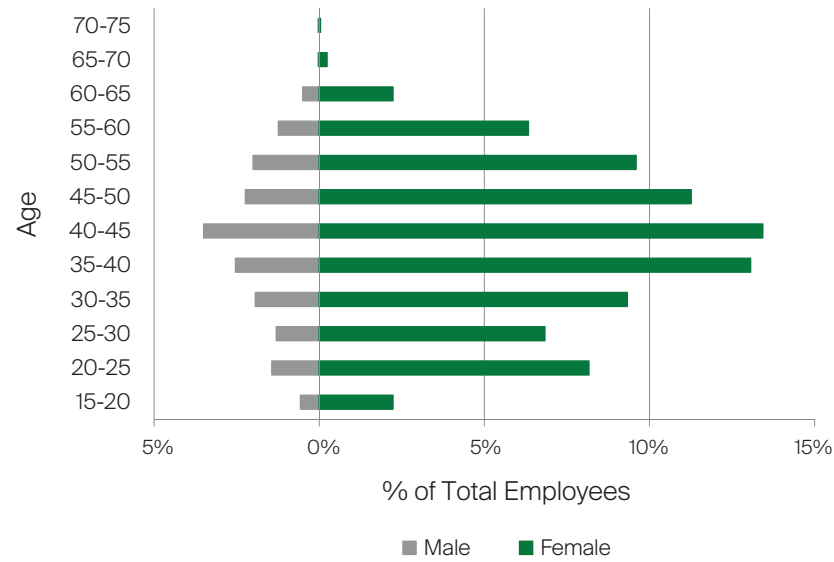
Full Time Equivalent/Headcount by Region & Country as at 31 December 2021

Region/Country	Total Staff				Heads											
	FTE	Heads	Male	Female	Permanent Contract			Temporary Contract			Full Time			Part Time		
					Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
Europe	2,112	2,853	15%	85%	84%	15%	85%	16%	13%	87%	42%	27%	73%	58%	6%	94%
Austria	136	205	11%	89%	100%	11%	89%	0%	0%	0%	27%	25%	75%	73%	6%	94%
Belgium	146	194	6%	94%	78%	5%	95%	22%	12%	88%	27%	9%	91%	73%	5%	95%
Denmark	11	12	0%	100%	67%	0%	100%	33%	0%	100%	83%	0%	100%	17%	0%	100%
Finland	25	31	10%	90%	65%	5%	95%	35%	18%	82%	55%	12%	88%	45%	7%	93%
France	141	161	21%	79%	88%	20%	80%	12%	30%	70%	68%	25%	75%	32%	13%	87%
Germany	1,204	1,638	18%	82%	85%	18%	82%	15%	14%	86%	49%	31%	69%	51%	6%	94%
Italy	10	11	27%	73%	100%	27%	73%	0%	0%	0%	73%	38%	63%	27%	0%	100%
Luxembourg	24	27	7%	93%	93%	8%	92%	7%	0%	100%	33%	22%	78%	67%	0%	100%
Netherlands	128	199	12%	88%	66%	15%	85%	34%	7%	93%	19%	34%	66%	81%	7%	93%
Poland	45	62	13%	87%	27%	24%	76%	73%	9%	91%	35%	23%	77%	65%	8%	93%
Spain	92	104	4%	96%	94%	4%	96%	6%	0%	100%	17%	17%	83%	83%	1%	99%
Sweden	13	20	20%	80%	75%	27%	73%	25%	0%	100%	15%	67%	33%	85%	12%	88%
Switzerland	137	189	6%	94%	96%	6%	94%	4%	13%	88%	30%	12%	88%	70%	4%	96%
North America	2	3	0%	100%	67%	0%	100%	33%	0%	100%	33%	0%	100%	67%	0%	100%
USA	2	3	0%	100%	67%	0%	100%	33%	0%	100%	33%	0%	100%	67%	0%	100%
Asia	145	146	67%	33%	99%	68%	32%	1%	0%	100%	99%	67%	33%	1%	100%	0%
Bangladesh	33	33	91%	9%	100%	91%	9%	0%	0%	0%	97%	91%	9%	3%	100%	0%
China	16	16	69%	31%	100%	69%	31%	0%	0%	0%	100%	69%	31%	0%	0%	0%
Hong Kong	77	77	56%	44%	99%	57%	43%	1%	0%	100%	100%	56%	44%	0%	0%	0%
India	14	14	71%	29%	100%	71%	29%	0%	0%	0%	93%	69%	31%	7%	100%	0%
Indonesia	1	1	100%	0%	100%	100%	0%	0%	0%	0%	100%	100%	0%	0%	0%	0%
Pakistan	2	2	100%	0%	100%	100%	0%	0%	0%	0%	100%	100%	0%	0%	0%	0%
Vietnam	3	3	33%	67%	100%	33%	67%	0%	0%	0%	100%	33%	67%	0%	0%	0%
Total	2,259	3,002	17%	83%	85%	18%	82%	15%	13%	87%	45%	32%	68%	55%	6%	94%

* Including the Quality & Compliance Office in Turkey



Our Team by Age



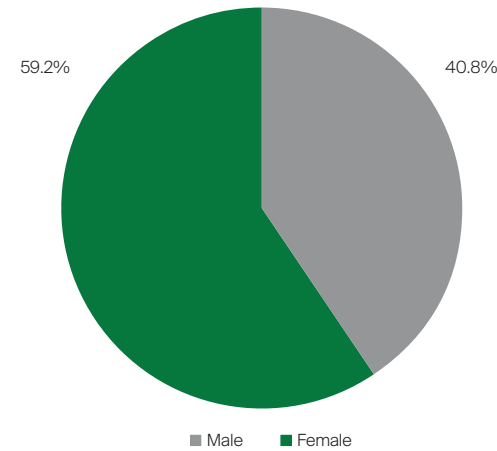
Average age: 40.3 years

Turnover Rate

Region	Turnover Rate
Asia	23%
USA	44%
Europe	39%

* For European countries and USA, the fluctuation rate was calculated at 12 months. Since this is the minimum period for a stable calculation.

Participation of Employees Trained by Gender



Participation of Training by Employee Category and Gender

	Female	Male
C-Level & Leadership Team	27.30%	72.70%
People Leader	61.20%	38.80%
Employees	81.80%	18.20%

Completed Hours of Training by Employee Category and Gender

	Female	Male
C-Level & Leadership Team	10.7	11.0
People Leader	6.2	6.0
Employees	4.2	4.4



“Turn around and take a step forward.”

Doug Tompkins

Esprit Cares

To be future-focused, we must also remember our roots. The origins of Esprit are steeped in social impact, doing good through doing business, and leaving a positive legacy through all our actions. Through our Global Esprit Cares program, we have built a culture of volunteerism, raised our voices on social topics, and taken actions towards the betterment of society: It's how we do business.



Christmas Initiative

Through our Global Esprit Cares network, Esprit partners with local organizations to offer opportunities to give back to the community through in-kind and monetary donations. In Germany, we continued our partnership with Knackpunkt, with which we contributed money in the welfare sector. Knackpunkt is a shelter where teenage girls and women can safely stay overnight, with basic needs such as meals and showers. We donated packages with things that girls and young women could use, for example books or cosmetic products.

Community Outreach

Our international headquarters in Hong Kong donated approximately 15,000 pieces of surgical masks to Hong Kong Cancer Fund (HKCF), the city's largest cancer support organization, providing free information and professional support to anyone living with or affected by cancer. The

organization helped distribute surgical masks to new cancer patients that recently registered with HKCF and to existing patrons who participate in rehabilitation programs at the four Cancer Care Support Centres. In 2021, HKCF had close to 1,000 newly registered cancer patients. The colourful patterned surgical masks aim to bring a smile and helping hand to the vulnerable in our society, especially in trying times during the pandemic.

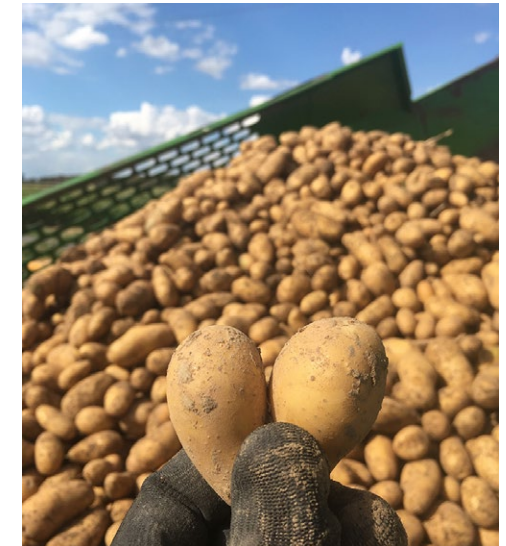
Looking back, Esprit has always been about doing good through doing business. We volunteered, we raised our voice on important topics, and we took actions as a company. We've done it from the beginning, and we continue to do it today: social impact is in our DNA. Our company origins inform our future: as we march forward, we honor the legacy created by our founders, Doug and Susie Tompkins, by turning around and taking a step forward.

Green Canteen

Our corporate approach to sustainability is mirrored in our company Canteen. The Canteen seeks to present our employees with responsible choices, in a transparent way, offering healthy, offering vegetarian options, locally produced, seasonal, and sustainably-sourced dishes.

In early 2020, we have introduced new menu lines: vegan, vegetarian, and meat. Serving organic food is our goal wherever possible; currently about 95% of our offerings are organic. The remaining 5% is composed of items such as wild-caught fish that cannot be certified as organic. Meat must come from animals that are raised according to best practices in animal husbandry, based on the species. Fish will be either wild-caught or MSC (Marine Stewardship Council) certified to ensure sustainable fishing practices. In addition to serving organic fruit, vegetables, and dairy, we serve Fairtrade Certified items as well. Our commitment to circularity is also demonstrated in our zero-food-waste approach to menu planning: leftovers are incorporated into new recipes.

In 2021, many employees worked from home, resulting in an overall smaller amount of dishes sold through our e*lounge, but a large number of employees took the opportunity to enjoy a fresh and healthy lunch and choose from a great variety in our canteen with the “take-away” option and eat at their desk or in one of the outside areas of the office.



Stautenhof: one of our regional and organic food suppliers



We are proud of our efforts over the years to become a plastic-free canteen. We have prioritized family-style serving to minimize both food waste and plastic waste. However, due to the Pandemic and the need to safeguard the health and hygiene of our people, we have temporarily switched to providing some pre-portioned items, such as condiments. Food waste that is not eaten enters a composting stream.

Our canteen team takes the education component as seriously as the cooking. Our head chef is a member of the “BioMentoren” Network, a group of leaders who intentionally find ways to engage with their workplace community around health, environmental protection, and building a positive social culture, while also creating opportunities for young people through internships.

Unfortunately, we lost some of our food suppliers due to the pandemic. Overall, we remained true to our long-lasting suppliers from the region, whom we work with over years.

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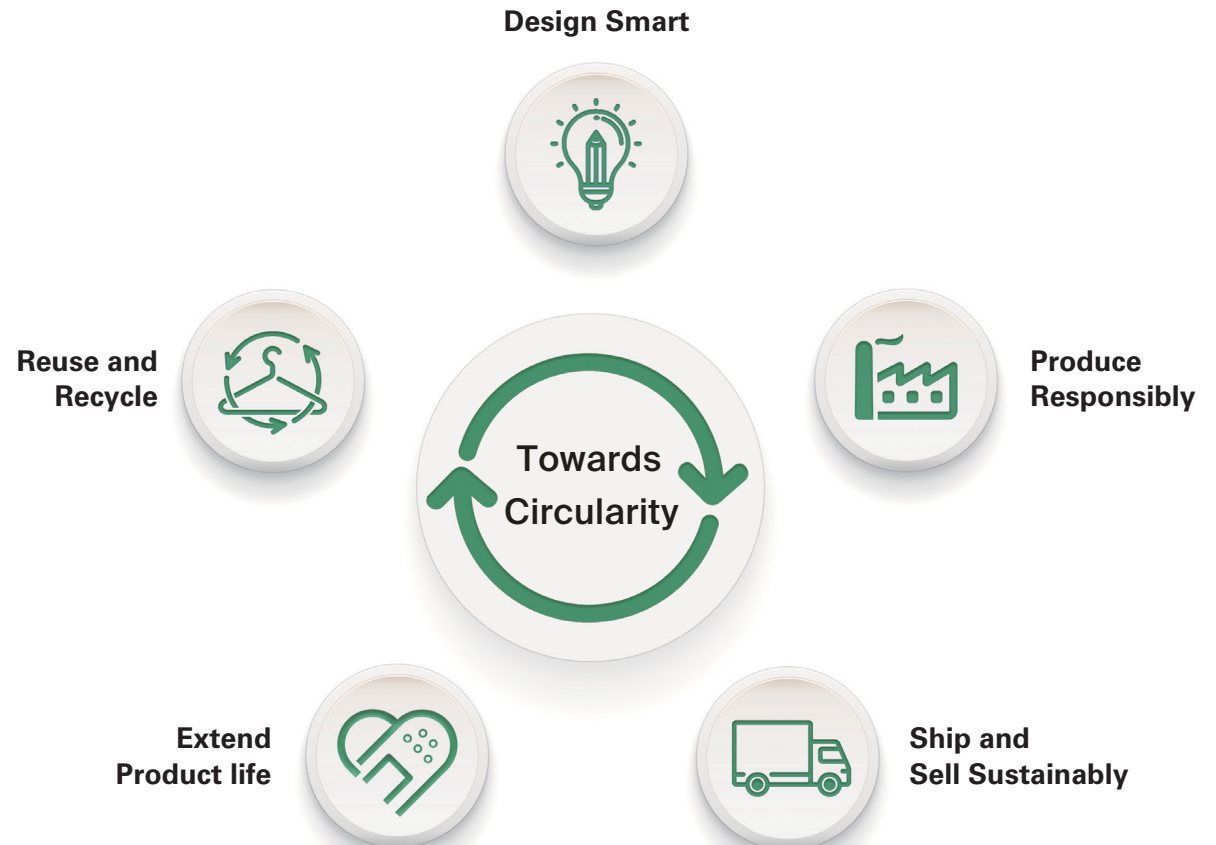
A photograph of two young women standing on a large rock on a sandy beach. The woman on the left is wearing a bright pink long-sleeved top and matching shorts, white socks, and white sneakers. The woman on the right is wearing a black long-sleeved top and black shorts, red socks, and white sneakers. They are both smiling and looking towards the camera. The background shows a wide sandy beach, the ocean, and a clear blue sky. In the distance, there is a lifeguard stand and a pier.

TOWARDS
CIRCULARITY

Closing the Loop

Since 2018, circularity is the guiding principle behind ESPRIT's strategy. We are making progress every year, trying to provide all employees proper trainings on a regular basis.

Looking beyond the current "take, make and dispose" extractive industrial model, the circular concept encompasses how the Company design and create products, which materials are chosen and why, how natural resources are managed, how we value human resources, educate and empower consumers, and how we ensure that ESPRIT products are being used and reused responsibly and effectively for as long as possible in their most valuable form, and hereafter return safely to the biosphere.



Product

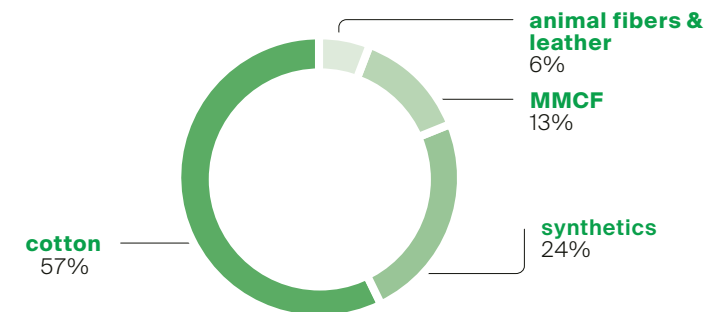
Our products are the center of our business. Consequently, smart design is crucial as we shift towards a circular model. This includes material selection, where we aim for fibers and materials that are recyclable or regenerative to the environment. We have successfully transitioned 78% of our conventional materials into more sustainable options and are aiming for usage of ambitious 90% sustainable fibers until the end of 2025. It also means designing products that are durable in terms of construction, and timeless in terms of style. We support our design teams to continually learn new techniques and apply innovative tools to ensure we are designing in the smartest way for our goals. We have a design tool in place, enabling all divisions to have a full overview of all products alongside sustainable material options. This leads to greater transparency and enables us to monitor progress, encourage innovation, and it has been instrumental to our significant growth in sustainable materials usage.

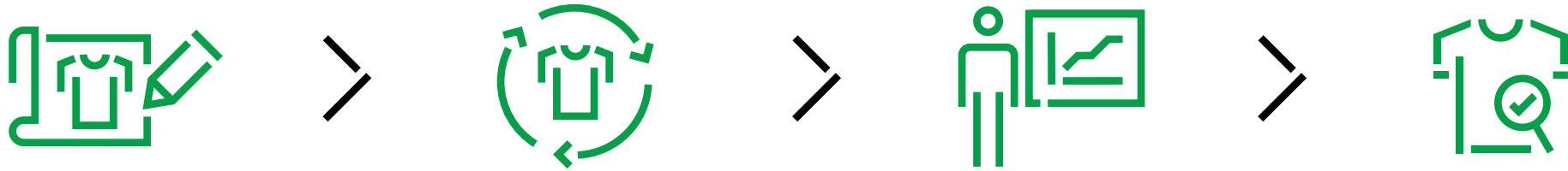
We aspire to create products to last longer. To ensure durable apparel, we invest in high quality fabric and yarn. Our customer's feedback is also crucial to ensure they love and care for our products for many years. We therefore evaluate returns and solicit our customers' thoughts to make sure we are meeting their expectations in terms quality and fit. To make sure their input is finally consolidated in our collection, our product team communicates closely with our suppliers to ensure that our quality standards are met.

Share of Fibers in Our Products in FY2021 Based on Shell Fabric



Fiber Share





01. Design Phase

Our design teams must balance beauty and trends with functionality, sustainable fiber choices and durability. We evaluate returns and solicit our customers' thoughts to make sure we are meeting their expectations. The information we gather then flows back into our product development process.

02. Product Development

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 fashion 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. 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 Esprit Europe, and finally at our distribution centers.

Cotton

Cotton makes up more than half of the Company's total fiber usage. Of this cotton, 74.8% is organically grown. Another 25% is sourced through programs aiming for more sustainability in the cotton farming. ESPRIT also aims to fulfil its circularity commitment by incorporating and increasing the use of recycled cotton. The biggest challenge for recycled cotton is the limited availability and the lower level of quality due to a shorter staple fiber. Although the Company foresees quality improvement of recycled cotton in the future, the percentage of recycled cotton available in the market is still comparatively low.

FACTS

Organic Cotton

- Organic cotton is grown without synthetic fertilizers and pesticides
- Organic farming practices maintain soil fertility and expand biologically diverse agriculture
- Organic cotton products we sell are certified to either the Organic Content Standard (OCS) or the Global Organic Textile Standard (GOTS)

Recycled Cotton

- Cotton is collected from pre-consumer waste, such as cutting scraps, or post-consumer waste, such as garment donations
- Production of recycled cotton yarn requires very little water, and saves the water that would otherwise be required to grow new cotton
- Using recycled cotton keeps waste out of landfill and supports the development of a circular economy

Cotton in Conversion

- This is organically grown cotton which has yet to be officially certified according to organic legislation frameworks. The cotton is already grown according to the organic standards of the respective country
- The legislation on organic farming often requires a 2-3 year transition period. During this time, the organically grown cotton is often sold as conventional cotton
- As ESPRIT uses the Organic Content Standard and the Global Organic Textile Standard, both acknowledging the efforts of farmers during the difficult transition time, ESPRIT incorporated cotton in conversion fibers as a preferred material

Cotton Share



Esprit Joins OCA

In late 2021, Esprit became a Contributor to the Organic Cotton Accelerator (OCA), which unites the sector worldwide to unleash the potential of organic cotton. OCA and its Contributors believe that by working together we can realise the positive impact of organic cotton on people, planet and prosperity. Supporting organic cotton sustains the health of soils, ecosystems and people by working with the systems and cycles of nature, avoiding damage from synthetic chemical pesticides and fertilisers. To secure future supply of this raw material, Esprit will put more focus into in-conversion projects that support conventional cotton farmers' transition to certified organic cotton. Working with OCA, we aim to ensure farmers have committed procurement and receive premium payments as well as participation in training and development using best practice methods across organic farming.



Man-made Cellulosic Fibers

In May 2018, we committed to the Roadmap Towards Responsible Viscose as outlined by the Changing Markets Foundation. We defined steps we will take to further promote and improve the sustainable production of viscose and modal fibers. Our goal with this commitment is two-fold. First, we want to push the wider industry to adopt a closed-loop manufacturing process to minimize the use of harmful chemicals. Second, we want to promote transparency by mapping the viscose and modal supply chain down to the raw material level. In order to responsibly source cellulosic fabrics, the cellulose needs to come from properly managed forests, as opposed to endangered or old-growth forests. In September of 2015, we first partnered with the environmental non-profit organization Canopy through the CanopyStyle initiative to ensure that our cellulose fibers are not sourced from at-risk or old – growth forests. Our goal is to only use preferred man-made cellulose fibers from 2023, such as those profiled here.

FACTS

TENCEL™ Lyocell

- TENCEL™ is a trademark of Lenzing AG and comprises lyocell and modal fibers
- Cellulose feedstock is sourced only from sustainable wood sources (no use of wood from endangered forests)

LENZING™ ECOVERO™

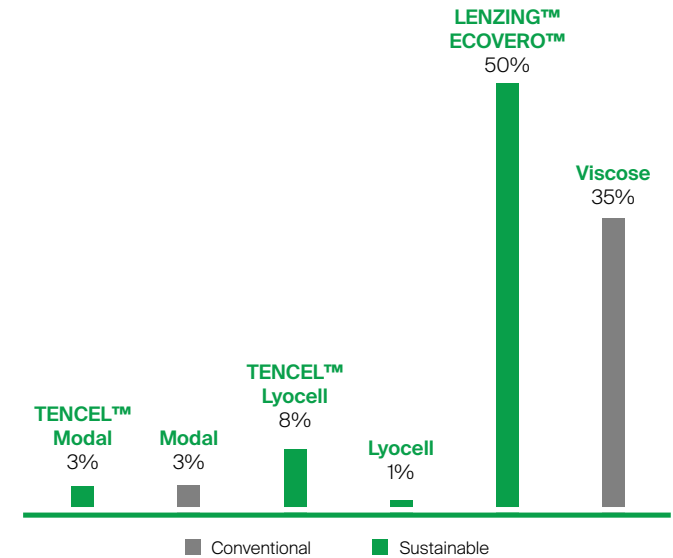
- LENZING™ ECOVERO™ viscose has up to a 50% smaller footprint in terms of emissions and water use compared to generic viscose
- Cellulose feedstock is sourced from trees that were grown in certified, responsibly managed forests
- LENZING™ ECOVERO™ fibers are certified with the EU Ecolabel
- LENZING™ and ECOVERO™ are trademarks of Lenzing AG

LYOCELL

- Lyocell is a cellulose fiber mainly made from eucalyptus trees, which are fast growing and require minimal pesticides and no irrigation
- Lyocell is manufactured in a modern closed-loop process that captures and reuses processing solvents
- Lyocell fibers are biodegradable



Man-made Cellulose Fiber Share



* Sourced from companies with sound wood sourcing strategy and policy in place



Synthetics

30% more sustainable
synthetic fibers by July 2021

Polyester, polyamide and acrylic are the most commonly used synthetic fibers in Esprit products. Synthetic fibers have the advantages of being quick drying, and ideal for very cold and for very warm conditions. However, these fibers are usually derived from petroleum, which is not a renewable resource. Additionally, synthetic fibers do not decompose like natural fibers do. Therefore, the Company wants to keep the consumption of synthetic fibers at the lowest possible level – and why the goal is to select more sustainable options such as recycled polyester and recycled polyamide. In FY2021, the Company overachieved its milestone of 30% sustainable synthetics by 10%.

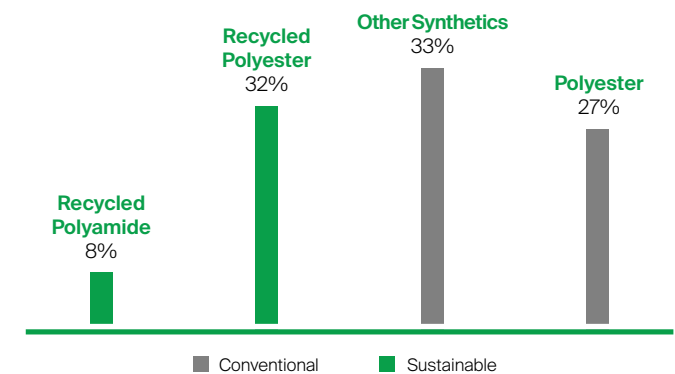


FACTS

Recycled Synthetics

- Recycled polyester is often made with old PET bottles, and sometimes from old garments
- Recycled polyamide is generally made from old fishing nets, carpet scraps and industrial plastic waste
- Esprit products are made with certified recycled synthetic fibers to either the Global Recycling Standard (GRS) or Recycled Claim Standard (RCS)

Synthetic Fiber Share



WE USED 11 MILLION
OLD PET BOTTLES
IN AUTUMN/WINTER
SEASON 2021.



Linen & Hemp

We agree with the methodology used by Textile Exchange to assess the impact of textile fibers, and based on this guidance, we have included both linen and hemp into our list of preferred sustainable materials.

FACTS

Linen

- Flax, which produces linen fibers, is a fast-growing rotation crop which nourishes the soil and encourages biodiversity
- Flax is rain-fed and generally does not require pesticides or other chemical inputs, and it has a low GHG footprint
- The by-products of linen production are all inputs for other consumer products or agricultural processes, meaning there is no waste

Hemp

- Hemp is a fast-growing crop that enriches the soil, interrupts disease and pest cycles, and suppresses weeds for subsequent crops grown in rotation
- Hemp is rain-fed, mechanically processed and it requires few chemical inputs
- Hemp does require more energy than linen or cotton during spinning; increased use of the fiber for the textile industry may contribute to technical improvements in processing

Animal-derived Fibers and Animal Welfare

Esprit cares about treating animals the right way. Therefore we have developed our animal welfare policy: All products derived from animals must be produced in accordance with our Code of Conduct and 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 Behavior
5. Freedom from Fear and Distress

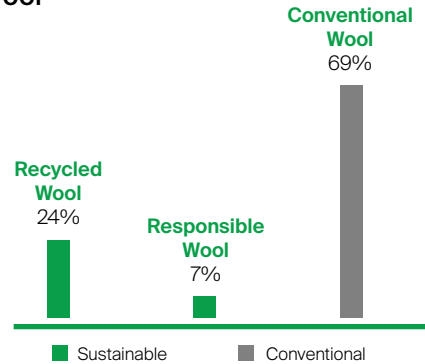
Fiber Bans

Due to animal welfare reasons, we have the following fiber bans in place:

1. No fur/ Member of Fur Free Retailer Program
2. No angora (since 2013)
3. No conventional mohair (since 2019)
4. No alpaca (from 2023 onwards; this ban emerged following PETA investigations beginning in 2020 that uncovered animal welfare concerns. The intention is for an alpaca fiber ban to remain in place until a credible standard exists that can ensure proper treatment of both animals and land)

Read more in our **Policy on Raw Materials and Animal Welfare**.

Wool



Wool, coming from sheep, is durable, biodegradable, and prized for its warm and timeless character. This makes it a sustainable choice particularly for garments that are intended to have a long lifespan.

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.

FACTS

Responsible Wool

- Responsible Wool Standard (RWS) ensures that sheep in the supply chain are treated humanely and respectfully
- This initiative also has a focus on sustainable management of grazing land
- Our first RWS-certified products landed in stores in December 2018

Recycled Wool

- Recycled wool is sourced from pre-consumer waste, such as cutting scraps, or post-consumer waste, such as garment donations
- Recycled wool has a low water demand during recycling, and avoids the water and the GHG emissions that would otherwise be associated with raising sheep for virgin wool
- Using recycled wool keeps waste out of landfill and supports the development of a circular economy



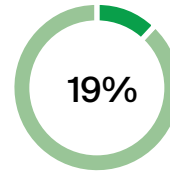
No Mulesing

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





Leather



19% of our leather is chrome-free tanned

We require our leather to be a by-product of the food industry and we do not source leather from endangered or threatened species that appear on lists from the International Union for the Conservation of Nature or the Convention of International Trade in Endangered Species of Wild Fauna and Flora.

For any leather we use for our products, each hide or skin must be traceable to its country of origin. We have been a member of the Responsible Leather Initiative since its 2017 founded 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. **Esprit is a member of the Leather Working Group (LWG) since August 2021. Therefore, our leather products support responsible manufacturing via the LWG.**

Leather Tanning

Leather tanning, which is the process that transforms an animal hide into durable, supple, and beautiful leather, requires precision and expertise.

Nearly all leather tanning – between 85% and 90% – is done through a chrome-based tanning process, and if this is not done correctly there is a risk of introducing hazardous chromium(VI) into the workplace and into the environment. Ensuring that our supply chain partners are masters of the craft, and that they properly monitor and manage each step of the process, is the best way to avoid this problem. We have developed special environmental assessments for leather tanneries so that we can be sure they understand how to conduct proper tanning, and we have also created a guideline for our suppliers on the prevention of chromium(VI) formation. We continue to monitor developments in chrome-free tanning, and introduce promising techniques such as vegetable tanning and reactive tanning as they become safely available and scalable.



Leather-free and Down-free Vegan Options

While the percentage of animal-derived materials we use throughout our collections is quite small, we recognize that some of our customers are intentionally seeking products that align with a vegan perspective. We've responded with a collection of vegan shoes, and we are offering vegan jackets, without feather and down fillers, in Europe. From the beginning of 2020, 25% of our accessories earned the "PETA-approved Vegan" label from People for the Ethical Treatment of Animals (PETA).

Better Processes

Our customers appreciate the attention that goes into designing and selecting our rich and beautiful color palettes and prints. Unfortunately, dyeing and finishing processes can be resource-intensive. Therefore, our Environmental Sustainability team works with our supply chain partners to measure and improve the use of chemicals, minimize waste, and reduce the use of water and energy for processes such as dyeing and leather tanning. This is how we ensure the safety of workers, the health of local environments and the people who rely on them, and how we work closer towards a circular fashion system.

Sustainable Dyes

Taking a step further, we tested and nominated sustainable dye alternatives and listed them in a comprehensive booklet. Every dye option included has been approved by our Sustainability and Product safety team, delivers equally high quality results and needs to fulfill the following criteria:

- Non-petro based colors but sustainable alternatives, such as waste or leftovers
- Less water and less energy use during dying process, due to improved recipes, allowing less washing and dyeing at lower temperatures
- ZDHC MRSL conformance

People

Producing our garments in a responsible and sustainable way is a core part of our philosophy. At Esprit, responsible production encompasses a number of behaviors, processes, and policies that govern how we select and work with our partners. We rely on building long-term and close relationships with a stable portfolio of suppliers. Our close relationships position helps us to provide support when needed, and allow us to intimately see our partners' operations, understand their philosophy, and assess their ability to meet our strict requirements. Overall, our approach to partnering with our suppliers means they can grow alongside us as we work together toward a more sustainable and circular fashion industry.

The garment and fashion industry is one of the largest employers in the world, and many of the people working in the industry are women. However, most of them are employed by factories, not by companies such as Esprit. The most direct way for us to positively impact working conditions is to be extra selective about the supply chain partners we choose to work with. We have processes in place to help us identify partners who share our vision for a regenerative fashion industry that respects people and the planet. We also have systems to monitor, assess, support, and incentivize our partners to continue down this path with us.



We are PFC-free

In 2014 Esprit eliminated the use of poly- and perfluorinated carbons (PFCs) from the manufacturing process of our water-repellent products. PFC-chemistry is hazardous for the environment, animals and humans. Instead, we now use PFC-free alternatives that allow our water-repellent products to meet the high quality expectations of our customers while also respecting the environment and the health of workers.

Transparency

A close relationship to our direct suppliers is an important aspect to achieve greater supply chain transparency. We have a clear definition of the different Tiers of our supply chain:

We map our supply chain and update our public supplier list on our website. Esprit is also a partner of the Open Apparel Registry (OAR). OAR, the open source map and database for the apparel industry, updates and standardizes factory names and addresses against their database to increase transparency and clear identification of facilities.

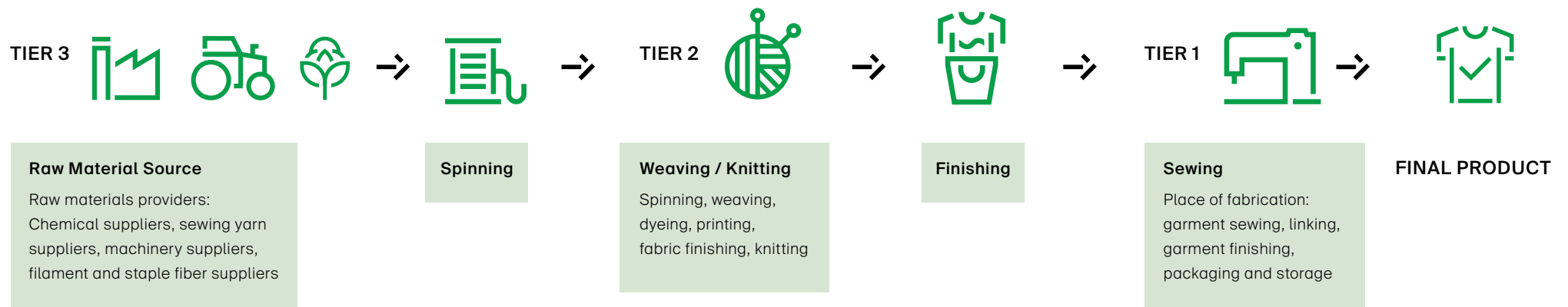


Transparency

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



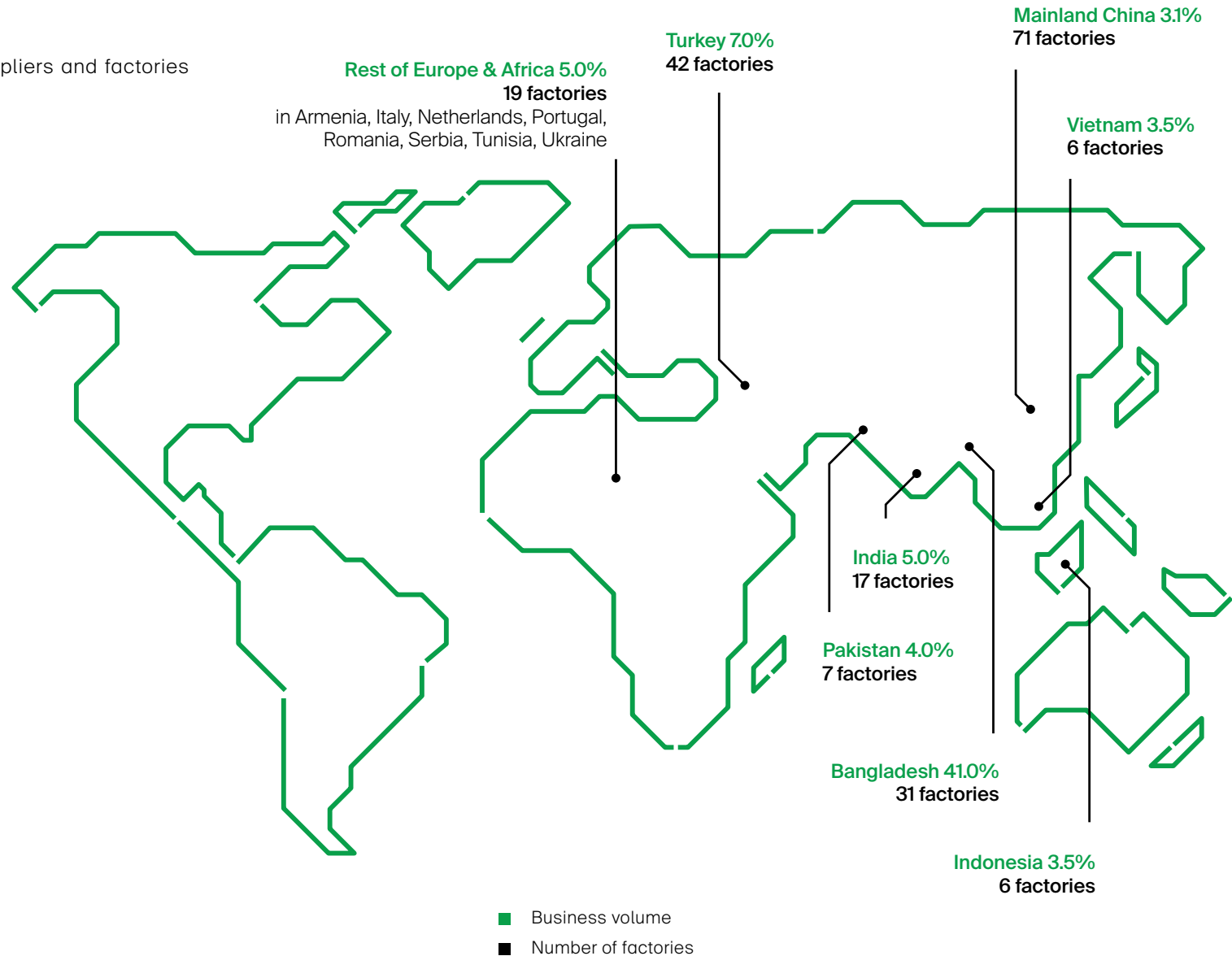
Map and publish key Tier 3 suppliers every six months



Where ESPRIT is Made

OVERVIEW OF OUR TIER 1 SUPPLIERS

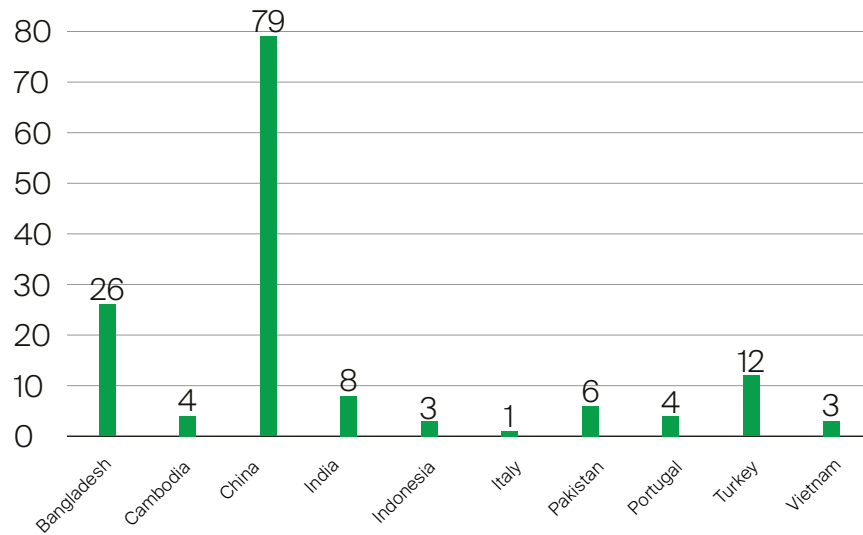
Esprit's supply chain for direct suppliers and factories covers 15 countries in FY2021.



Social Compliance

Overview Social Compliance Audits per Country

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



We have conducted **164 social** compliance audits in **10 countries**

Fair and Safe Working Conditions

We want our garments to be produced ethically and according to national and international legislation. Our Supplier Code of Conduct is the foundation for our program to ensure safe and fair working conditions in the factories where Esprit products are made.

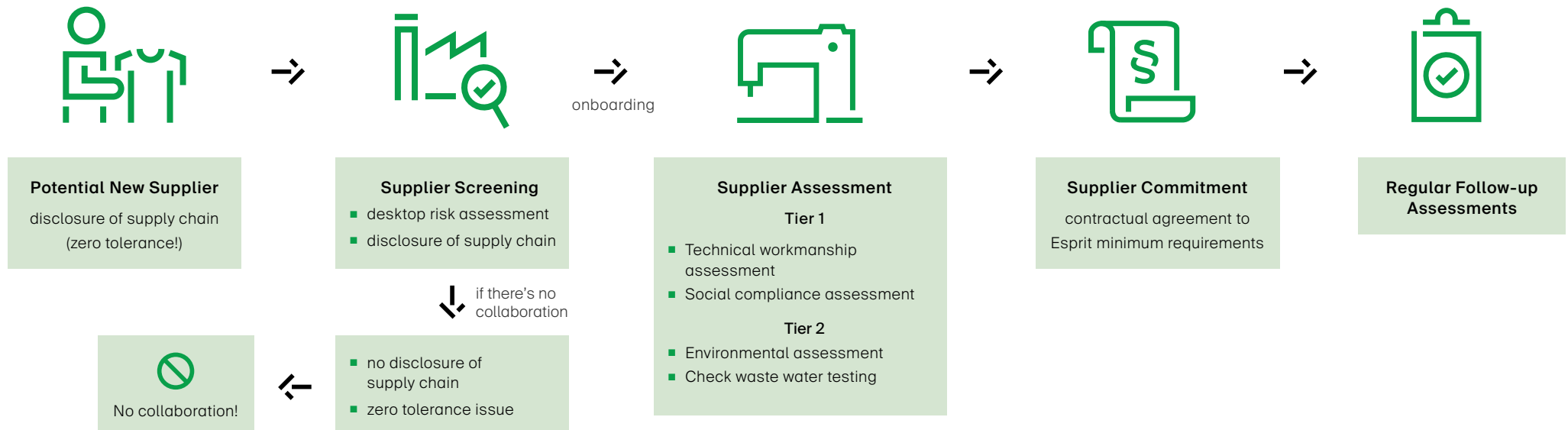
Specific to Esprit, there are strict requirements that suppliers and subcontractors must fulfill before starting to work with us.

In our onboarding procedure, we check our potential new suppliers on their social compliance, safety, as well as quality performance. In 2021, we had a total of 14 new master supplier onboardings.

Our Criteria

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

Onboarding process



Our Policies

Policy on Human Rights

All of our Social Standards are based on our October 2019 Policy on Human Rights, which defines our ethical requirements and sets them down clearly in writing.

Supplier Code of Conduct

All factories producing Esprit garments must comply with our Supplier Code of Conduct which is part of the basic supplier agreement that all of our suppliers must sign when they begin working with Esprit. We have developed detailed guidelines to help our suppliers implement the Esprit Supplier Code of Conduct. These guidelines describe the internal processes our suppliers must establish to meet our social standards. The guidelines also include remediation measures that suppliers must immediately implement in the event of failure to meet our standards.

Sourcing Policy

Our Policy on Sourcing Practices sets forth our expectations of suppliers related to transparency, legal compliance, waste, greenhouse gas emissions, water, and chemical management, as well as our minimum requirements.

Our Partners

We take the working conditions within our supplier factories very seriously and partnering is the best way to achieve a positive impact. We are members of several industry initiatives which help us work with other companies and stakeholders to align our approaches and build collective momentum toward shared goals.



We work through and with the following multi-stakeholders and industry initiatives to achieve industry-wide improvements:

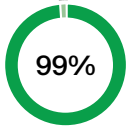
- Fair Labor Association
- ACT on Living Wage
- Bangladesh Accord on Fire and Building Safety
- German Partnership for Sustainable Textiles
- Dutch Agreement on Sustainable Garments and Textiles
- SLCP Social & Labor Convergence Program

Audits

The Esprit social sustainability team regularly conducts both unannounced and announced audits at the Esprit manufacturing facilities to ensure that all these production lines operate in accordance with the Esprit Supplier Code of Conduct. When challenges arise, we don't believe that pulling orders from suppliers is the right course of action. We want to support our suppliers to improve while upholding a business relationship built on mutual respect, trust, and open communication. We develop a Corrective Action Plan (CAP) together with the supplier after each audit. We then conduct regular re-audits to verify the improvements. We only terminate a cooperation if improvements are not made, or if there is a lack of willingness to address the issues.

No "Cut and Run"

Social Compliance Audit



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



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's 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.

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.

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.

Walkthrough

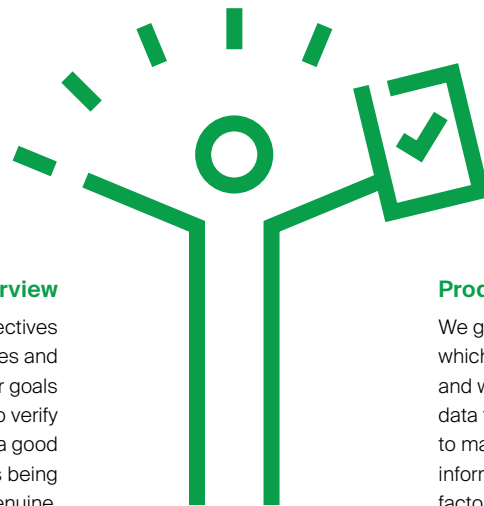
By walking through the factory and observing with our own eyes, we get a real feel for the surroundings, the risks, the morale, and the environment. This part of the audit is crucial.

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.



Audits During the Pandemic

The Esprit social sustainability team regularly conducts both unannounced and announced audits at the Esprit manufacturing facilities to ensure that production lines operate in accordance with Esprit's "Supplier Code of Conduct". During the COVID-19 pandemic ("the Pandemic"), this approach has been very challenging due to restrictions on travel and visitation. Therefore, the Company has changed its way of auditing into a digital audit scheme to follow-up non-compliances while doing its best to support factories in making improvement. 14% of the audits were conducted digitally and via follow-ups. When challenges arise, the Company wishes to support its suppliers to improve while upholding a business relationship built on mutual respect, trust, and open communication. A Corrective Action Plan (CAP) is developed together with the suppliers after each (digital) audit.

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 FY2020 Esprit dropped 0.5% 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 International Labour Organization (ILO) standards, failure to provide one day off over a seven-day period as per standards of ILO and Fair Labour Association, 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 discovered, 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.



**i****Non-compliance Issues in FY2021**

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
- 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



Rewarding Sustainable Suppliers

We incentivize and reward supplier performance that reflects and supports progress toward our sustainability goals. The Vendor Score Card was initially introduced in January 2017 to provide a tool for measuring each supplier's performance on an objective basis. Every six months we evaluate our suppliers' sustainability performance based on social and environmental criteria, alongside business criteria such as on-time delivery and quality. Together, the facility's performance in these areas is used to assign them a score in the Vendor Score Card.

The Vendor Score Card is an essential tool for constantly measuring and evaluating our supplier base. Our partners know that these scores will impact their business, and that they will benefit from improvements in sustainability; in this way, they are incentivized to ensure fair and safe working conditions or to scale up their efforts to offer sustainable materials.

Beyond Auditing

Auditing plays a key role in ensuring compliance with our standards. But it is not the only tool we employ. We also spend time building relationships with our suppliers, and educating workers, which is ultimately about empowering them. Alongside our audits, we ensure that the workers know what they are entitled to so that they can stand up for their rights, and we create channels for them to communicate their concerns directly to us, so that we can use our leverage as a brand to support them if there is a need.

Worker Code of Conduct

At the beginning of 2020, we began to implement a Worker Code of Conduct, according to the requirements of the Fair Labor Association. Our Worker Code of Conduct is a shorter and simpler version of our Supplier Code of Conduct, aimed at informing workers of their rights. Due to the Pandemic, we could not fully implement this Code in factories as we

had intended. However, this process will continue as soon as our teams are able to safely travel again. Currently, the Worker Code of Conduct are available in Bengali, Chinese (Simplified and Traditional), English, Khmer, Punjabi, Tamil, Turkish, Urdu, and Vietnamese.

Grievance Mechanism

Additionally, we have developed a grievance mechanism for our key sourcing countries, which are currently Bangladesh, Mainland China and Turkey. The goal is to have open communication channels with workers so that they are able to bring any concerns directly to our attention. To date, we have created local-language posters which have been put on the walls of factories, visible for workers, where they can find contact information for our local Sustainability Team; this includes an email address.

Empowering Women

Since early 2018, a priority for us has been to better understand, and then address, the issue of women's underrepresentation in leadership positions, despite being the overwhelming majority of the garment industry workforce. Our goal has been to work with our Tier 1 suppliers in both India and Bangladesh to achieve the target of 15% of supervisory roles being held by women. We are disappointed that one of the many impacts of the Pandemic this past year has been that we have not been able to personally visit factories to monitor and record progress in this area. In truth, we also do not expect that our suppliers have been able to focus on this target considering the crisis and the superseding priority of ensuring the health of workers. In the future, we look forward to continuing this work with our partners and to reaffirming our belief that business with women in leadership roles are businesses that thrives.



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 signed a Global Framework Agreement with IndustriALL Global Union ("IndustriALL"). 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. Currently, Esprit is one of five global apparel brands to have signed such an agreement.

Living Wages

A living wage should cover a decent standard of living for the worker and their family. It is ESPRIT's minimum requirement that workers in its partner factories are paid according to the law with regards to minimum wage, overtime payment and statutory benefits. The Company is aware that those wages are often not enough to afford a decent standard of living.

As part of the Company's living wage efforts, ESPRIT is a signatory of ACT (Action, Collaboration, Transformation), which is a ground-breaking agreement between global brands, retailers and trade unions to transform the garment and textile industry and achieve living wages for workers through industry-wide collective bargaining linked to purchasing practices. ACT members developed an interactive engagement tool with the aim to assess their own purchasing practices internally and for suppliers to assess brands' purchasing practices so ACT members can take action for improvement. Responses were collected from February to May 2021. The Purchasing Practices Self-Assessment asked employees from all ACT brand members to assess the purchasing practices of their organisation. Respondents came from key product supply chain functions, from designers to merchandisers to buyers.

In parallel, suppliers were asked to complete the Purchasing Practices Supplier Assessment to evaluate the purchasing practices of individual brands they supply product to. The surveys were implemented across all key garment manufacturing countries including the four countries where ACT directly operates in: Bangladesh, Cambodia, Myanmar, and Turkey. With 1,831 responses in the brand survey and 2,268 in the supplier survey, the ACT Purchasing Practices Surveys 2021 was the largest survey ever undertaken by both suppliers and brand employees on purchasing practices.



The results provide important insights to complex business relationships between ACT brand members and their suppliers. The report found that the focus areas of the ACT Global Purchasing Practices Commitments remain the most relevant areas, affecting not only the entire supply chain but also requiring the most attention. These include price quotations and negotiations, terms of payments, sourcing practices, planning and forecasting, as well as training and awareness. According to the suppliers, purchasing practices that are most relevant to create conditions required to pay a living wage to workers are price negotiations (57%), order placement (49%) and prices quotations (48%).

Purchasing Practices Evaluation

In total, 27 employees from ESPRIT took part in the Purchasing Practices Self-Assessment and 74 suppliers from ESPRIT responded to the Purchasing Practices Supplier Assessment. These assessments gave suppliers the opportunity to give direct and anonymous feedback to the Company's purchasing practices.

Out of 16 sections, the Company completed a detailed analysis of its status. ESPRIT scored above average in most sections and saw clear outcomes in areas such as incentives, compliance scoring, and order placement.

Measuring wages

Next to ESPRIT'S approach in ACT, the Company started to monitor wage data to get a better overview on workers' actual salaries and identify urgent areas for improvement. As a member of the Fair Labor Association (FLA), ESPRIT used the FLA dashboard to monitor workers' wages. The Fair Compensation Dashboard stores workers' wage data from suppliers of participating brands across the globe. The suppliers enter the wage data which is then reviewed and verified by brands and the FLA. The Fair Compensation Dashboard makes it easier for the Company to find differences between living wages and existing wages in specific factories, as well as to effectively closing those gaps.

Roll-out

In 2019, the Company piloted the Fair Compensation Dashboard to five strategic suppliers. During the pilot, the Company focused on gathering correct and accurate data to ensure it has solid data starting from 2020. This data was gathered before the COVID-19 pandemic ("Pandemic") and therefore reflects a significantly different economic reality for those workers and factories.

Since 2020, ESPRIT rolled out the Fair Compensation Dashboard in three countries: Bangladesh, India and Turkey and gathered wage data from 67 factories. As a next step, the Company analyzed the data, especially on plausibility which is now finalized for 30 factories. Due to the Pandemic, the roll-out program and data gathering process has been very challenging and slow, as in-person training and visits were limited.

Fire and Building Safety

The Company was one of the first fashion brands to sign the ACCORD on Fire and Building Safety, which was launched following the collapse of the Rana Plaza complex in 2013. The ACCORD is a broad coalition of brands, trade unions, civil society and factories. It addresses fire and building safety in the ready-made-garment industry first in Bangladesh, and now internationally, through a legally binding agreement with a five-year term.

The Company made a commitment to responsibly source from Bangladesh. There are still improvements that need to be made regarding fire and building safety in Bangladesh. As a consequence, the textile industry in Bangladesh is experiencing a substantial transformation in terms of fire

safety and is improving its safety standards. This makes the ACCORD an essential part of the work in Bangladesh. The Company is committed to such cooperation in the future. Therefore, ESPRIT became a signatory of the new Accord agreement in September 2021. This means that brands will keep monitoring factories' progress on remediation of Fire, Electrical & Structural issues, and that a system has been established among member brands to ensure resolution of grievances is raised through the Accord's grievance mechanism.

The Pandemic has limited the ability of the Company's partners to conduct third party audits in person. Therefore, the remediation efforts currently stand at 95%.



Responsible for the Planet

It is our goal to have a positive impact on our planet through closing the loop: This includes ensuring responsible management of resources (such as water), responsible selection and safe use of all production inputs (such as chemicals), and the control of all production outputs and emissions (such as wastewater, GHGs, and – eventually – the product itself).

Detox

In December of 2012, we signed the Greenpeace Detox Commitment, starting our effort to phase out eleven groups of hazardous chemicals from our supply chain by 2020. To achieve “zero discharge of hazardous chemicals by 2020” we launched a major Detox program within our supply chain. The program is based on building awareness and knowledge among our wet processing suppliers about chemical and environmental management, process control and wastewater testing. In support of this goal, we were



among the first members of the Zero Discharge of Hazardous Chemicals Group (ZDHC). This group of industry-leading brands and stakeholders has come together to develop tools and protocols to empower the entire supply chain and move the industry forward. We are proud to be part of this pioneering initiative, and to have a leadership role in the work to eliminate the discharge of hazardous chemicals in fashion manufacturing.

In FY2021, 74% of our key wet processing mills tested their wastewater according to the ZDHC Wastewater Guidelines. The industry still has work to do in this area, and we are not able to change the industry in a sustainable way on our own. To build off the progress we have made so far, we continue to apply our learnings to the broader goal of eliminating the discharge of hazardous chemicals, and we will continue monitoring our suppliers with our own audit protocol. During textile production, especially in the dyeing and printing process, hazardous waste as sludge is generated. As Esprit does not have its own production, we usually did not have direct access to this data. In 2021, we collected the data for the first time from in total 104 suppliers. Since some of our suppliers also produce garments for their other brands, it is difficult to accurately extract hazardous waste data such as the amount of sludge generated during production of Esprit goods. We currently do not have a quantitative emission target or reduction target for hazardous consumption. However, we will continue to apply our best efforts to minimize discharge of hazardous chemicals as much as possible.

Clean Production

Esprit has two important documents setting boundaries for the use of chemicals: the Restricted Substances List (RSL) and the Manufacturing Restricted Substances List (MRSL). While the RSL focuses on the amount of restricted chemicals in the final Esprit product and its packaging, the MRSL, developed together with other brands within the Zero Discharge of Hazardous Chemicals (ZDHC) Group, focuses on hazardous chemicals that must be phased out from chemical formulations used in production. This includes chemical restrictions and limits for wastewater. Our goal in developing this harmonized MRSL is to simplify the compliance process for our partners and support them in meeting stricter MRSL requirements.

We are continually updating these documents based on our hazard screening methodology and our chemical risk assessments.

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 active members of several collaborative industry and multi-stakeholder initiatives that address issues related to chemical management and best practices, including the Zero Discharge of Hazardous Chemicals (ZDHC) Group, and the German Partnership for Sustainable Textiles.



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RSLs and MRSLs

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

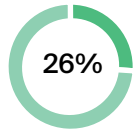
1. RSL

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.

2. MRSL

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.

Environmental Assessment

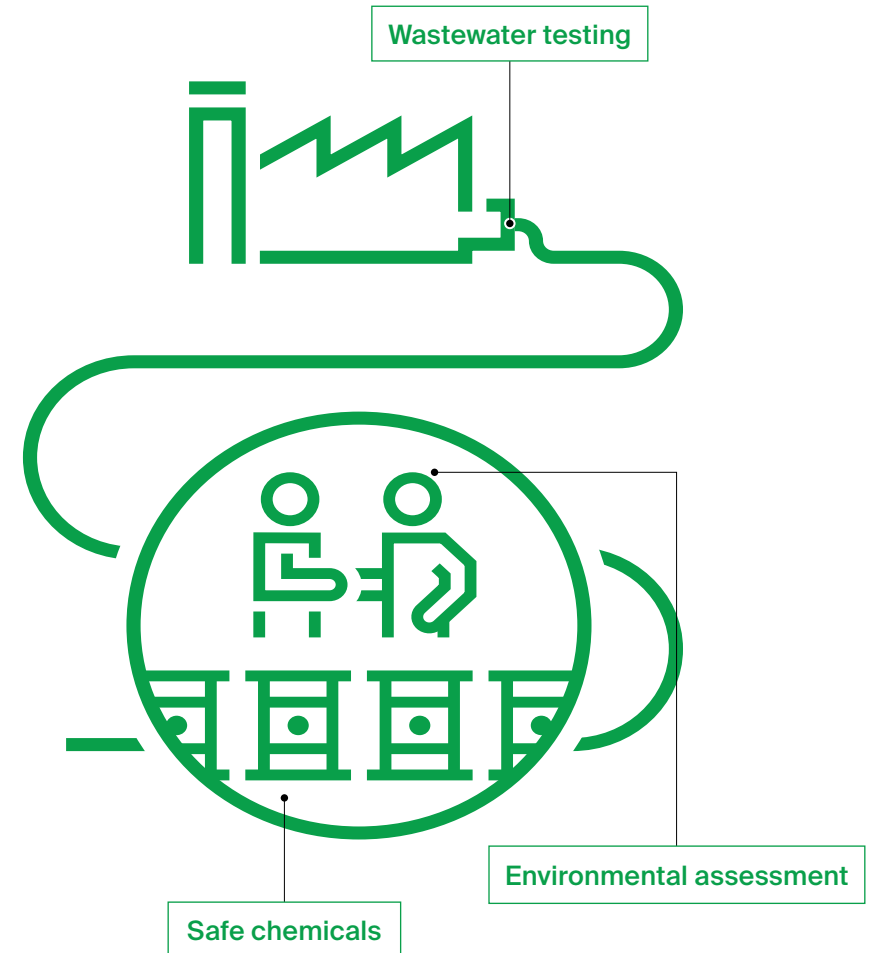


100% of our key wet processing mills have been audited based on the Esprit technical audit protocol

Our audit protocol involves visiting factories to review processes and documents, observe activities, and talk with workers. In FY2021 we broadened our protocol to include more parameters, such as water use, energy use, carbon footprint, and a social risk assessment.

Audits during the Pandemic

Due to government imposed travel restrictions, caused by COVID-19, only a fraction of the suppliers was audited in person. Once government enforced travel restrictions are lifted, we expect to continue our auditing program to its full extent. Results show that it is still important to verify data and support suppliers at the factory-level.



Wastewater Testing

Wastewater testing is a critical part of our process for supporting the health and safety of workers and community members in and around our wet processing facilities. While we provide clear expectations on chemical use and wastewater treatment, as well as tools to help our partners meet our expectations, we understand that this is a complex topic. As a member of the Zero Discharge of Hazardous Chemicals (ZDHC) group, we adopted the ZDHC Wastewater Guidelines in February 2016. Working in tandem with the ZDHC Manufacturing Restricted Substances List, the ZDHC Wastewater Guidelines and testing protocols are in place to ensure the water leaving each wet processing factory meets our requirements, and

is safe for the environment and the community. 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 publicly available Institute of Public & Environmental Affairs (IPE) website, or to the ZDHC platform.

By working with the ZDHC group to align our requirements and our testing protocols with our peers in the industry, we are able to simplify the compliance process and focus our collective energy on achieving tangible improvements rather than creating more paperwork for our suppliers.



Water Use

We include waste water usage in the production of our products. During the reporting period in FY2021, we also analyzed the greenhouse gas emissions related to the usage of water. In our supply chain, a total of almost 110 billion litres of water were used, which came from different sources. Our aim is to intensify the usage of reclaimed and recycled water in order to protect the natural resources of ground and surface water, whereas not overuses the available municipal water and freshwater, which are very valuable to the local population. Esprit currently does not have an efficiency target for water consumption. Due to changing supply chain partners, especially on Tier 2 level (fabric) and a lower visibility, it is very challenging to set targets. However, we acknowledge the responsibility and will look for options to set clear targets in the near future.

Type of Water	Vol. l	Vol. %	CO ₂ e kg	CO ₂ e %	CO ₂ e intensity
Fresh Water Resources*	3,996,380,218	99.74%	56,248,806	98.85%	0.0141
Reclaimed / Recycled Water	10,319,428	0.26%	653,130	1.15%	0.0633
Total Water Usage	4,006,699,646	100.00%	56,901,936	100.00%	0.0774

Safe Products

Our Restricted Substances List (RSL) is the backbone of our product safety process. To monitor compliance with our RSL, we employ a testing process based on REACH Regulation, which is the European Union regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals, as well as applicable national legislation in Esprit's sales markets. We are a member of Apparel and Footwear International RSL Management (AFIRM) Group, 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. As we comply with the AFIRM RSL, we can ensure that we are following the regulations in different chemical limits.

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. Esprit has a Product Safety department which takes care of the fabric quality in terms of physical and chemical parameters. Especially on the chemical parameters we follow all the legislation requirements, such as REACH. All our products are tested before sales on risky chemical parameters. With this precautionary approach, we want to ensure our products are safe and high-quality. In FY2021, we produced more than 45 million pieces of products. We had one product recall for safety and health reasons. There were no further complaints leading to a product recall. In such case, the Product Safety department immediately informs relevant parties within the company, such as Legal, Product and Sales department. Together, we work on quick solutions to inform customers and make it easy for them to return their products.



On-site Check: Before shipment, an inline and final inspection is performed by the local Esprit Quality Assurance team, or by an approved third party inspector. Our unique digital Quality Assurance tool enables onsite teams to transmit information in real time to ESPRIT Europe.

Testing Integrated with Manufacturing: Throughout product Development, Sampling, and Production, our Product Safety Management and Local Quality Assurance 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 as described before.

HQ Review: Our Sustainability & 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.

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.

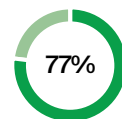
We work together on process improvement to resolve the issue. Then, we share the findings with our supplier network so that everyone learns from the process.

Climate

Our ambition to be part of a circular fashion system means we are looking beyond our products to our entire business operations, including transportation, warehousing, headquarters operations, and retail practices. Addressing each of these areas requires partnerships with our suppliers and vendors, creative problem-solving, innovative materials, and detailed monitoring. We are investing in ways to measure our impact in terms of carbon emissions and waste, and then establish a new standard of business-as-usual that aligns with our goals.

Scope 1 and 2

We initially set the goal of achieving a 30% GHG emissions reduction by 2030. We are proud of our improvements in this area and proud to have already overachieved our target. In 2021, our GHG emissions account to only about 50% of the value in the baseline year, especially with regard to the reduction in the electricity consumption under Scope 3. However, these figures are mostly influenced by store closures during the COVID-19 pandemic which are reflected in the FY2021 reports. We did see an increase in air shipments this year, which elevates our GHG emissions at Scope 3. This is attributable to supply chain disruptions due to COVID-19, and does not indicate a change in our goal to minimize air shipments.



Reduce greenhouse gas emissions (GHG)* by 30%
*Baseline FY17/18: 40,803 CO₂e

Actions in Scopes 1 and 2

- Our German warehouse has been certified according to the Building Research Establishment Environmental Assessment Method (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.

Carbon Footprint

Scope 3

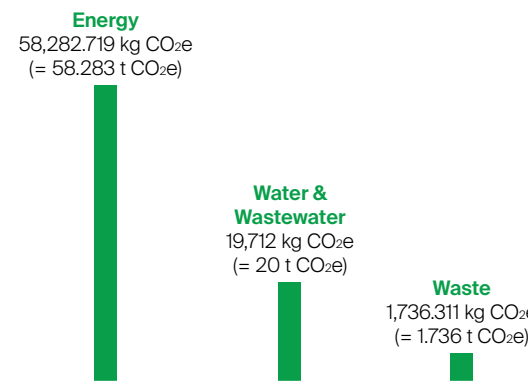
A large part of our emissions emerge during the production of our products. In order to find the right answers to defend the climate change, we have worked closely with our suppliers to gather data on the emissions in our supply chain. Having a precise data base is important to identify the largest problems and emissions and work directly with suppliers to find sustainable alternatives and work on reductions.

For the current reporting cycle, we have managed to enlarge the scope for mapping the emissions in the facilities where our products are made.

We have obtained information on energy usage, water consumption and wastewater generation as well as the amount of waste from 90 garment vendors and their POFs in Tier 1 and 2, which make 79.5% of our total business volume. Our target is to further enlarge the mapping scope and cover the full range of facilities. Regarding data quality, we plan to refine the mapping process in order to get a clearer picture about the portions of renewable energy (such as, e.g. biomass or solar power) that is used in our supply chain.

Furthermore, we have worked on the replacement of coal boilers (which generally have high emissions intensities) by more efficient equipment in close collaboration with our suppliers.

Carbon footprint of our garment vendors by resources



**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

FY2021 Figure:
GHG: 1,281.936 kg CO₂e
(= 1.283 t CO₂e)

FY2021 Figure:
GHG: 2,806.222 kg CO₂e
(= 1.086 t CO₂e)

FY2021 Figure:
GHG: 88,393.604 kg CO₂e
(= 88.304 t CO₂e)

Baseline*: 31,668 t CO₂e

*Calculation using baseline methodology

During baseline year FY17/18, our Scope 3 data was much lower because we did not include emissions of our suppliers. This has now changed. In order to have a comprehensive assessment of our Carbon Footprint, we believe that emission data of our suppliers is an important part of the calculation and have therefore included their data to our own Carbon Footprint. We follow our own methodologies and sum up the emissions of our suppliers depending on our business volume with the respective supplier.

Shipments

As a supply-chain activity, shipments fall under Scope 3. Esprit is not directly 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, so we have set concrete goals on shipping modes.

The global nature of the fashion industry means that some of our products may have journeyed around the world before reaching the hands of our customers. The impact of this global travel includes greenhouse gas emissions, but the picture is broader than just this. We aim to understand and reduce the impact of transportation, which may be by sea, truck, air, rail, or combined sea/air, as we weigh different risks, benefits, business needs, and impacts on the environment for each mode of transportation. Trains are our first choice, since they are the most efficient way to move large quantities for the lowest carbon impact.

Due to the challenges, which Esprit has faced in connection with the COVID-19 pandemic, air shipments have increased in FY2021.

Regardless of the mode selected, we always make sure cartons and containers are full, space is efficiently used, and orders are combined wherever possible. This goes a long way to reduce the carbon footprint of every transport method.

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. This year, we were able to offset over 83% of our outbound logistics emissions, totaling 1,737 tons CO₂e out of 2,090 tons CO₂ equivalent.

Transport

54% of our service providers are in the Clean Cargo Working Group (“CCWG”). CCWG is a business-to-business leadership initiative that involves major brands, cargo carriers, and freight forwarders dedicated to reducing the environmental impacts of global goods transportation and promoting responsible shipping.

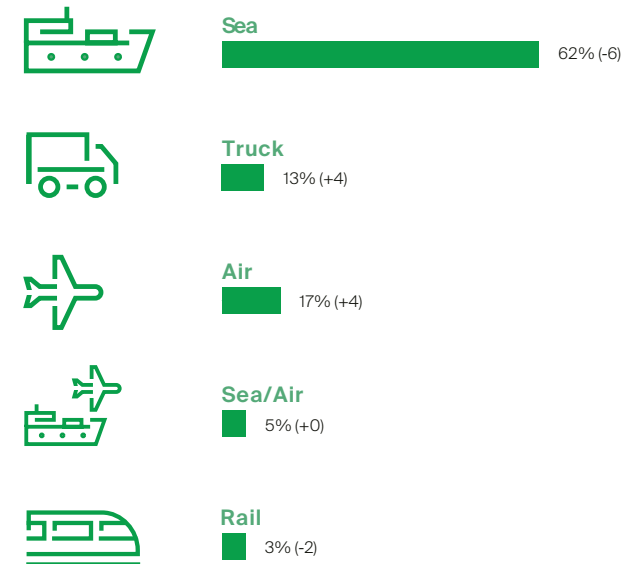
E-shop Shipments

Shipments from the warehouse to our customers also fall under Scope 3. The Pandemic has only accelerated the trend of more shopping being done online. We had already set the target of shipping 90% of European e-commerce products through carbon-neutral or reduced emissions modes of transport by July 2021.

Similar to FY2020, 78.69% of our European e-shop orders met this standard in FY2021, including transport and return shipments.

How We Ship

FY2021 difference to FY2020 in percentage points



Waste

The main non-hazardous waste we produce is packaging material. Tackling waste means first looking at packaging, since this is the main culprit for generating cardboard waste and single-use plastics. We try our best to keep packaging to a minimum and are continuously looking for opportunities to further reduce packaging, while maintaining the protection of our products during its journey from the point of manufacturing to our end-consumers. But much of this protection becomes waste, either when the goods are repacked from cardboard boxes or polybags are removed by the customers.

In our e-commerce channel, we used 8,780,432 cardboard boxes made of recycled material to ship the goods to our end-consumers and 27,273 kg of stuffing material to protect delicate items (such as bottled fragrances) from damage during the report period. From beginning of 2021 onwards, we use paper stuffing instead of plastic material, because our consumers' acceptance of paper stuffing is much higher than of plastic stuffing.

Generally, we always try to reduce the usage of packaging to the minimum, and we are continuously looking for opportunities to further reduce product packaging while maintaining the protection of the goods during their journey to our end-consumers.

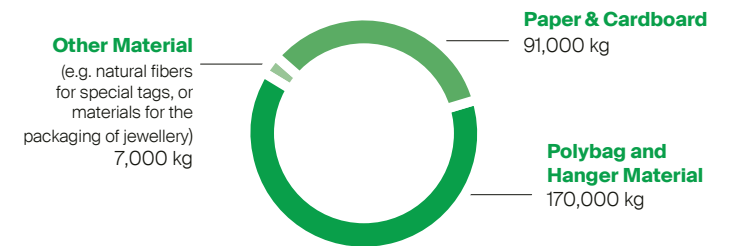
We continue to focus on folding the garments to the smallest size possible without risking to negatively affect the quality, and thus put the items in the smallest polybag possible. Of course, we continue to ship our denims as roll-pack held together by a banderole instead of putting the complete garment in a polybag.

In addition to this, we have further enhanced the polybag quality and have introduced polybags with 75% recycled content, while keeping the reduced thickness. This approach further supports Esprit's activities with regard to circularity of materials.

We continue to look for even more sustainable packing alternatives that are accepted by our customers and which at the same time can easily be made available at the production plants.

During FY2021, we sold 45 million pieces of garments, shoes, accessories and licensed products to our consumers via our 3 channels: Wholesale, Retail and e-commerce.

In order to protect the goods from damage or dirt during transportation, we used 1,672.993 kg (= 1.673 tonnes) of product packaging during the reporting period:



Thus, we calculated an average of 56 g of packaging per item. We have identified 2 main reasons for this:

- (1) Introduction of new hangtags with a higher weight;
- (2) more shipments in e-commerce.



FIGHT THE POLYBAG

9% of our products have been shipped without polybags but only banderoles (2,719,566 items (pants denim & pants woven) out of 29,843,839 items)

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. One example is our work to identify and optimize the quality of over 70 of our core, high-volume

fabrics. 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 align our care labels with **Clevercare** to provide **sustainable washing instructions**. **Links are available on each garment.**



Our website includes **a guideline** on how to wash garments properly to extend their lives.



Care

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.

Our Care Guidelines

You can find care symbols on the care labels sewn into each garment. However, these care symbols are not always easy to understand. This is why we developed our Care Guidelines, explaining the symbols and equipping our customers to be able to treat each product in the right way.

Clevercare

Our care labels are aligned with the Clevercare system. This has been in place since 2016 and is part of our strategy to educate our customers on their role in supporting a more sustainable fashion system. Clevercare provides information about more sustainable washing, drying and ironing of garments. Small things, such as reducing washing temperature to cut down on overall energy consumption, can have a positive impact on the environment.

Clevercare also provides detailed information about the common care symbols. The link to the Clevercare website can be found on the care labels of all our apparel products (www.clevercare.info).

Repair

We aim to inspire our customers to extend the life of their garments, and part of our approach has been simplifying the process of garment repairs. We now offer a repair service for Esprit garments in all our retail stores in Germany. If your Esprit garment needs a seam closed, a button replaced, or a zipper fixed, find one of our stores nearby. The service is currently part of the ESPRIT Friends loyalty program.

Reuse and Recycle

Our commitment to a circular fashion economy has inspired an intense focus on reuse and recycling. Our 2021 goals range from educating our product teams, to incorporating post-consumer recycled material into our products, to expanding collection and resale opportunities. We are proud to share that we have achieved all of our 2021 reuse and recycle targets.

Outlet and Resale

Any garments that are not sold through our retail and e-commerce channels within the expected timeframe are moved to one of our 11 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 those items to be purchased, loved, and used.

Careful Lifecycle Management

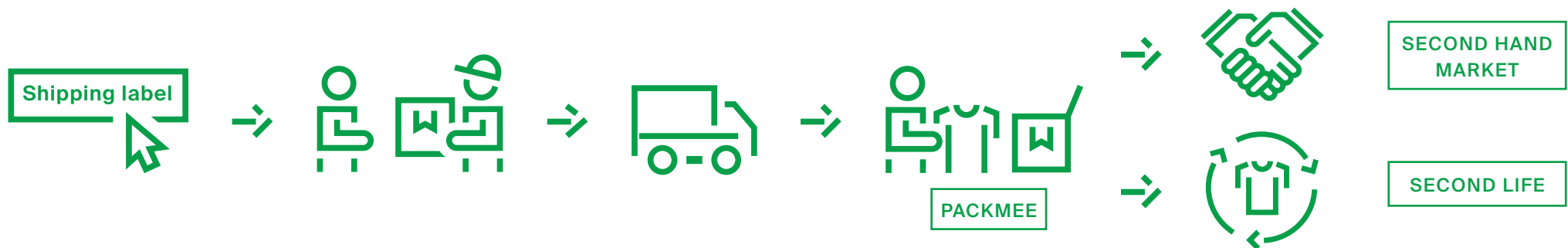
Proper stock planning allows us to minimize waste, and our aim is to make just the right number of products to meet our customer's needs, without generating waste in the raw materials, manufacturing, distribution, logistics, or sales steps.

Garment Collection

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..



PACKMEE re-sells the used clothing and shoes donated by our customers, giving them a longer lifespan. The profits are donated to Save the Children.



Closing the Production Loop

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.

What We Do with Unsold Garments

As part of Esprit's commitment to minimizing our impact on the environment, we carefully consider how to handle unsold goods and returns from our retail, e-shop and outlet channels. For example, we are investing into ways to extend the lifetime of unsold or returned products by taking care of any repairs or touch-ups that might be needed, and then cycling these refreshed products back into alternative sales channels. Garments that are not sold through our own retail and e-commerce channels within a certain sales period are generally sent to our outlets. There, the goods are usually sold out completely. If there are unsold items from our outlets, we offer these goods to be sold in countries where Esprit does not have direct business, providing a third opportunity for our goods to reach the hands of a new customer. We work with a carefully selected reselling partner that first provides any repairs that might be needed, such as replacing broken zippers or mending small tears.

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 under strict third party supervision and in accordance with Esprit environmental directives.



4

SET THE
FRAME



Embedding Sustainability

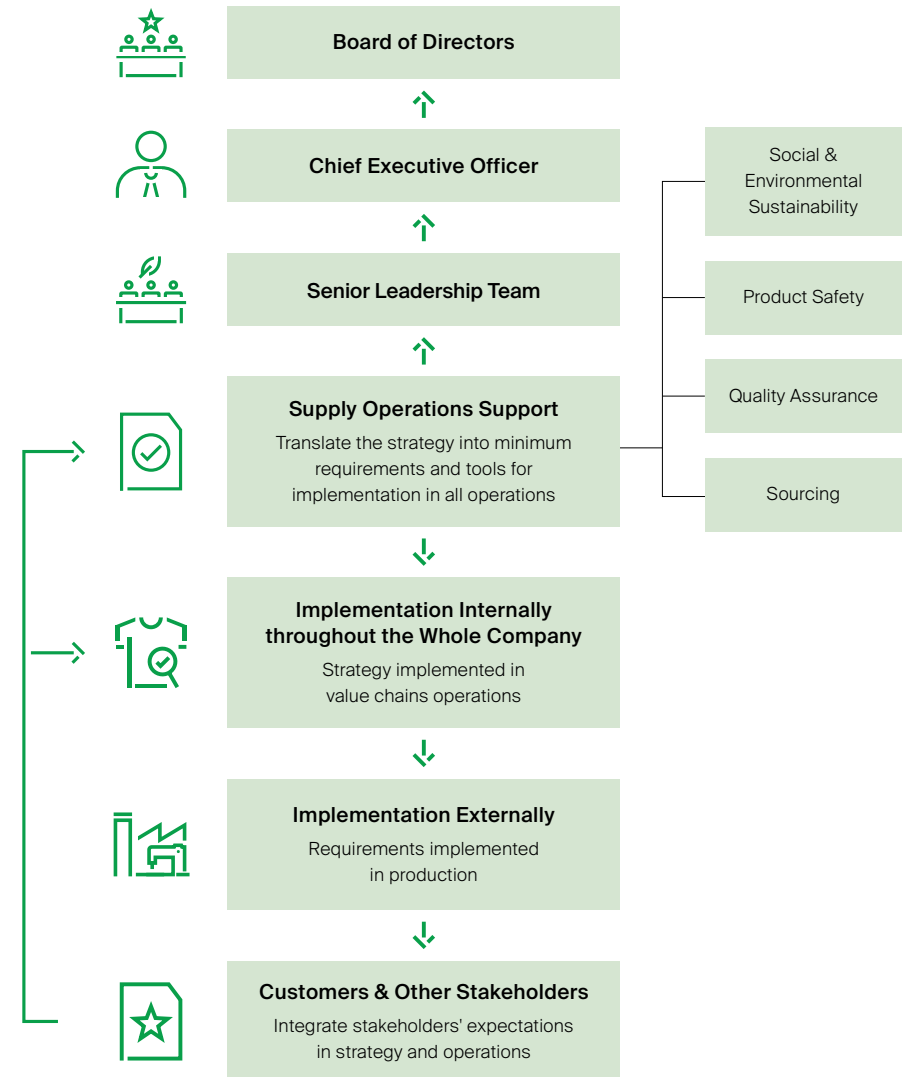
Our sustainability goals are embedded in our culture, in our daily decision-making, and in our planning for the future. This is true at every level of our company and reinforced by the business structures and social platforms in place that ensure communication, consensus, and commitment to our circular 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. Our supply chain partners know they can rely on a network of support teams that we have 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 towards our employees, and clarifies our culture, our values, and our ways of working. Each employee of Esprit signs this Code of Conduct before starting, ensuring that they understand the principles behind Esprit, as well as the specific expectations regarding ethical behavior, 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 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 which does arise in critical situations.

Anti-corruption and Extortion

We disapprove of any kind of corruption and extortion 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 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.

There have not been any legal cases regarding corrupt practices brought against Esprit or its employees during the reporting period.

Esprit provides anti-corruption trainings to directors and staff: all directors receive a comprehensive Compliance Booklet (including anti-corruption policy) and sign a respective acknowledgement form. Staff members receive the Esprit Code of Conduct (which also includes anti-corruption stipulations) as an attachment to their employment contract and sign the acknowledgement. Compliance trainings are provided for new staff in classroom trainings and can also be downloaded from the Esprit Intranet.

Protection of Intellectual Property (IP) Rights

In FY2021, we maintained our trademark portfolio, implemented a worldwide trademark watch, sent out warning letters and opposition proceedings against new conflicting trademark applications, monitored the market in regards of infringing uses of Esprit trademarks, commenced court proceedings (preliminary injunctions and lawsuits) against infringers, conducted trademark searches and filled in trademark applications before use of new signs as well as IP trainings for employees.

Antitrust

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 management positions within Esprit are familiar and at all times compliant with the principles of both national and international competition laws.

Training

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

Protection of Personal Data – Data Protection

We attach great importance to the protection of data privacy of our employees and our customers and strictly observe compliance with the applicable laws and regulations.

The protection of personal data of any data subject, e. g. of customers, suppliers and employees is of particular importance to Esprit. We process personal data in a lawful, fair manner that is transparent to the data subject. Personal data may be collected or processed only where permitted by law for specific and explicit purposes. According to the individual case this may be for example the consent of the data subject, a contract, the legitimate interest or a law. Data Protection strengthens trust and long-lasting relationships. Data Protection is a core asset to Esprit.

Due to the global pandemic, we could not deliver our training program as intended. However, all newly hired employees received a general compliance training including an overview of all high risk policies at Esprit.

Esprit has a Data Protection Management System in place where for example the records of processing activities are monitored and permanent updates regarding the privacy policies for our customers and consumers are delivered, in compliance with the relevant data privacy laws in the different jurisdictions. There are processes implemented to comply with the data subject rights of our customers, suppliers and employees.

Other Employee Rights

We also protect the legal rights and interests of employees from anti-discrimination, prohibiting child labour, eliminating forced labour, harassment, abuse, and protecting employees' privacy.

Employees shall not be discriminated against or treated unfairly because of their social identity differences such as nationality, religious belief, age, marital status, etc.

During recruiting process, the candidate's identity is verified through legal identification and background check. If the identity information is found to be untrue and/or the candidate is found to be underage, the recruitment process will not proceed.

We pay attention to protecting employees' privacy during their employment and at the workplace to avoid any use of employees' personal information for improper or illegal purposes.

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. A detailed description of our whistle-blowing procedures, information on Esprit's preventive measures, and how they are implemented and monitored, can be found in our Whistleblowing Policy.



In 2021, 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).

Responsible Marketing Guideline

Our marketing materials illustrate our values as a company, and so we have created clear policies for our advertisement campaigns. 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 body 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.

5

HOW WE
REPORT



How We Report

This report is Esprit Holdings Limited's (called "Esprit" in this report) ESG Report, written in accordance with the Global Reporting Initiative (GRI) G4 "Core" level and Environmental, Social and Governance Reporting Guide (the "HKEX ESG Reporting Guide") contained in Appendix 27 of the Rules Governing the Listing of Securities on the Hong Kong Exchanges and Clearing Limited. Our ESG Report is produced annually, together with our Annual Report covering our financial performance. This ESG Report covers our identified risks, focus areas and material topics (see "Materiality Assessment") focusing on the environmental, social, and governance performance and related policies and management and gives an overview of our new strategy towards circularity, including tools, targets, and progress of Esprit and all its subsidiaries covered in our 2021 Annual Report for the year ended 31 December 2021

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. Esprit has ranked top 10 in the Fashion Transparency Index by Fashion Revolution for 4 consecutive years. 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.

Reporting principles

Materiality: We have carried out stakeholder engagement and materiality assessment, and clarified the report content and scope based on the results of materiality assessment. For details, please refer to "Ongoing Dialogue" and "Materiality assessment" in this report.

Balance: This report unbiasedly discloses both the positive and negative information to showcase the environmental, social and governance performance of the Company during the reporting period.



Quantitative: This report refers to applicable quantitative standards and practices, adopts quantitative methods to disclose applicable key performance indicators (KPIs), and elaborates relevant quantitative standards, methodologies and/or calculation tools, and the source of the conversion factors used (if applicable) where appropriate.

Consistency: The statistical methodologies applied to this ESG Report were substantially consistent with the previous year, and explanations would be provided if there is any change in the scope of disclosure of data or calculation methodologies.



Board Statement

Governance

The Board oversees ESG strategies, goals and plans to ensure that the company's ESG strategies are included in the business operation processes. The Board has delegated day-to-day responsibilities for ESG-related matters to our Environmental Sustainability team. The team assists the Board on all ESG related matters, such as but not limited to identifying potential risks on our business model, communicating with suppliers and resolve any issues, staying updated on regulatory requirements, and supervising the company's assessment on being a responsible fashion brand throughout the value chain.

Stakeholder Engagement and Strategies

As an international company, we believe in the development and maintenance of sustainable relationships with all stakeholders, internally and externally. We demonstrate this commitment through consistent outreach in the communities where our employees, business partners and customers live and work. Regarding the process, we have adopted to evaluate, prioritise, and manage material ESG-related issues, please refer to "Ongoing Dialogue" and "Materiality Assessment" in this report.

Reviews

Over the years, we have continued to review our environmental performance and implement initiatives to reduce the ecological footprint of our business. In FY2021, we pursued multiple environmentally and socially responsible measures to meet growing expectations of our stakeholders on environmental conservation and support towards our sustainability goals. We will continue to collaborate with our employees, customers, suppliers, other business partners to reach the goal of gradually reducing the carbon emissions and energy consumption of the Group. We are proud of the progress made such far but are committed to doing more to build a better and greener shopping experience for our customers.



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.



Business Partners

We carefully select and support our business partners. Over the past several 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.



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.



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.



Civil Society & 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, the FLA, and ACT on Living Wage.



Strategic Memberships





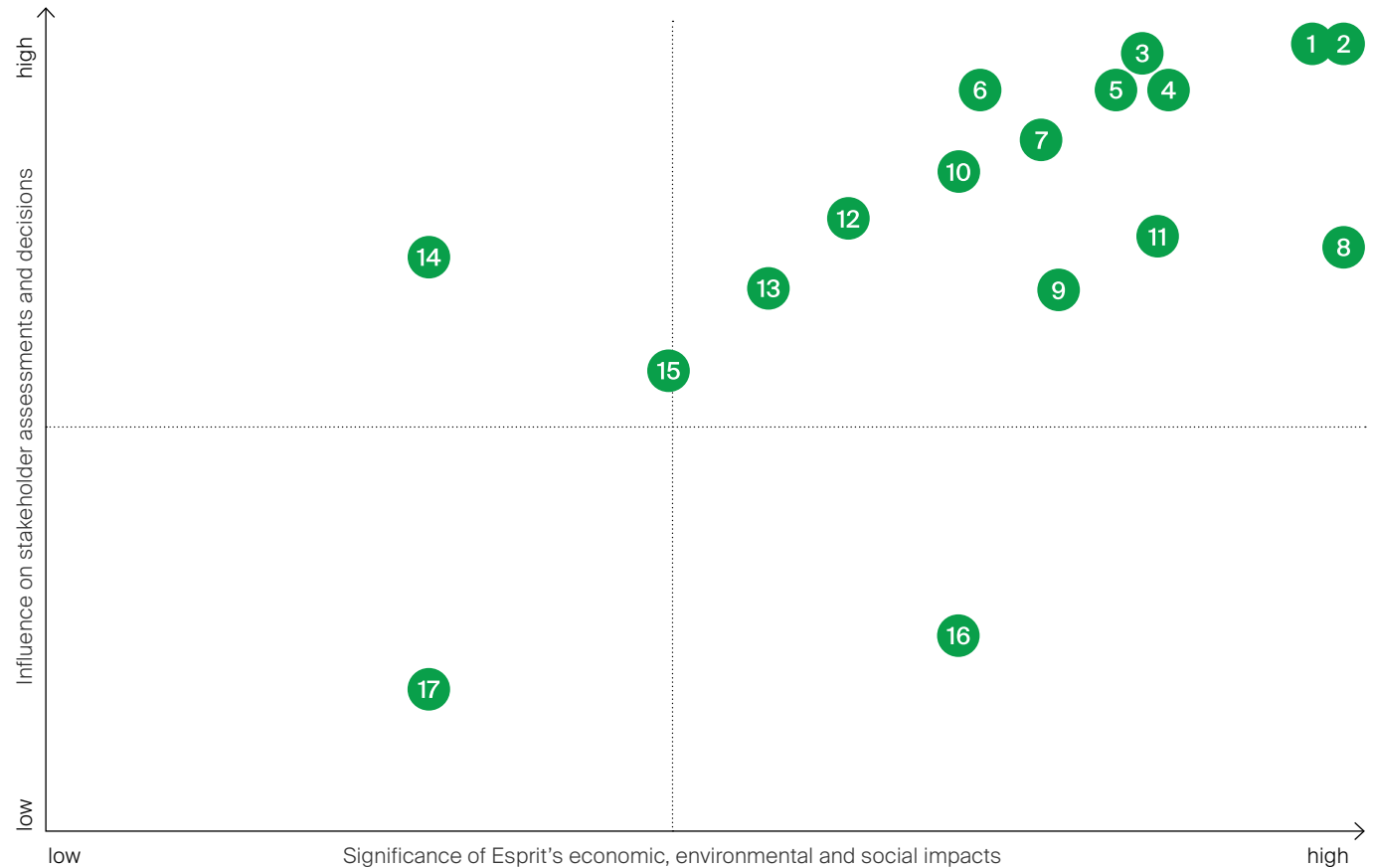
Materiality Assessment

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

FY2021





Performance Overview

GENERAL STANDARD DISCLOSURES

GRI Indicator	Description	Reference to HKEX ESG Reporting Guide	Page	Notes and Omissions
Strategy and Analysis				
102-14	CEO-Statement	Paragraph 13	4-5	
Organizational Profile				
102-1	Name of organization		71	
102-2	Primary brands, products, and services		9	
102-3	Location of the organization's Headquarters		71	
102-4	Number of countries where the organization operates, and names of countries where the organization has significant operations		8, 30	
102-5	Nature of Ownership and legal form		61	
102-6	Served markets		8	
102-7	Scale of organization		8	
102-8	General employee-related disclosures		11-15	
102-41	Percentage of total employees covered by collective bargaining agreements		10	
102-9	Organization's supply chain		42-54	
102-10	Significant changes during the reporting period		-	
102-11	Precautionary approach		4-5, 31-32, 35-36, 45-50, 63-65	
102-12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses		4-5, 22-27, 32-34, 42-47, 57-59, 63	



Performance Overview

GENERAL STANDARD DISCLOSURES

GRI Indicator	Description	Reference to HKEX ESG Reporting Guide	Page	Notes and Omissions
Identified Material Aspects and Boundaries				
102-45	List of all entities		-	This report covers all organization's entities as the 2021 Annual Report
102-46	Process for defining the report content	Paragraph 14	61-64	
102-47	List of material topics	Paragraph 14	64	
103-1	Explanation of the material topic and its Boundary	Paragraph 15	64	
102-48	Restatements of information		-	Not applicable
102-49	Changes in reporting	Paragraph 15	-	Not applicable
Stakeholder Engagement				
102-40	List of stakeholder groups engaged by the organization	Paragraphs 7, 14	61-64	
102-42	Basis for identification and selection of stakeholders	Paragraphs 7, 14	61-64	
102-43	Organization's approach to stakeholder engagement	Paragraphs 7, 14	61-64	
102-44	Key topics and concerns raised through stakeholder engagement	Paragraphs 7, 14	61-64	
Report Profile				
102-50	Reporting period		61	
102-51	Date of most recent previous report		61	
102-52	Reporting cycle		61	
102-53	Contact point for questions	Paragraph 7	61	
102-54	Claims of reporting in accordance with the GRI Standards	Paragraph 8	61	
102-55	GRI content index	Paragraph 8	61	
102-56	External Assurance	Paragraph 8	-	This report has not been externally assured.
102-18	Governance structure		62	
Governance				
102-16	Organization's values, principles, standards and norms of behavior		4-5, 42-47, 57-59	



Performance Overview

SPECIFIC STANDARD DISCLOSURES

Material Topic	GRI Material Topic	HKEX ESG KPI	DMA and Indicators	Page	Notes and Omissions
Business Performance	Economic	B8.2	201-1: Direct economic value generated and distributed	-	Please find the disclosure in our Annual Report 2021.
			205-1: Operations assessed for risks related to corruption	57-59	
		B7(a), B7.2, B7.3	205-2: Communication and training about anti-corruption policies and procedures	57-59	
			B7(b), B7.1	205-3: Confirmed incidents of corruption and actions	
Compliance	Social	B6(b), B6.2		418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data	-
			B6(b)	419-1: Non-compliance with laws and regulations in the social and economic area	-
		B7	103-2: The management approach and its components	57-59	
			More sustainable materials	Environmental	301-1: Materials used by weight or volume
A2, A3, A3.1	103-2: Materials	19-27			
Animal welfare	Own topic		Implementation of the Responsible Wool Standard	26	
			B6(b)	416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	-
				417-1: Requirements for product and service information and labeling	20-21, 46-47, 52, 64
Safe products	Social	B6(b)	417-2: Incidents of non-compliance concerning product and service information and labeling		Material bans in place: Mohair, Angora, real fur, PVC and Cupro.
			102-2: Activities, brands, products, and services		
		B6(b)	419-1: Non-compliance with laws and regulations in the social and economic area	47	
		B6	103-2: Customer Health and Safety	21	
		A3, A3.1, B6	103-2: Product and Services	21	



Performance Overview

SPECIFIC STANDARD DISCLOSURES

Material Topic	GRI Material Topic	HKEX ESG KPI	DMA and Indicators	Page	Notes and Omissions
Water and Chemical management	Environmental	A2.2	306-1: Water discharge by quality and destination	45	
		B5.2	308-1: New suppliers that were screened using environmental criteria	42-47	
		B5.2	308-2: Negative environmental impacts in the supply chain and actions taken	42-47	
		A2.1	302-1: Energy consumption within the organization	48-50	
		A2.4, A2	103-2: Water	42-47	
		A2, A2.4, A3, A3.1	103-2: Products and Services	42-47	
		B5	103-2: Supplier Environmental Assessment	42-47	
Responsible Sourcing		B5.2	414-1 : New suppliers that were screened using social criteria	31-41	
		B5.2	414-2 : Negative social impacts in the supply chain and actions taken	31-41	
			412-3: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	31-41	
		B4.1, 4.2	408-1: Operations and suppliers at significant risk for incidents of child labor	40-41	
			412-1: Operations that have been subject to human rights reviews or impact assessments	31-41	
		B5.2	414-1: New suppliers that were screened using social criteria	31-41	
		B5.2	414-2: Negative social impacts in the supply chain and actions taken	36-37	
			413-1: Operations with local community engagement, impact assessments, and development programs	39-41	
		B5.2	205-2: Communication and training about anti-corruption policies and procedures	32, 36-37, 57-59	
		B8, B8.1	103-2: Local Communities	39-41	
	B4	103-2: Child Labor, Forced or Compulsory Labor	35-42, 63-64	Esprit complies with all relevant national and international standards, laws and regulations relating to preventing child and forced labour within each country where we operate, such as ILO Convention No. 138 and No. 182.	
	B5	103-2: Supplier Assessment for Labor Practices, Supplier Human Rights Assessment, Supplier Assessment for Impact on Society	31-41		
Living wage	Own aspect		Participation in Action, Collaboration, Transformation (ACT)	31-41	



Performance Overview

SPECIFIC STANDARD DISCLOSURES

Material Topic	GRI Material Topic	HKEX ESG KPI	DMA and Indicators	Page	Notes and Omissions
Carbon Footprint	Environmental	A1.1, A1.2	GRI 305-1: Direct greenhouse gas emissions (Scope 1): Headquarters, DCE, fleetcars	48-49	
		A1.1, A1.2	GRI 305-2: Energy indirect (Scope 2) GHG emissions	48-49	
		A1.1, A1.2	305-3: Other indirect (Scope 3) GHG emissions	48-49	
		A1.5	305-5: Reduction of GHG emissions	48-49	
		A2, A2.3, A3, A3.1	103-2: Energy	48-49	
		A1, A1.5, A3, A3.1	103-2: Emission	48-49	Esprit complies with all relevant national and international standards, laws and regulations on environmental protection within each country where we operate.
		A1, A3, A3.1	103-2: Transport	50	
Solid waste	Environmental	A1.3, A1.4, A1.6	306-2: Waste by type and disposal method	51, 69	With our internal environmental assessment we gather the respective data where available. The data is not available for all factories.
	Own aspect		Save of cartons due to usage of reusable boxes in logistics, lighter polybag introduction for reduction of plastic	51	
	Environmental	A1, A1.5, A1.6, A3, A3.1, A2.5	103-2: Effluents and Waste	51	
Transparency	Own aspect		Public disclosure of Tier 1 and Tier 2 supply chain and focus on relationships with our suppliers	29-31	
	Economic	B5.1	204-1: Proportion of spending on local suppliers	30	
	Social	B5.2	414-1: New suppliers that were screened using social criteria	29-31	
Gender equality	Social	B1	103-2: Employment, Non-discrimination, Diversity and Equal Opportunity	57-58	With regards to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare, Esprit complies with all relevant national and international standards, laws and regulations on employment within each country where we operate, such as the General Equality Law ("Allgemeines Gleichbehandlungsgesetz").
Diversity and equality	Social	B1	103-2: Employment, Non-discrimination, Diversity and Equal Opportunity	57-58	



Performance Overview

SPECIFIC STANDARD DISCLOSURES

Material Topic	GRI Material Topic	HKEX ESG KPI	DMA and Indicators	Page	Notes and Omissions
Employee development	Social		403-1: Workers representation in formal joint management – worker health and safety committees	10	We expect to extend the data also to other operations outside of Germany in FY2021. Esprit complies with all relevant national and international standards, laws and regulations on occupational health and safety within each country where we operate, such as the Labor Protection Law (“Arbeitsschutzgesetz”) as well as the Safety at Work Act (“Arbeitssicherheitsgesetz”).
		B3.2	404-1: Average hours of training per year per employee	10	
		B3	404-2: Programs for upgrading employee skills and transition assistance programs	10	
		B2	103-2: Occupational Health and Safety	11	
Community and employee engagement	Economic	B8.1	203-1: Infrastructure investments and services supported	15	
	Social	B8	103-2: Local Communities'	15	
Responsible marketing	Social	B6	417-3: Incidents of non-compliance concerning marketing communications	-	In FY2021, Esprit has not identified any non-compliance with regulations and voluntary codes.
		B6	103-2: Marketing Communications	59	
Customer satisfaction	Social	B6.2	102-43 Approach to stakeholder engagement 102-44 Key topics and concerns raised	-	In FY2021, Esprit could not conduct customer surveys with our Esprit Friends. The reason is very limited capacities due to the Pandemic.
	Own aspect		Customer loyalty program and customer service	-	Our Esprit Friends program offers our customers to collect e-points for every purchase and receive a bonus. The program provides exclusive advantages, such as exclusive offers, invitations to events and birthday surprises. Additionally Esprit offers a customer service in different languages via email, chat or telephone.



Corporate Information

Executive Directors

- Ms. CHIU Christin Su Yi
(Chairman)
(re-designated as Chairman with effect from 30 August 2021)
- Mr. PAK William Eui Won
(Chief Executive Officer and Chief Operating Officer)
(appointed as Executive Director and Chief Operating Officer with effect from 23 September 2021, and became Interim Chief Executive Officer with effect from 26 October 2021 until re-designated as Chief Executive Officer with effect from 1 March 2022)
- Mr. SCHLANGMANN Wolfgang Paul Josef
(appointed with effect from 28 October 2021)
- Mr. WRIGHT Bradley Stephen
(appointed with effect from 14 December 2021)
- Dr. WAN Yung Ting
(Chief Product Development Officer)
(resigned with effect from 30 November 2021)
- Mr. DALEY Mark David
(President and Chief Executive Officer)
(resigned with effect from 26 October 2021)
- Mr. TSCHIRNER Marc Andreas
(Group Chief Operating Officer)
(resigned with effect from 8 January 2021)

Independent Non-executive Directors

- Mr. CHUNG Kwok Pan
- Mr. GILES William Nicholas
- Mr. HA Kee Choy Eugene
(appointed with effect from 13 December 2021)
- Ms. LIU Hang-so
- Mr. LO Kin Ching Joseph

Chief Financial Officer

- Mr. WONG Brian Shek Kae

Company Secretary

- Ms. FONG Yee Mei

Principal bankers

- Hang Seng Bank Limited
- The Hongkong and Shanghai Banking Corporation Limited
- Deutsche Bank AG

Auditor

- PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Principal legal advisor

- Dechert

Principal share registrar

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Bermuda

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Share listing

Listing on The Stock Exchange of Hong Kong Limited since 1993
Stock Code: 00330

Level 1 sponsored American Depository Receipt program since 2015
Stock Code: ESPGY

We welcome your
feedback and thoughts!

Environmental and Social Sustainability
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