

# Sustainability Report 2020



ESPRIT

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01

Welcome





# Letter from our CEO

**Dear reader,**

As I reflect on FY19/20 and the extreme challenges we have faced in the world, within our industry, and of course within our own company, I cannot help but feel proud of our Esprit team. We have come together as a community to support one another through the uncertainty of a global Pandemic, and to reaffirm our commitment to our overall strategy of rebuilding our business model, re-establishing our brand, and staying true to our values of environmental sustainability and social responsibility.

While the path has not been an easy one to navigate, we have come through the past year leaner, quicker, fitter, and more agile. We have come a long way in creating a new culture that prioritizes empowerment, and encourages having fun while delivering results. We are ready and willing to take on the challenge of establishing a new normal when it comes to how we do business and how we consider our impact. The Pandemic has changed – and will continue to change – the way we operate; but our commitment to our sustainability targets remains unwavering. In fact, we believe this commitment is a crucial part of our recovery and our collective shift toward a new baseline.

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**“Esprit is meaningful, positive,  
responsible, innovative.”**

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**Anders Kristiansen**  
Executive Director and Group CEO

Our current sustainability strategy has 2021 as the deadline for achieving many of our targets, and with this date around the corner I am pleased to share that we have made great progress, despite the extraordinary challenges. For example, we are at 53% of our products being made with sustainable fibers, and we have increased our share of more sustainable cotton from 52% to 80% of our total cotton use. Over the past year, we have focused on streamlining our offerings and ensuring that our quality, durability, and fit are exemplary. We have also rolled out innovative digital projects – another way to demonstrate our commitment to reducing waste, improving quality, and honoring the history and the DNA of Esprit. I am also proud to share that we have become a member of the Fair Labour Association (FLA) to have a greater impact in improving both social compliance, and the working conditions in the supply chain. Most of all, I am pleased to report that our commitment to transparency has again resulted in acknowledgement from the industry in the form of our fourth place ranking in the Fashion Transparency Index from Fashion Revolution. And we continue to push toward ever more ambitious new targets for 2023, including using 100% sustainable fibers.

This moment is truly an inflection point; not just for Esprit, but for the global community. The Pandemic has impacted us all, and it has highlighted structural problems, crystallized certain values, and set us down a new path. Our recovery will likely not be quick, but we have already begun. While I know that this will require continuous learning and adjustment along the way, I also know that this new trail is the one we must choose if we are to set our company on a course for long-term stability and success. The Pandemic has drawn more attention to sustainability and the need to care for our environment – with our customers adding to

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**“Our products are consciously sourced. Mindfully designed. Made to last and be loved for more than one season.”**

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this growing momentum. We must continue to push for a circular fashion system and sustainable consumption patterns by investing in innovative technology, committing to resource efficiency, and empowering our people. We have set ambitious goals for ourselves, but we will rise to meet the opportunity before us. The survival of our industry depends on it, as does our capacity to thrive as a company and a community. I am optimistic that we are on the right track, and I am proud to be part of a team that is striding ahead with clarity and with confidence.



**Anders Kristiansen**

Executive Director and Group CEO

October 2020

02

About Esprit







# Where we come from

Esprit’s approach to business and to product creation is deeply rooted in our values of environmental sustainability and corporate social responsibility. This has been part of our heritage and culture since Esprit’s founding in San Francisco in the 1960s, and remains our ethos today. We have grown into an international fashion lifestyle brand known for combining creativity, style, and sustainability into our approach to making beautiful products. Our customers appreciate our commitment to respecting our planet, and celebrating and supporting the people who contribute to our products throughout the value chain, all while delivering an outstanding price-value proposition.

The company’s “esprit de corps” reflects a positive and caring attitude towards life that celebrates real people and togetherness aligned with this promise:

This philosophy is embodied in our sustainability strategy, which builds upon the concept of circularity and informs our day-to-day decision making. In a circular fashion industry, the concept of waste is designed out of the process, and the emphasis is on recycling all inputs and outputs back into nature, or into new products. Moving towards circularity, Esprit incorporates the United Nations Sustainable Development Goals in our sustainability strategy. This approach reflects the latest thinking in sustainability for the fashion industry, while staying true to our roots and our founding values. And it is an approach we can all feel good about.



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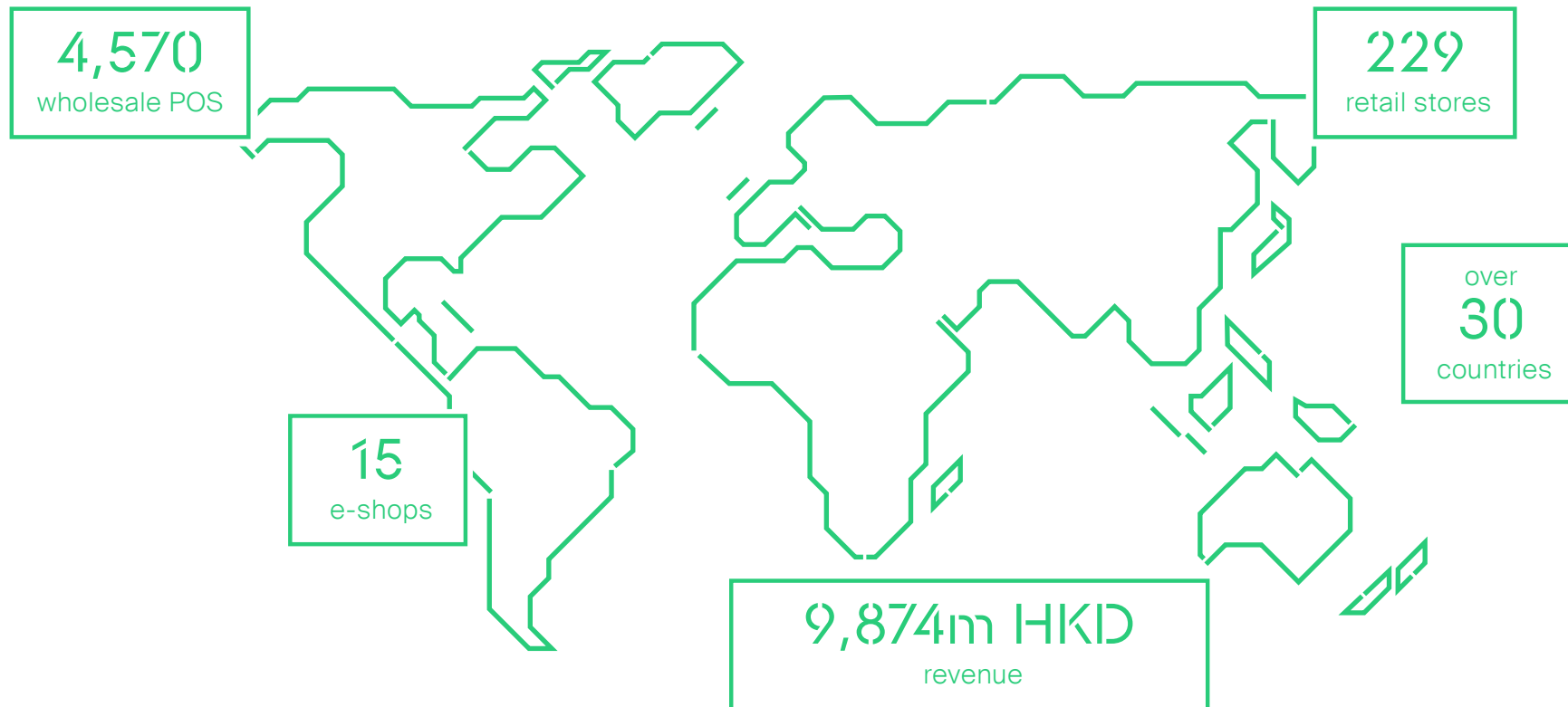
“We want to make you feel good to look good.”

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# Our business

Esprit is a global company, selling in more than 30 countries through our retail stores, e-shops, and wholesale operations.







# Our products

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

“Look good, feel good. This is Esprit.”



Casual



edc



Collection



Licence



Shoes



Accessories



Sports



Bodywear



Kids



# Our people

We are committed to adopting a fair recruitment and promotion policy that prohibits unfair treatment or any other behaviour 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. Our global headquarters alone brings together people from 39 different nations. Globally, our team includes over 3,400 team members representing 93 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 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.

Of the apprentices who successfully finished our apprentice program:



**50%** of those in retail shops, and  
**100%** of those at our headquarters stayed at Esprit.

## Occupational Health and Safety

We take health and safety very seriously, and each of our German locations has a team of trained first aid responders and evacuation assistants who are ready to help should the need arise. 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. In Germany, we have around 300 first aid responders and 420 evacuation assistants.

The team at our German HQ represents

**38**

different nations.



**86**

different nationalities are represented within the global Esprit team.

**65%**

of our people globally, and



**75%**

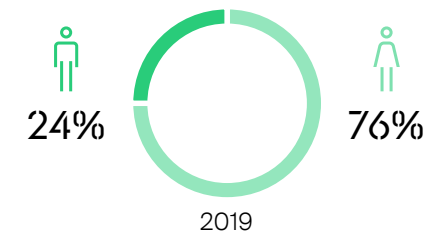
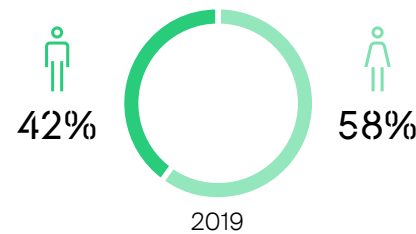
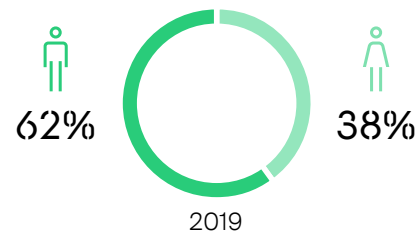
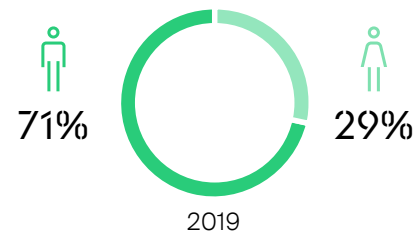
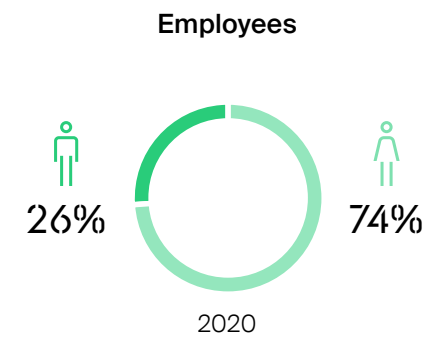
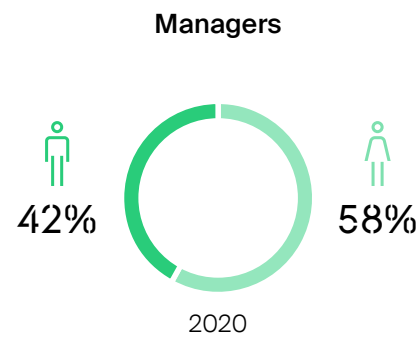
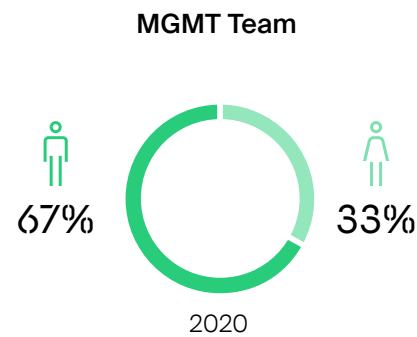
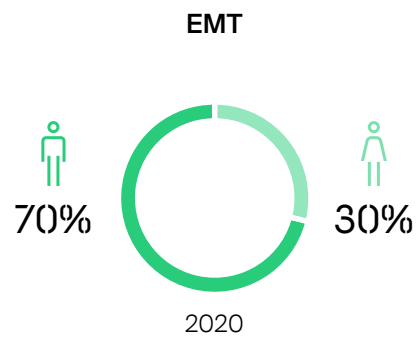
of our European employees, are covered by collective bargaining agreements.





Gender diversity among our team is an issue we are intentionally addressing as we aim to create a balance among 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 among the Executive Management Team from 2018 to 2019, we have largely maintained our gender balance over the past year.





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.

permanent contract

temporary contract

Europe

78%



22%

APAC

65%

35%

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

[Find out more here](#)

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

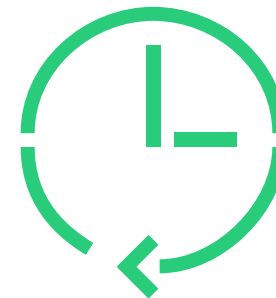
[Find out more here](#)

full-time

part-time

Europe

40%



60%

APAC

77%

23%





# 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.

Over this past year, we've expanded on existing Esprit Cares initiatives and built out new actions around the world. Here some of the highlights:

**"Turn around and take a step forward."** Doug Tompkins

**A culture of volunteerism** – We encourage our employees to give back to the community by volunteering. Our team members are often inspired by challenges, world events, or causes that speak to them, and they take the initiative to get involved, often inspiring other colleagues to engage as well. For example, upon hearing about the Australian fires, colleagues organized a task force to sew pouches for animals to aid in wildlife recovery. In response to COVID-19, our sample room sewed masks for hospitals and nursing homes.

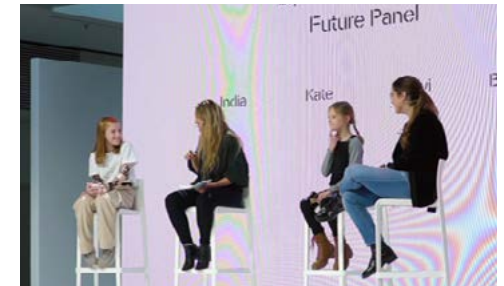


Our colleagues sewing pouches for animals to aid in wildlife recovery

Additionally, we have launched a Global Charity Day, an initiative where each employee gets one day off to volunteer at a local charity of their choice. Within the first six months, all offices had participated and we donated over 2,000 hours across the world. Actions included hosting an art afternoon with underprivileged children, volunteering at a food bank, cleaning up playgrounds, building entertainment rooms at nursing homes, and lending a hand at homeless shelters.



Charity Day in our German Headquarter



Sustainability Panel Discussion during Esprit Voices Day

**Esprit Voices** – We expanded awareness among our teams and raised our voice on important topics through Esprit Voices, our speaker series which launched discussions on business, social, and personal topics. Over the course of the series, we discussed many topics, including gender equality, LGBTQ+ rights, unconscious bias, how to become zero-waste and how to live a minimalist lifestyle. Additionally, we invited a panel of people who are refugees to share their experiences. These talks not only helped provide a better understanding around the topic, but also created a space for discussion and potential change.

### Actions for the betterment of society –

Through our Global Esprit Cares network, we partner with local organizations to offer opportunities to give back to the community through in-kind and monetary donations. We host internal sample sales to raise money to donate; any unsold clothing is also donated to those in need. This year, we donated over 50,000 EUR to a variety of organizations focused on important causes including the environment, poverty, hunger, and children with disabilities. We donated thousands of pieces of new clothing to local organizations. Recipients included women’s shelters, refugee centers, shelters for people experiencing homelessness, schools, and other group homes. We are proud to say that nothing goes to waste and we found circular solutions which generate money to put towards community development.



Our colleagues cleaning the river Rhine during Charity Day in Germany



Our colleagues supporting the Food Angels in Hongkong during Charity Day

Beyond donating, we find ways to get colleagues involved: we gave employees the day off to march in Fridays for Future, which is to raise awareness for environmental issues.

Lastly, Esprit partners with Labdoo, an organization to collect unneeded laptops from companies to donate to schools around the world. So far, we’ve donated over 60 laptops across 13 countries in various schools, including Uganda, India, South Africa, Germany, and India. Colleagues even carried a few laptops along on business trips to regions in need, and distributed them to the schools.

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.



Beach Cleaning during Charity Day in Malaysia



Our colleagues joining Clean Up Rhine during Charity Day in Germany



## Esprit x UN Women

### GENERATION EQUALITY STARTS NOW #YouRule

Heralding the movement #YouRule, the Spring 2020 campaign saw Esprit and UN Women join forces in support of gender equality. The face of the collection was UEFA (Union of European Football Associations) Ambassador Eunice Beckmann, who shared her story of being a successful female professional football player. She used her platform to encourage others to assume positions of leadership and overcome gender-based hurdles.

The broader #YouRule campaign included several charity events in cooperation with UN Women encouraging women and girls to rewrite the rules. The charity campaign kicked off March 1st and was accompanied by International Women's Day events with gender equality-themed panel discussions across several European countries. Germany, The Netherlands and Sweden hosted the events, while key opinion leaders from Austria, Switzerland, Belgium, France and Finland participated as well.

Esprit also offered a limited campaign T-shirt made of 100% sustainable cotton featuring a #YouRule print.

**“Men in leadership positions must use their privilege to confront the status quo, and to help rewrite the rules.”** Esprit CEO Anders Kristiansen



### Berlin | DE

Panel topic:  
Equal Pay and Equal Care - sharing of unpaid care and domestic work



### Stockholm | SE

Panel topic:  
Women in leadership



### Amsterdam | NL




Panel topic:  
Perception of Woman in the media, broadcasted in Perception of Women in general

## Women's Empowerment Principles

Guidance to business on how to promote gender equality and women's empowerment in the workplace, marketplace and community.

- Principle 1  Establish high-level corporate leadership for gender equality.
- Principle 2  Treat all women and men fairly at work - respect and support human rights and nondiscrimination.
- Principle 3  Ensure the health, safety and well-being of all women and men workers.
- Principle 4  Promote education, training and professional development for women.
- Principle 5  Implement enterprise development, supply chain and marketing practices that empower women.
- Principle 6  Promote equality through community initiatives and advocacy.
- Principle 7  Measure and publicly report on progress to achieve gender equality.

### GET IN TOUCH WITH US:

-  [www.empowerwomen.org/weps](http://www.empowerwomen.org/weps)
-  [weps@unwomen.org](mailto:weps@unwomen.org)
-  @WEPrinciples

### WOMEN'S EMPOWERMENT PRINCIPLES

Established by UN Women and the UN Global Compact Office

## UN Women

The United Nations is dedicated to gender equality and the empowerment of women. A global champion for women and girls, UN Women was established to accelerate progress on meeting their needs worldwide.

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

In 2020, Esprit became a signatory of the UN Women's Empowerment Principles. The signing was celebrated during the #YouRule events in March.



## Yes Center

Education can be transformative, bringing young people hope, opportunities, new skills, and confidence. This is why we work to expand access to education to young people around the world who may otherwise miss out. Together with the YOU Foundation, we have opened vocational training centers in Bangladesh, Vietnam, Pakistan, and India. Each YES Center

(standing for Youth Empowerment through Skills) provides tailored curriculum that is aligned with the local culture and the needs of local industries, meaning each is unique and created for the community, by the community.

Esprit supports each center for two years before handing it over to local partners.



Tanjila student of the YES Center in Bangladesh



Inauguration of the YES Center in Vietnam

## Feature: YES Center in Multan, Pakistan

### Context:

In Pakistan, financial participation is often restricted to men, and women make up less than a quarter of the formal labor force. Women are more likely to be in poverty than men due to unequal access to paid work, education, and property, and many lack access to basic needs such as education, health, clean drinking water, and skills development.

### Goal:

The YES Center Multan objective is to “empower youth, especially girls and young women, by strengthening their skills and voices for economic self-reliance, to take a leadership role in poverty alleviation initiatives in south Punjab.” Together with local organizers United Teams, Hope '87 Pakistan, and Women Rights Association Multan, the YES Center Multan strives to foster the culture of a women-friendly work environment through the evolution of a sustainable system of coordination, networking, and technical support, along with an exchange of information, experience, and expertise to up-scale and sustain small and medium business ventures run by women.



Shifa student of the YES Center in Bangladesh

The initial goal was to educate 430 young women and entrepreneurs in fashion, pattern making, research and development, tailoring and illustration, and life skills.



**900 women** were actually educated; **we overshot our goal by ~200%.**



The YES Centers are aligned with the UN Sustainable Development Goals for no poverty (no. 1), quality education (no. 4), gender equality (no. 5), good jobs and economic growth (no. 8), and peace and justice (no. 16), as well as the UNESCO Educational-Agenda 2030.

### Outcome and impact:

Over the past two years, 900 women entrepreneurs and students (including women from religious minorities and persons with disabilities) gained education and experience in commercial settings, and they were able to develop contacts within the community, the financial industry, and local government, creating a sustainable eco-system for long term development. A directory of women entrepreneurs was established, which in turn creates a community of knowledge, experience and support.

- Education and Capacity Building: Students and entrepreneurs were educated on a variety of topics, including fashion and sewing skills, business and entrepreneurial skills, gender equality, financial skills, life skills training, and more. Over 340 of the 699 students were hired by women entrepreneurs. To help jumpstart business development, 333 of the top students received sewing machines to start their own business.
- Community Development and Critical Links: A help desk was created to provide advisory services and technical assistance for marketing plans, website creation, trademark registration, industrial designs and copyrights, and other materials needed by the entrepreneurs.
- Broadened Horizons: Many women expressed that the exposure to different opportunities, including workshops and trade fairs, has helped them to think big, and has prepared them to face challenges. At an eight-day exhibition in Islamabad, entrepreneurs sold their products and earned roughly 2–5 times more than their previous average monthly income. Of the participants:

### Of the participants:

- 49% were employed with professional entrepreneurs from the center, 27% with entrepreneurs outside of the program, and 6% are self-employed at home.
- 72% of women entrepreneurs have expanded their business from small to medium and large level after receiving the education, and 67% have increased their income.



### Esprit Cares

**Young Entrepreneur's Grant:** This year, Esprit Cares launched the Young Entrepreneurs Grant, which provides 1,000 euro to a deserving participant to jumpstart her business and education. Congratulations to Rimsha, who received the grant this year and started her jewelry making business!

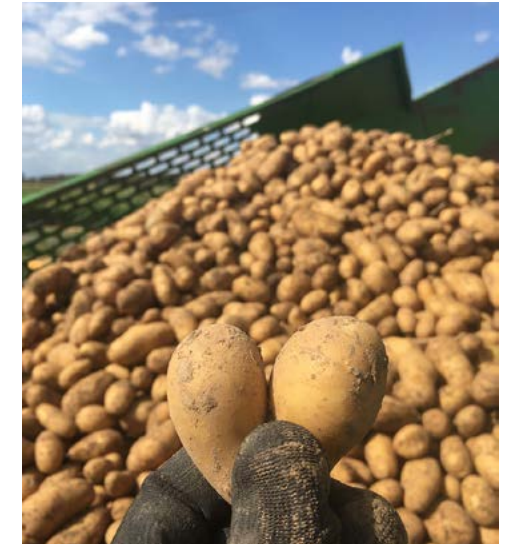
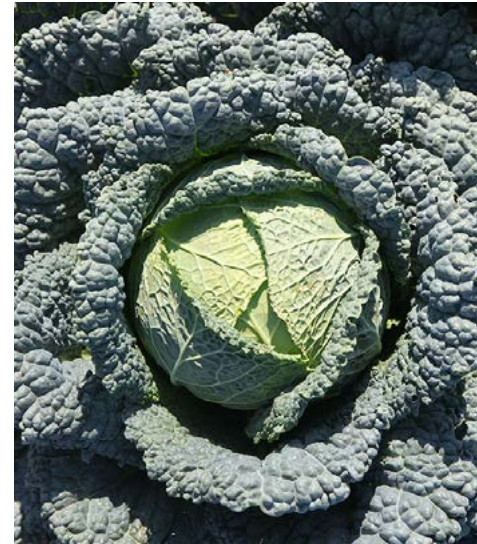




## Green Canteen

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. Diners are educated as they select meal options that align with our values, emphasizing healthy, plant-based, locally produced, seasonal, and sustainably-sourced dishes.

In 2020 we have introduced new menu lines: Vegan, vegetarian, and meat or fish. 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.



Stautenhof: one of our regional and organic food suppliers



We are proud of our efforts over the past several 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 back to providing some pre-portioned items, such as condiments. Food waste that is not eaten enters a composting stream – this is true even for the small kitchens in our working areas.

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.



03

Towards  
circularity

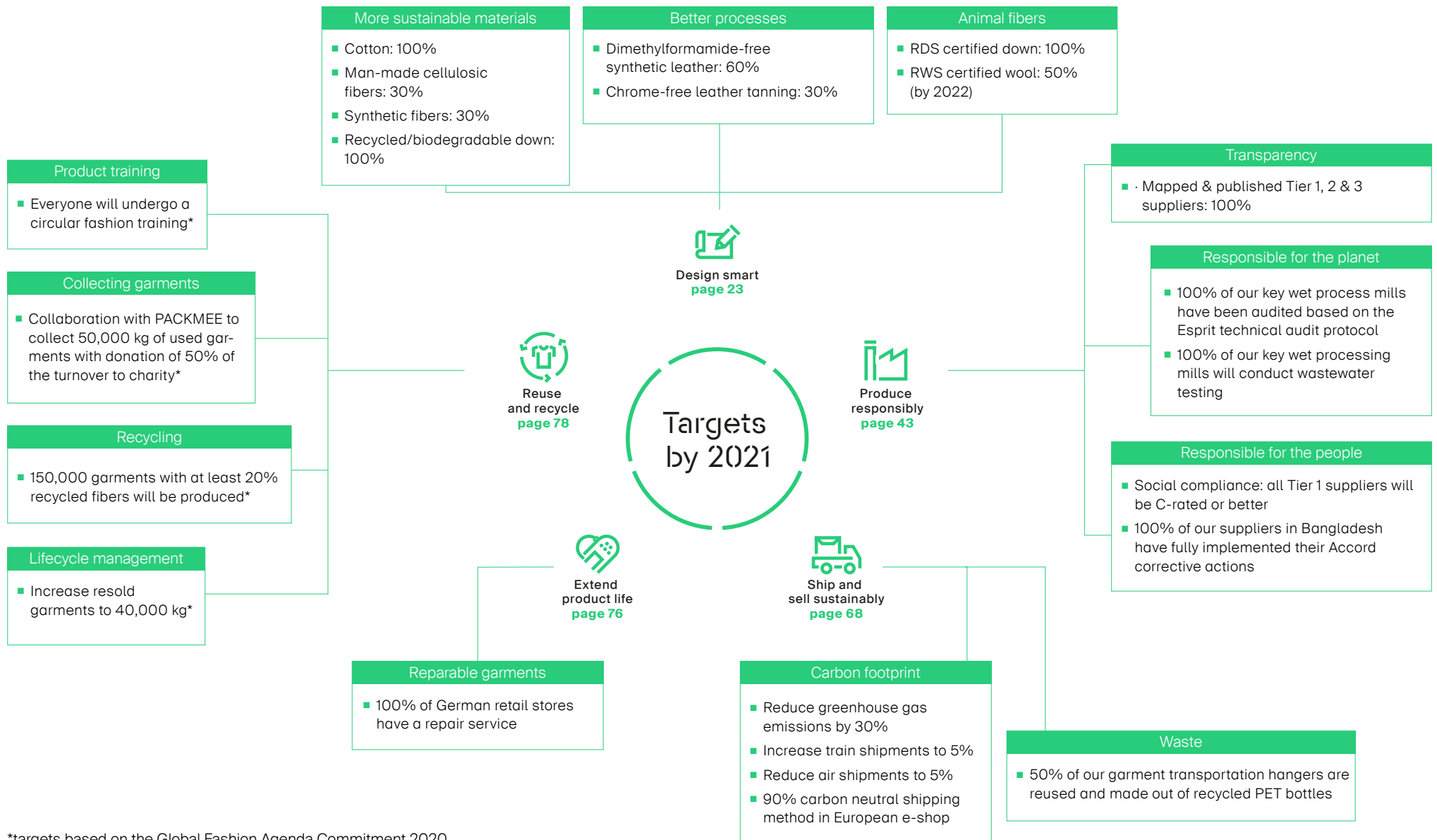


## Closing the loop

Circularity is the guiding principle behind Esprit's strategy. The concept of circular fashion encompasses how we design and create products, which materials we choose and why, how we manage natural resources, how we value human resources, how we educate and empower our consumers, and how we ensure that our products do not become waste, but rather become the inputs for new uses.

Circularity means viewing our creations and our creative process as part of an endless loop, where human efforts and natural resources are valued and protected.





\*targets based on the Global Fashion Agenda Commitment 2020

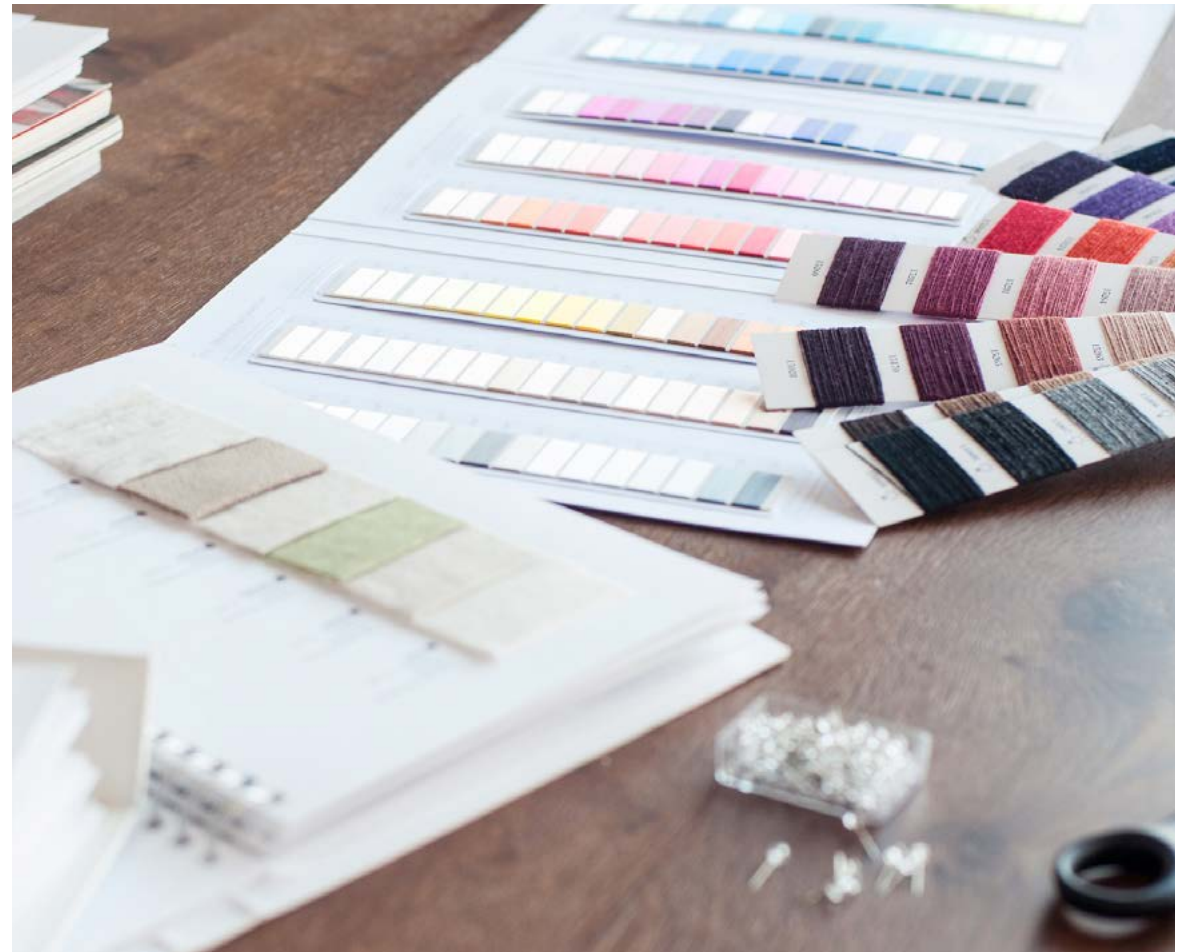




# Design smart

Smart design is crucial as we shift toward a circular model. Our “Design Smart” approach emphasizes material selection, where we aim for fibers and materials that are recyclable or regenerative to the environment. We have now successfully transitioned 50% of our conventional materials into more sustainable options. But “Design Smart” 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. One example of this in action is our design tool to enable all divisions to have a full overview of all products alongside sustainable material options. Not only does this lead to greater transparency and the ability to learn from one another’s challenges and successes, but each division can see where they stand in terms of sustainable material use in relation to the other divisions. We use the tool to monitor progress, encourage innovation, and it has been instrumental to our significant growth in sustainable materials usage.

Our Design Smart philosophy also means critically examining how and how often we build a new collection. We have taken a stand by reducing the number of collections we produce to four, which demonstrates our commitment to reducing waste and to building a more sustainable industry.



Textile Exchange is a global non-profit organization that builds collective momentum toward the use of preferred fibers and materials in the textile industry in order to further its mission of minimizing the harmful impacts of the global textile industry and maximizing its positive effects. Textile Exchange develops, manages, and promotes a suite of leading industry standards that enable brands and retailers to measure, improve, and communicate their progress. Textile Exchange also publishes critical industry data, insights, reports, and rankings.



“Esprit is making exciting progress in its materials strategy and has been benchmarking progress with Textile Exchange for three years now. Esprit’s dominant material use is cotton and the Company has set ambitious targets for 100% of their cotton coming from preferred/more sustainable sources including Organic

Cotton and Better Cotton by 2021. Their 2019 Material Change Index results show they are well on the way to achieving this goal. Textile Exchange applauds Esprit’s work in looking across their entire materials portfolio and focusing on building strong data collection systems, robust data reporting, and generally prioritizing efforts towards their materials strategy and internal measurement system. The Company has also worked hard to integrate an innovative circularity strategy into their materials and business operations more generally. We believe the company is set to accelerate and make substantial progress based on the strong foundations they have laid down.”

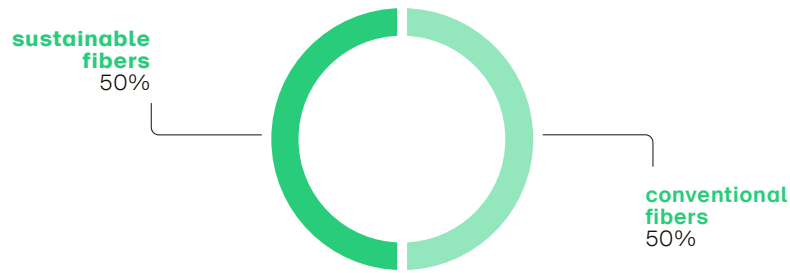
**Liesl Truscot**

Director of European & Materials Strategy, TextileExchange

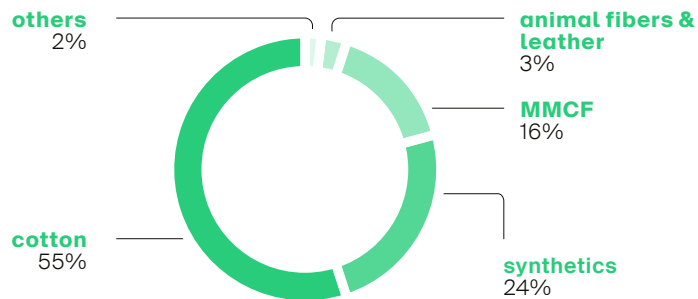


### Share of fibers in our products in FY19/20 based on shell fabric

#### Share of sustainable fibers



#### Fiber share



“Living our values means setting the right example, and one very concrete way we are doing that is by consolidating our collections. We will no longer produce six collections a year, but instead we will decrease that to four collections with a reduction in styles. This allows us to be more agile, to be more responsive to our customers, and ensure that we are putting our customers first and foremost – always. We can better focus on innovation, on quality, and on fit, and of course on sustainability. Choices like this make a difference, and are instrumental to driving change throughout the industry.”

**Daniel Mayer**  
Chief Product & Brand Officer

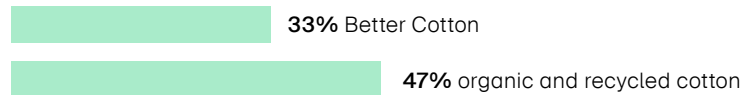




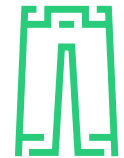
## Accomplishments



### We have sourced...



We use the Environmental Impact Measurement (EIM) software by Jeanologia™ to evaluate the environmental impact of our denim finishes, and we have produced **1,028,206 denim products rated "Low Impact."** Our suppliers have adopted innovative techniques, such as laser, ozone and "nano bubble" technology, to reduce the use of water, chemicals and energy during production.



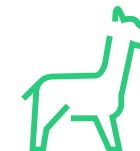
We have increased the amount of more sustainable viscose (**LENZING™ ECOVERO™**) to **13%**.

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



We created **85,577 garments** that were dyed using EarthColors® by Archroma, a line of biosynthetic dyes made from non-edible waste from herbs, fruit skins, or nutshells.





























We will **ban the use of Alpaca** from 2023 on.



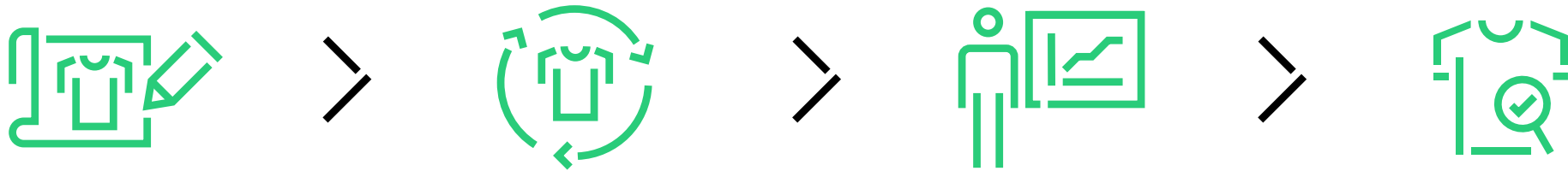


# Goals

## DESIGN SMART

Topic	Target by July 2021	FY19/20	FY18/19	FY17/18	Sustainable Development Goals
Cotton	100% more sustainable cotton	 80%	 52%	 18%	
Man-made cellulose fibers	30% more sustainable man-made cellulosic fibers	 69%	 36%	 23%	
	30% more sustainable synthetic fibers	 16%	 6%	 <1%	
Synthetics	100% of the synthetic down we use is made from recycled or biodegradable materials	 16%	 <1%	 <1%	
	60% dimethylformamide-free synthetic leather (100% by 2025)	 13%	 7%	 <1%	
Better processes	30% of our leather is tanned using a chrome-free tanning process	 34%	 34%	 <1%	
Animal fibers	50% of our wool is certified according to the Responsible Wool Standard by 2022	 2%	 2%	 <1%	

## Design for long lasting products



### 01. Design phase

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

### 02. Product development

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

### 03. Risk assessment

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

### 04. Quality assessment

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





### Embracing digital innovation to shift toward circularity: The future of fashion is 3D

We are currently exploring innovative technologies that will enable us to improve our speed and reduce our environmental footprint. We are calling this movement “3D.” While we are most excited about the implications for product development, this shift will touch every level of our company and every step of our business.

#### What does 3D mean for product development?

By turning the existing product development process into a digital process, we can create and modify digital prototypes and even create a digital showroom. This will allow us to drastically reduce the waste, time and emissions associated with creating, shipping, and displaying physical samples. Leading the way toward this digital transformation is one way to demonstrate our commitment to sustainability.

#### What does a digital foundation mean for Esprit?

Greater efficiency at every step, saving resources and reducing our footprint as we

- Enable faster and smoother communication with our suppliers,
- Quickly capture and analyse both trends and customer feedback,
- Seamlessly route communications among product development and retail teams,
- Accurately distribute products based on the real-time market needs, and
- Smoothly Integrate marketing among social media, in-store, and e-shop channels.



## Quality

A product that is created through our Design Smart approach is a product that should last: it should be well made, and it should inspire our customers to love and care for it for many years. This means we need to understand what our customers are looking for, so 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. After several years of having this process in place, we can see that our customers notice and appreciate the way we listen to and incorporate their feedback.

Quality is something our customers always notice and always expect. Our approach to continually improving quality revolves around investing in higher fabric and yarn quality, and improved fitting. Our quality team closely cooperates with our suppliers to ensure that our quality standard is met.

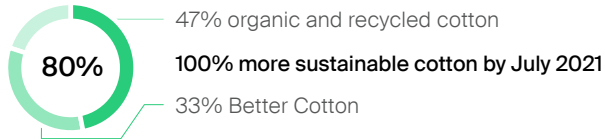
Despite the Pandemic, we have maintained our emphasis on quality through a Digital Vendor Summit as well as digital communication with factories during production.



### Core quality: core yarns

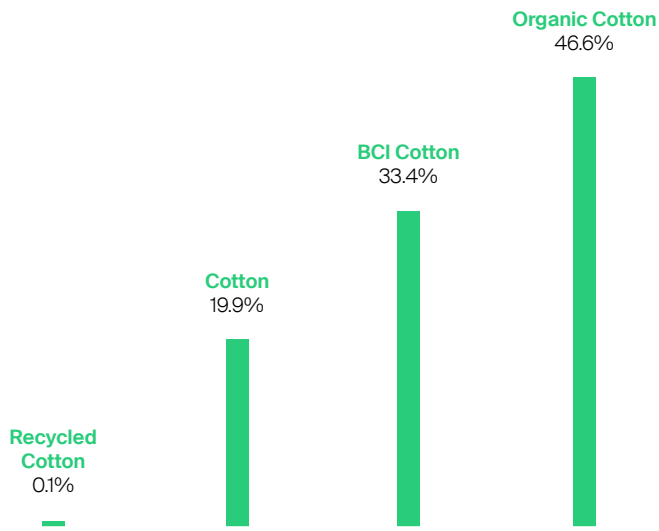
**“What does quality mean for the Esprit customer?”** We used this question to guide our strategy for developing a permanently controlled library of core fabrics that are vetted according to our highest quality standards, and approved for use in our high-volume products. Our customers equate quality with material look and feel, durability, fit, and workmanship. From a more technical perspective, this correlates to shrinkage, twisting, stretch and recovery, and strength alongside sustainable material selection. We reviewed and crosschecked all of our volume fabrics in each product category to ensure the quality aligned with our (and our customers') expectations, and then worked with our yarn and fabric suppliers to improve the quality where needed. As a result, over 70 of our main volume-driver fabrics have been defined as core fabrics, meeting our highest quality requirements and ensuring consistent quality outcomes.

## Cotton



Cotton makes up more than half of our total fiber usage. Of this cotton, 47% (which is around 5,000 metric tonnes) is organically grown. Another 33% is sourced through the Better Cotton Initiative. We also incorporate recycled cotton. In total, we are sourcing 80% of our cotton from more sustainable cotton options. Learn more about the different sustainable cotton options:

### Sustainable cotton options



## 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)

### Better Cotton (BCI)

- Cotton is grown according to the Better Cotton Farming Standard, optimizing the use of synthetic fertilizers and pesticides
- Farmers are trained on how to best manage the environmental, social and economic aspects of cotton production
- The BCI system uses a Mass Balance approach which emphasizes improving the cotton available on the market

### 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



### Soil health

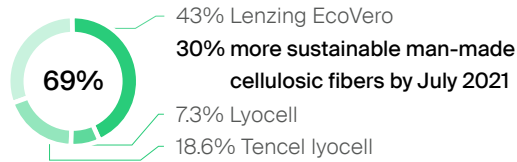
Healthy soil is an important consideration for both a circular economy and a protected environment. Organic cotton farming is one approach that supports soil health, which in turn enables plants to reach optimal productivity without artificial supplementation. But it is not the only way. "Soil Health"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

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





## Man-made cellulosics



At the end of 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. Learn more about this under Transparency. 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 Canopy-Style 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 cellulosics from 2023, such as those profiled here.

## FACTS

### TENCEL™

- 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)

### TENCEL™ x REFIBRA™

- This is TENCEL™Lyocell made with around 30% recycled raw content, coming from both pre-consumer and post-consumer cotton waste
- REFIBRA™ technology supports a circular economy by reincorporating waste into the closed-loop TENCEL™Lyocell production process
- TENCEL™and REFIBRA™are trademarks of Lenzing AG

### 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

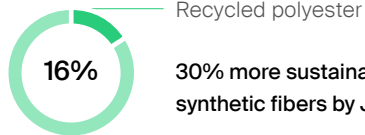


### Sustainable forests

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

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

## Synthetics



Polyester, polyamide and acrylic are the most commonly used synthetic fibers at Esprit. 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 as natural fibers do. That is why we want to keep the consumption of synthetic fibers at the lowest possible level – and why our goal is to select more sustainable options such as recycled polyester and recycled polyamide.

## FACTS

### Recycled synthetics

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



### Nature edition

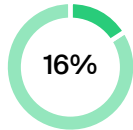
We are launching our first Nature edition capsule collection. This collection will be 100% plastic-free, and will feature

- Organic natural fibers and other biodegradable fabric
- Natural threads, and
- Preferred dyestuff





### More sustainable fillers



100% of our synthetic down we use is made from recycled or biodegradable materials by July 2021

We have made significant progress over the last year on increasing our use of sustainable fillers for our outerwear. Conventional fillers are either made from synthetic fibers, or they are animal-derived, and both options have their own set of concerns. There are animal welfare issues associated with using down and feathers from geese and ducks; this is why we stopped using down in 2018. However, conventional synthetic fillers come from non-renewable sources, they do not biodegrade, and they may contribute to microplastic pollution.

Our goal is that 100% of our synthetic fillers will be made from recycled or biodegradable materials by 2021. We have been working with 3M to develop an exclusive Thinsulate™ filler made from 100% recycled post-consumer PET. This is currently being used in nearly all the Men's and Women's casual jackets. We are also using a recycled polyfiller for our Men's EDC-brand jackets.

We used 1.3 million old PET bottles in our winter jackets in 2019.



"I think it makes more sense to recycle/upcycle existing waste products smartly than to constantly produce new ones. To produce synthetic fillers from old products, in this case PET bottles, to make jackets suitable for winter use is for me a perfect example of smart recycling/upcycling.

The advantages are obvious: no animal had to suffer for it, no new polyester was produced, and the jacket is warmer when wet than its animal counterpart down at a similar weight."

**Christopher Messner**  
Head of Men's Collection





### 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. This is why 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

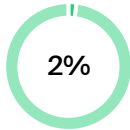
#### Fiber bans

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 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



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

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

- The 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

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 founding by Textile Exchange, and we use this platform to address the issues found within the global leather supply chain, including animal welfare concerns, social and labor issues, and deforestation.



### Leather-free and down-free vegan options

While the percentage of animal-derived materials we use throughout our collections is quite small, at only about 2%, we recognize that some of our 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).



### Outlook for next year

Our current plan calls for leather that has been tanned in a chrome-free process to be used for bags and small leather goods for FY20/21.

## Better processes

Our customers appreciate the attention that goes into designing and selecting our rich and beautiful color palettes and prints. But they may be surprised to learn of the research, innovation, and intentionality behind the technology we use to create these beautiful results. Beginning with our Design Smart strategy, and our approach to sustainable materials, we continue this level of attention to detail and attention to impact when considering dyeing and finishing, which can be resource-intensive processes.

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 ever closer to our goal of a circular fashion system.



### 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.



### EarthColors® by Archroma

This year, we are proud to share that we released a capsule collection featuring EarthColors® by Archroma. Each of the 86,000 pieces in the collection were colored with biosynthetic dyes made from non-edible waste, such as from herbs, fruit skins, or nutshells. These inputs are sourced within 500 kilometers (or 310 miles) of the production site in Barcelona, Spain, and upcycled into dyestuff that takes the place of conventional petroleum-based synthetic dyes.



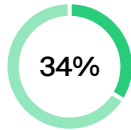
“The whole team at Esprit really embraced the possibilities of EarthColors®. They truly pushed the boundaries in adopting the concept across every possible article, from t-shirts and scarves to canvas sandals and bags. The end result simply looks amazing, and we are so incredibly proud to be able to support such creativity with our nature-based innovation – because it’s our nature!”

#### Dion Cragg

Brand Solutions Europe, Brand & Performance  
Textile Specialties at Archroma



## Leather tanning

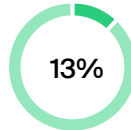


30% of our leather is tanned using a chrome-free tanning process by July 2021

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. Additionally, we are planning to use only leather that has been tanned in a chrome-free process to be used for bags and small leather goods for FY20/21.

## Synthetic leather



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

Synthetic leather allows us to create leather-like products without using material derived from an animal. However, it is not without its own set of challenges which must also be carefully considered. Synthetic leather is generally polyurethane-based, and most polyurethane (PU) manufacturing requires a solvent called dimethylformamide (DMF), which can be hazardous for workers and can pollute the environment. We are working to shift our production from conventional polyurethane to water-based polyurethane which does not require DMF.



During FY19/20, we created 1,028,206 garments that meet our requirements for Low-Impact Denim.

Our suppliers use innovative techniques, such as laser, ozone and “nano bubble” technology, to reduce the use of water, chemicals and energy during production. The Environmental Impact Measuring (EIM) software, developed by the machinery supplier Jeanologia™ helps us assess and reduce the footprint of our products during the finishing.



EIM evaluates water consumption, energy consumption, chemical use and worker health during production. We use the information from this program to identify more sustainable washes and to create more sustainable denim garments.

## Esprit maternity

### Taking sustainable materials to the next level with Nine & Co.

Many families are prioritizing environmentally-friendly choices, and our pregnant customers are among our most aware and exacting when it comes to selecting sustainable fabrics. They have been our inspiration to start working with Nine & Co. to build more sustainable maternity collections. Nine & Co. focuses on organic and sustainably-sourced cotton and low-impact innovative materials, like LENZING™ ECOVERO™ and TENCEL™ Lyocell (see more on page 32). These materials are known for being soft and comfortable as well as being created thoughtfully and carefully, with consideration for the environment as well as the end customer.

In 2019, we grew our sustainable cotton footprint with GOTS (Global Organic Textile Standard) and by sourcing via BCI (the Better Cotton Initiative). See more on these preferred cotton options on page 31. We will further grow this share and grow our focus on sustainable materials in the coming year. The focus on low-impact fibers, like LENZING™ ECOVERO™, TENCEL™, Lyocell and recycled polyester, will help us minimize our footprint. LENZING™ ECOVERO™, for example, results in 50% less emissions compared to viscose, while being the ideal, stretchable fiber for maternity items.

“We know it’s possible to innovate our way towards a sustainable fashion industry. Changing the way we extract and use (raw) materials is part of this. We can transform the way we produce and think about fashion. Especially for maternity, it’s all about comfort and this drives our search for all types of organic, sustainable and low-impact fibers. We can be proud of the enormous growth of the share of sustainable materials over the last year, and the years to come.”

**Nine & Co.**



More than half of the products developed for FY20/21 will feature sustainable materials. Every step counts.

## Produce responsibly

Producing our garments in a responsible and sustainable way is a core part of our philosophy and part of our brand identity. At Esprit, responsible production encompasses a number of behaviors, processes, and policies that govern how we select and work with our partners. We've found that

building long-term and close relationships with a small, stable portfolio of top-performing suppliers allows us to foster a sense of community. Our close relationships also position 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.







# Transparency

Supply chain transparency means more than knowing where in the world we produce – it means knowing who our production partners are, how they work, and how we can best support them to work in a clean, responsible and efficient way. Transparency is the shortest route to accountability, which is the broader target.

Our network of suppliers spans 25 countries and includes hundreds of globally interlinked partners. We focus on building long-term relationships with our key supply chain partners, where we are invested in one another's success. Before embarking on a relationship with any potential new suppliers, we require the disclosure of our direct suppliers' supply chain,

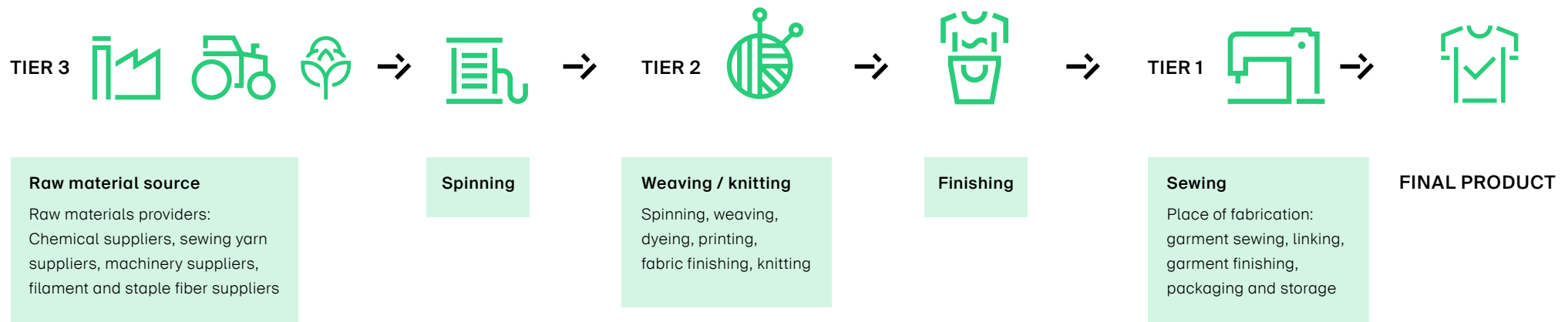
going past our Tier 1 direct suppliers to encompass our suppliers' subcontractors (Tier 2) and fiber producers (Tier 3). More details regarding our supply chain partners is available **at our homepage**.

We are proud to have been ranked 4<sup>th</sup> place in the 2020 Fashion Transparency Index from Fashion Revolution. It is the third year in a row that Esprit has ranked in the TOP 5. This review of 250 major global fashion brands and retailers provides a ranking based on public disclosure of social and environmental policies and impact.

## PRODUCE RESPONSIBLY



Topic	Target by July 2021	FY19/20	FY18/19	FY17/18
Transparency	Map and publish our Tier 1 and Tier 2 suppliers every six months (ongoing)	100%	100%	100%
	Map and publish key Tier 3 suppliers every six months	33%	33%	15%



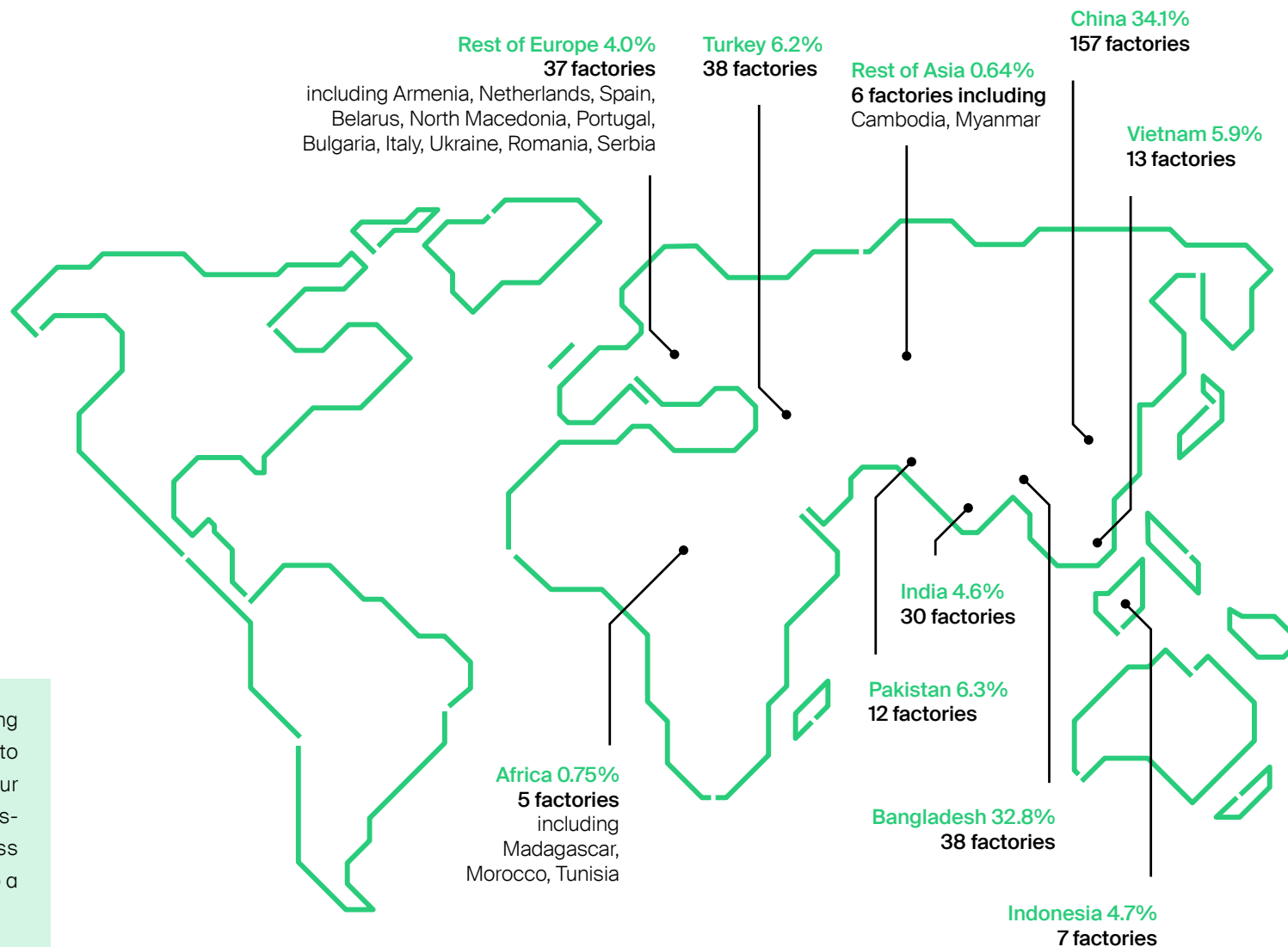


# Made in

## OVERVIEW OF OUR TIER 1 SUPPLIERS

- Business volume
- Number of factories

Moving into FY20/21, we are planning to shift more of our production to Europe. Not only will this reduce our leadtimes, but manufacturing closer to our sales markets means less transportation, which translates to a smaller carbon footprint.



## Responsible for people

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 the working conditions for these millions of people is to be very deliberate 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.

### Accomplishments

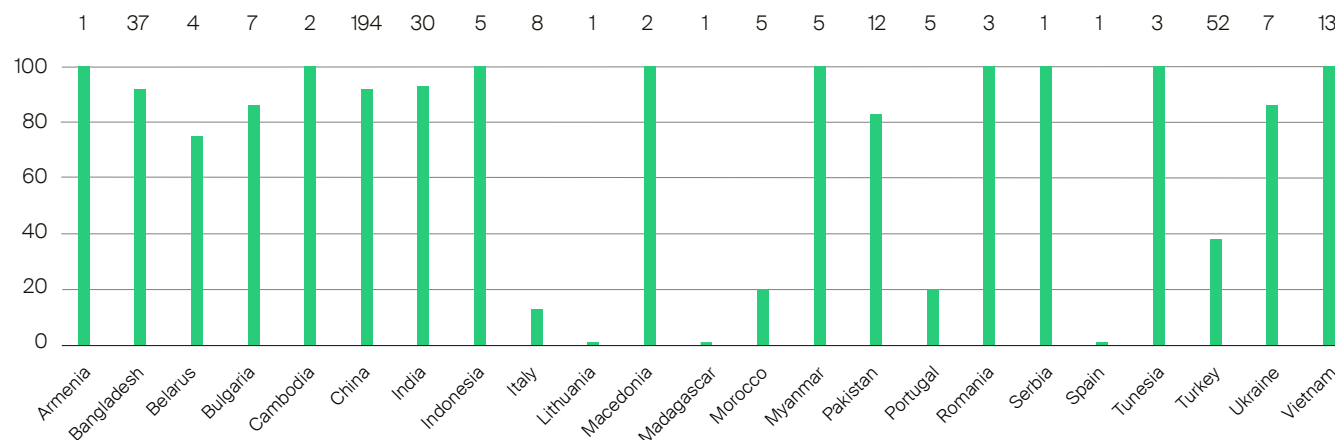
We have supported 45 of our supply chain partners to conduct self-assessments; this accommodation was made in light of the Pandemic and our prioritization of health and safety



We have become a member of the FLA (Fair Labor Association), a group of corporations, colleges/universities, and civil society organizations working to improve conditions in global supply chains

### Overview social compliance audits per country

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



We have conducted **222 social compliance audits** in **14 countries**



# Goals

## RESPONSIBLE FOR PEOPLE



Topic	Target by July 2021	FY19/20	FY18/19	FY17/18	Sustainable Development Goals
Social compliance	All factories (Tier 1) have at least a C-rating (acceptable) in their social compliance audit (ongoing)	99%	97%	95%	
Safe buildings	100% of our suppliers in Bangladesh have accomplished their corrective actions identified during inspections by the auditors of the Bangladesh Accord (ongoing)	95%	95%	96%	



## How we ensure 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. We believe in a collaborative approach to improving working conditions, and we are active members of several industry initiatives to achieve this change, notably the Fair Labor Association.

Specific to Esprit, there are strict requirements suppliers must fulfill before starting to work with us. In addition to the contracts we have with our garment suppliers, we are also engaging beyond Tier 1 to establish relationships with fabric suppliers and other partners further down our supply chain. However, when it comes to compliance with our standards, we continue to work through our Tier 1 partners: **This is why it is crucial that our direct partners, the garment vendors, support us in cascading our requirements through their own supply chains.**

We rigorously map our supply chain. Then we use policies and partnerships to facilitate this alignment on our requirements, and audits to support and confirm it.

### Esprit Minimum requirements

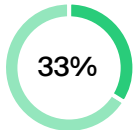
- Esprit Supplier Code of Conduct
- Esprit Material Quality Requirements
- Esprit Restricted Substances List (RSL) and Manufacturing Restricted Substances List (MRSL)



## Supply Chain Mapping



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

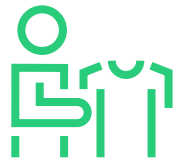


Map and publish key Tier 3 suppliers every six months

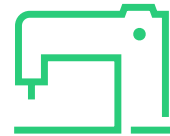


### Transparent Data Maintenance

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



onboarding



#### Potential new supplier

disclosure of supply chain (zero tolerance!)

#### Supplier screening

- desktop risk assessment
- disclosure of supply chain

↓ if there's no collaboration



No collaboration!



- no disclosure of supply chain
- zero tolerance issue

#### Supplier assessment

##### Tier 1

- Technical workmanship assessment
- Social compliance assessment

##### Tier 2

- Environmental assessment
- Check waste water testing

#### Supplier commitment

contractual agreement to Esprit minimum requirements

#### Regular follow-up assessments



## 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-stakeholder and industry initiatives to achieve industry-wide improvements:

- Fair Labor Association
- Amfori Business Social Compliance Initiative (BSCI)
- 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

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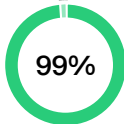
## No "Cut and Run"

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### 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.

## 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 Supplier Code of Conduct, as well as to verify the quality of the third-party audits.

### External audits:

We also work with third party auditing firms who conduct audits on our behalf. Esprit is a member of Amfori Business Social Compliance Initiative (BSCI), a group of over 2,000 companies that works to ensure that conditions in our suppliers' factories are appropriate, safe, and meet legal requirements.

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

## What a social compliance audit looks like

### Time Records

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

### Stakeholder interviews

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

### Walkthrough

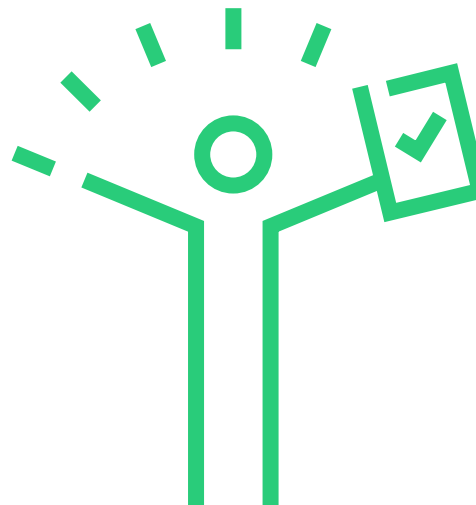
By walking through the factory and observing with our own eyes, we get a real feel for the surroundings, the risks, the morale, and the environment. This part of the audit is crucial.

### Management interview

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

### Worker interview

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



### Payroll Check

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

### Production Records Check

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



## COVID-19 impact

COVID-19 has impacted every part of our business, but there is one area in particular where we have had to change our way of working. This area is auditing, which typically includes onsite visits at our suppliers' facilities by our local and headquarters team members.

### The issue

The wave of COVID-19 infections hit as we were approaching the peak of our auditing cycle. Onsite factory visits became impossible due to safety concerns for the employees working at the factories, and for our own employees, and because of government-imposed restrictions on travel. This lasted for around two months in each production area, though the specific travel restrictions varied by location. These challenges continue, particularly considering the necessity of respecting the required post-travel 14-day quarantines that are still in place for many parts of the world. Our main concern has been to make sure we do not cause a super-spreader event, where an auditor carries the virus from one factory to another, or where our employees or partners bring a wave of infection to their workplace, or even to a new region or country. The result has been a significant reduction in factory visits, and therefore a reduction in both social and environmental audits for this fiscal year.

### Our response

As we have learned throughout our sustainability journey, in facing challenges such as this we must be clear about our goals and priorities, we must be creative, and we must embrace technology. Our first change was to step up our use of self-assessments and online assessments. Next, we carefully have reinstated third party audits where local circumstances permit.

Due to the logistics involved in ensuring everyone remains safe and healthy – quarantines, and up-to-the-minute data gathering on active infection rates, for example – we have not been able to do unannounced site visits, which are a part of our normal auditing process. We have also had to change our process to enable as much as possible to be done remotely, such as following up with our suppliers on payment and working our issues online. This means we are spending more time on research, and also engaging with workers directly through the communication channels established between unions and our teams via our global framework agreement. Because we publish our factory list online, NGOs and unions can also easily reach out to us if problems arise in the supply chain. Our commitment to transparency over the past several years has paved the way for greater communication and supply chain oversight despite the challenges presented by the Pandemic.



### Key COVID-19 Risks

Esprit remains committed to due diligence processes. During the Pandemic, we have implemented self and online assessments in our supply chain.

#### Key areas we are closely monitoring include:

- Ensuring payment of workers in the supply chain
- Ensuring robust health and safety precautions for workers
- Ensuring Freedom of Association

## 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 FY19/20 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 ILO standards, failure to provide one day off over a seven day period as per ILO and BSCI standards, and inconsistencies between payroll, attendance and production records.

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



**i****Non-compliance issues in FY19/20**

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 assign them a score in the Vendor Scorecard.

In FY19/20, we updated the scoring process to include a KPI on usage of sustainable materials, and this was part of the Vendor Scorecard Review Period for Spring/Summer 2020. Specifically, we now evaluate whether our suppliers have maintained up-to-date and valid certificates to confirm the chain-of-custody for recycled fibers (based on the GRS/RCS requirements), and organic fibers (based on the OCS/GOTS requirements).

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 is available in Chinese, Bengali and Hindi. A Turkish translation will be available in the next Financial Year. With the publication of the Turkish translation, we will cover more than 80% of our factories.



### Grievance mechanism

Additionally, we have developed a grievance mechanism for our key sourcing countries, which are currently Bangladesh, 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 will be 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 and locally used messenger details. These posters will be rolled out in autumn 2020.



## Beyond garment vendors

Reaching out to our supply chain beyond garment vendors is critical, so starting in October 2019 we became a member of the Fair Labor Association (FLA). FLA's approach to addressing the structural problems facing the garment industry moves beyond simply auditing Tier 1 suppliers. Its comprehensive approach is based on assessing both suppliers and companies like Esprit, delving into our own

management systems to ensure that we find and address any gaps in our processes that could contribute to challenges for workers throughout the supply chain. We value the FLA's robust approach, and its reputation as a credible, strong, and experienced leader in improving the lives of garment workers. We welcome the opportunity to improve our own systems, and to be part of the solution.



### What is the Fair Labor Association?

"Since 1999, FLA has helped improve the lives of millions of workers around the world. As a collaborative effort of socially responsible companies, colleges and universities, and civil society organizations, FLA creates lasting solutions to abusive labor practices by offering tools and resources to companies, delivering training to factory workers and management, conducting due diligence through independent assessments, and advocating for greater accountability and transparency from companies, manufacturers, factories and others involved in global supply chains."



### Child labor project in Turkey

The multi-stakeholder project titled "**Supporting Workers Rights and Mitigating Child Labor Risks in Small and Medium-Sized Enterprises in the Garment and Textile Industries in Turkey**" was launched by the FLA in October 2018 with the objective of piloting an approach for expanding compliance with internationally recognized worker rights frameworks among small and medium size enterprises (SME) in the garment and textile industries. Most company, trade union and government efforts to promote workers' rights are limited to direct Tier 1 suppliers, so this project ventures into uncharted territory by going beyond Tier 1.

The project particularly focuses on potential child labor, occupational health and safety, grievance mechanisms, hours of work, and compensation issues with activities built around three pillars:

- **Pillar 1:** Undertaking stakeholder engagement and information dissemination to promote decent work and eliminate child labor and workers' rights violations,
- **Pillar 2:** Creating visibility into the upstream supply chain and pilot remediation and prevention of exploitation of vulnerable workers, and
- **Pillar 3:** Developing or strengthening existing programs by building the capacity of key stakeholders in the garments and textiles supply chain to promote decent work and eliminate child labor.

While a solid foundation is already in place for Pillars 1 and 2, we have engaged in Pillar 3 by involving three of our Tier 3 factories in this project; work will resume when COVID-19 travel restrictions ease and face-to-face trainings become possible again.

## 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. 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

Low wages have been a problem in the apparel industry for many years. The industry is highly fragmented, with multiple competing brands often sharing factories. Systemic change therefore requires cooperation among competitors in the industry, as well as with governments, labor unions, workers, and factory owners. Production is scattered across the globe, which makes calculating a living wage in myriad locations a complex task. Reaching a consensus on the understanding of fair wages presents one of the industry's biggest challenges.

To overcome this challenge, Esprit joined with other brands and IndustriALL Global Union to form an initiative known as ACT (Action, Collaboration and Transformation). ACT seeks to address the problem of low wages in the apparel industry by promoting industry-wide, nation-wide collective bargaining agreements in key apparel exporting countries. Through their union representatives, workers can negotiate higher wages within agreements that address a range of concerns about working conditions while preserving the competitiveness of their industry. ACT makes it clear that wages and compensation must be paid regularly and on time, and be sufficient to meet basic needs and provide some discretionary income for workers and their families.

While being aware of the respective local minimum wage requirements, Esprit compiles wage data for the areas where our products are made. The goal is to learn how much workers actually earn and take home, and to understand the basic cost of living in their communities. In 2020, we began to go a step further by working with the Fair Compensation Tool from the Fair Labor Association. The tool will help us to understand the discrepancy between actual wages and the various living wage calculations per region. We are planning to present and publish our findings in a subsequent case study.

### Fire and building safety

Esprit was one of the first companies to sign onto the Bangladesh 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, addressing fire and building safety in the ready-made-garment industry in Bangladesh through a legally-binding agreement with a five-year term.

Esprit made a clear commitment to responsibly source from Bangladesh for the long-term. 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 when it comes to fire safety and is now converting to improved safety standards. This makes the Accord an

essential part of our work in Bangladesh. We are committed to keeping up this good cooperation in the future, even as the framework of the Accord continues to evolve and the Transition Accord has come into effect. Turning this transition period, we agreed along with a group of other Accord member brands we will maintain the same roles and activities until May 2021. This means 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 proper resolution of grievances raised through the Accord's grievance mechanism.

The Pandemic has limited the ability of our partners to conduct 3<sup>rd</sup> party audits in factories in person; this is why our 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).

## Accomplishments

Scope 3 Data Gathering: We have started gathering data on the carbon footprint of our factories



In FY19/20 we broadened our protocol to include more parameters, such as water use, energy use, carbon footprint, and a social risk assessment



68% of our key wet processing mills have conducted wastewater testing



## Goals

### RESPONSIBLE FOR THE PLANET



Topic	Target by July 2021	FY19/20	FY18/19	FY17/18	Sustainable Development Goals
Environmental assessments	100% of our key wet process mills have been audited based on our audit protocol	35%	75%	73%	
Wastewater testing	100% of our wet processing mills test their wastewater according to the ZDHC Wastewater Guidelines	68%	69%	56%	





### 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.



As we made progress towards our Detox Commitment, we published reports in January 2017 and September 2017, which gave overviews of our achievements and our targets for the future. Now that we have reached the 2020 mark, we feel proud of what we have accomplished, working systematically with our suppliers to help them properly manage chemical use, test their wastewater, and phase out hazardous chemicals. In FY19/20, 68% 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 of 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 factories with our own audit protocol.

## Clean Production

Esprit has two important documents setting boundaries for the use of chemicals: the RSL and the MRSL. While the Restricted Substances List (RSL) focuses on the amount of restricted chemicals in the final Esprit product and its packaging, the Manufacturing Restricted Substances List (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.



### i

#### RSLs and MRSLs

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

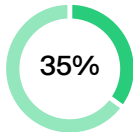
##### 1. RSL

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



35%

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 FY19/20 we broadened our protocol to include more parameters, such as water use, energy use, carbon footprint, and a social risk assessment.

Travel restrictions due to COVID-19 prevented our teams from visiting suppliers in person, meaning we were only able to visit a fraction of the suppliers that we had planned on auditing. As travel restrictions loosen up, we expect to continue our progress toward our 100% target.

### Knowledge sharing via Chemical Corner

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

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



## Wastewater testing

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 publically-available Institute of Public & Environmental Affairs (IPE) website, or to the ZDHC platform.

By working within 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.







## Our memberships

### ZDHC

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



### AFIRM Group

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



### German Partnership for Sustainable Textiles – Textilbündnis

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



## Safe products

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

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

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



## How we ensure safe products

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



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

**Testing Integrated with Manufacturing:** Throughout product Development, Sampling, and Production, our Product Safety Management and Local QA teams are working with our suppliers and overseeing quality and testing. All Esprit products are tested by independent and certified laboratories before leaving the factory.

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

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

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

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

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



### How we handle non-compliances

We investigate on-site to find the root cause of any chemical non-compliance, which can arise from chemical products, processing conditions, or other unexpected sources.

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

# Ship and sell sustainably

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.



## Waste management

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

## Fight the polybag

Wherever possible, we are replacing polybags with a small strap to reduce our plastic use during transport. We’ve also switched to a smaller, lighter polybag made with 30% recycled content. Looking ahead to FY20/21, we expect the use of these lighter bags to translate to a 40% reduction in plastic packaging for the same sales volume compared to last year.



We are **77%** of the way toward our GHG emissions reduction target for 2021.





Design smart

Produce responsibly




















Ship and sell sustainably

Extend product life

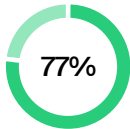
Reuse and recycle

# Goals

## SHIP AND SELL SUSTAINABLY

Topic	Target by July 2021	FY19/20	FY18/19	FY17/18	Sustainable Development Goals
Carbon footprint	Reduce greenhouse gas (GHG) emissions by 30%	 77%	 0%	 0%	
	Increase train shipments to 5%	 40%	 86%	 82%	
	Reduce air shipments to 5%	 0%	 0%	 0%	
	90% carbon-neutral or carbon-reduced shipping methods in our European e-shop	 88%	 88%	 80%	
Reducing and handling waste	50% of hangers used for garment transportation are reused and made of recycled PET-bottles	 100%	 90%	 20%	 

## Carbon footprint



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

\*Baseline FY17/18: 40,803 CO<sub>2</sub>e

We initially set the goal of achieving a 30% GHG emissions reduction by 2030, which we are working toward with our business partners through the Fashion Industry Charter for Climate Action. We are proud of our improvements in this area, and we expect to reach the 30% target early, in 2021. Our focus on procuring renewable energy is largely behind this progress. While store closures during COVID-19 will also impact

these figures, that impact will be reflected in the FY20/21 reports. The reduced usage of our fleet of cars in Germany due to COVID-19 is reflected here in our Scope 1 data. 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.



### Actions in scopes 1 and 2

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

### Scope 3

- Scope 3 is both the greatest and most important challenge when it comes to reducing our carbon footprint. The majority of our emissions impact is derived from Scope 3 activities, such as supply chain operations, and shipping. The impact from our suppliers is not something we can entirely control, but we are able to influence it by the way we work with our suppliers.
- Each year, we try to build in additional layers of detail so we can expand our measurements and our influence in this area. This past year, we collected data from 64 of our Tier 1 suppliers across Europe, Bangladesh, Hong Kong, China, and India. Measurements were taken on the quantities of energy, fuels (including fuel types), water (including sources of water and quantities of recycled and/or reclaimed water), and waste (including solid waste recycled and reused onsite).



Design smart

Produce responsibly

Ship and sell sustainably

Extend product life

Reuse and recycle



### SCOPE 1

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

#### Gas for heating

- Stores
- Offices **Fuel**
- Fleet cars



### SCOPE 2

is the applicable scope for emissions related to purchased electricity.

#### Electricity

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



### SCOPE 3

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

#### Emissions

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

Baseline Figure:  
GHG: 1,082 t CO<sub>2</sub>e

Baseline Figure:  
GHG: 8,154 t CO<sub>2</sub>e

Baseline Figure:  
GHG: 22,432 t CO<sub>2</sub>e

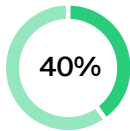
Baseline\*: 31,668 t CO<sub>2</sub>e

\*Calculation using baseline methodology



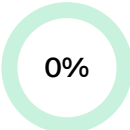
### Shipments

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.



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

\*Baseline FY17/18: 4.1% train shipments



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

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

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.

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.

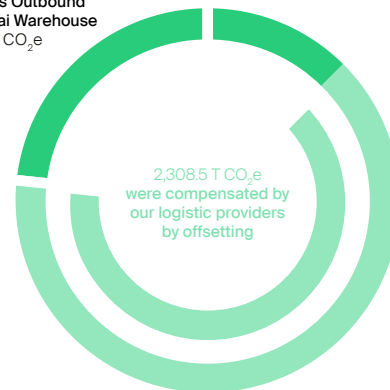
### Outbound shipments – warehouse to retail

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 80% of our outbound logistics emissions, totaling 2,308.5 tons CO<sub>2</sub> equivalent.



**Total: 1,277 T CO<sub>2</sub>e**

Logistics Outbound Shanghai Warehouse  
828.2 T CO<sub>2</sub>e



Logistics Outbound DCE  
2,757.4 T CO<sub>2</sub>e

### How we ship

FY19/20



Sea (-2.7%)



Truck (+2.7%)



Air (+1.6%)



Sea/Air (+0.6%)



Rail (-2.3%)



### Transport

53% of our service providers are in the Clean Cargo working group (CCWG). Clean Cargo 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.



## Wholesale

This year, we closed the warehouse in Shanghai and served our remaining wholesale customers in Asia from Germany. On the one hand this saves the CO<sub>2</sub> associated with operating an extra warehouse, but the tradeoff has been an increase in transportation-related impacts. However, since the main focus of our business is Europe, this decision makes sense in the longer term from both a business and an environmental perspective.



### Embracing digital innovation to shift toward circularity: ESPRIT2B digital wholesale/B2B platform

Our new B2B portal for wholesale orders and re-orders has been completely redesigned to become a true alternative to visiting showrooms in person. Users are immersed in a visual the experience featuring product videos that enable remote ordering, and saving on the emissions, time, and costs associated with maintaining a physical showroom, and traveling to one in person.

## E-shop shipments

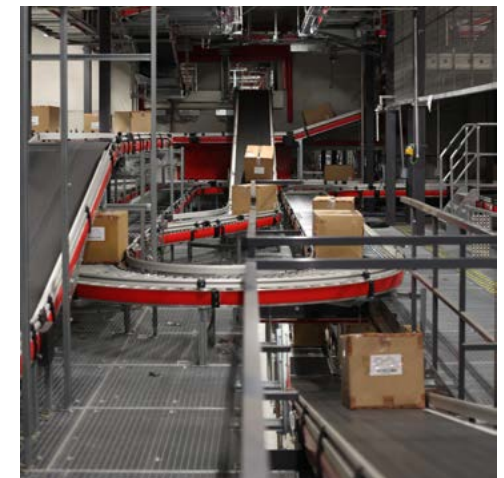
Shipments from the warehouse to our customers also fall under Scope 3. The Pandemic has only accelerated the trend of more shopping being done online. We had already set the target of shipping 90% of European e-commerce products through carbon-neutral or reduced emissions modes of transport by July 2021.

Similar to last year, around 80% of our European e-shop orders met this standard in FY19/20.



### Embracing digital innovation to shift toward circularity: Project Fiber – New Esprit Online Shop

We have created a new state-of-the-art platform that enables online shopping in a customer-centered digital environment that weaves visual content and storytelling into the experience. Additionally, this new platform provides expanded opportunities for our customers to search for products based on sustainability criteria, such as filtering for organic styles. The new system is already available in the UK, Austria, and Germany, and will be rolled out globally in 2021.





### Business travel

While COVID-19 has shown us that remote working can indeed be a viable and option in many situations, in some cases business travel is still necessary. Our preferred mode of transport for business travel is the train system; Deutsche Bahn trains use renewable energy and are carbon-neutral for long-distance travel. This year, we saved 320 kg CO<sub>2</sub> by selecting Deutsche Bahn.

When flying cannot be avoided, our intention is to track and monitor the associated emissions data. Challenges related to the Pandemic have made data-gathering not feasible for FY19/20.

Our fleet of cars in Germany, which was not used as intensely as usual over the past year due to the Pandemic, contributed 541.237 kg CO<sub>2</sub>e in Scope 1. New for FY19/20, we are also able to report on corporate cars used in other countries; this adds an additional 316.413 kg CO<sub>2</sub>e in Scope 1.

### Commuting

As part of our emissions tracking, we look at the daily commutes of our colleagues, including distances and modes of transport.

This past year, we extended the options for mobile working. However, for those colleagues who do typically travel to our office, 36% have a carbon-neutral commute.



#### Embracing digital innovation to shift toward circularity: Remote work with Microsoft Teams

During the Pandemic, we have accelerated our investment in remote working capabilities. Remote working helps to keep our people safe and healthy, and it can also reduce the environmental impact and time associated with commuting. We use Microsoft Teams for videoconferencing, chats, and document sharing so our employees can work efficiently and safely while staying connected to their colleagues and work social networks.

## Waste

Tackling waste means first looking at packaging, since this is the main culprit for generating cardboard waste and single-use plastics. It is important to safeguard our products as they are moved from production to warehouse, and from warehouse to customer. But much of this protection becomes waste, either when the goods are repacked from cardboard boxes or polybags are removed by the customers.



### Embracing digital innovation to shift toward circularity: Digital invoicing

Esprit has partnered with Basware, an invoice automation solution for incoming invoices, to allow our suppliers to send digital invoices to Esprit. Basware is a global leader in electronic invoicing and will support Esprit's efforts to streamline, standardize, digitalize and automate our invoice handling. As a result of this initiative, Esprit is aiming to reduce to minimum the paper invoices received from the suppliers. In just the first 3 months of using the new system (April – June 2020), Esprit saved 12,700 sheets of paper by receiving PDF invoices. The number of saved papers will increase exponentially in the next year with the rollout of the solution to new parts of the business.

## Polybags

At some point during its lifecycle, nearly every garment is folded into a plastic polybag for the important – but short-term – purpose of protection. Then, that plastic bag becomes plastic waste. There is too much plastic waste in the world, so we created a plan to reduce polybag use and find new innovative packaging solutions.

- One innovation has been a new way to fold our garments, enabling us to replace the polybag with a small strap. As of now, the strap itself is still plastic, but in the future we plan to switch to decomposable materials.
- Starting in spring 2020 we introduced plastic banderoles including 30% recycled content for non-crease sensitive pants; the use of these roll-packs for denim products has achieved a 55-86% reduction per item (depending on the product). Going forward, we will expand this innovation to other product categories in order to further reduce unnecessary plastic.
- For delicate products that still need the protection offered by a polybag during logistic handling, we introduced a new smaller, lighter polybag made with 30% recycled content. For FY20/21, we expect the use of these lighter bags to translate to a 40% reduction in plastic packaging for the same sales volume compared to last year.



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

## Hangers

We avoid hangers wherever possible. When they must be used, we aim for reusable hangers made from recycled plastic. We have already achieved our 2021 target of replacing 50% of our hangers with reusable hangers made of recycled PET.



### Logistics Initiatives

We want to make plastic bubble-wrap a thing of the past. Our Logistics and Packaging teams are making the shift to recycled paper padding for transporting delicate items. No additional bubble-wrap will be used beyond Q4 2020, when we will use the last of our in-stock bubble wrap.

Additionally, we are in the process of converting our standard e-commerce shipping carton to one made from FSC-certified recycled material



# 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 this past year to identify and optimize the quality of over 70 of our core, high-volume fabrics (see more on page 30). 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 **Clevertcare** to provide **sustainable washing instructions**. **Links are available on each garment.**



Customers in Germany can **bring back broken garments for repairs**. **This service is available in 100% of our German shops.**



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

# Goals

EXTEND PRODUCT LIFE

Topic	Target by July 2021	FY19/20	FY18/19	FY17/18	Sustainable Development Goals
Reparable garments	Establish a repair service for Esprit garments in all our German retail stores	100%	100%	36%	





### 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](http://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. We also plan to roll-out the program to other European countries.

# 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.

## Accomplishments



We give customers the chance to return old clothes and give them a new life: **A total of 167,433 kg was collected between January 2018 and the end of June 2020 through the collaboration between Esprit and Packmee.**



## Goals

### REUSE & RECYCLE



Topic	Target by July 2021	FY19/20	FY18/19	FY17/18	Sustainable Development Goals
Product training	Everyone in our product teams will have gone through training in circular design (by 2020)	100%	100%	100%	—
Collecting garments	Esprit will, in collaboration with PACKMEE, collect 50,000 kg of used garments via an e-tail garment collection program, with donation of 100% of the turnover to charity (by 2020)	100%	85%	77%	
Recycling	Esprit will produce at least 150,000 garments including at least 20% recycled post-consumer textile fibers (by 2020)	100%	95%	61%	
Lifecycle management	Esprit will increase the amount of garments re-sold by 40,000 kg (by 2020)	100%	100%	100%	

## Building knowledge and experience



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

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

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

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



## Outlet and resale



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

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

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

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

## Careful lifecycle management

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

## Garment collection

**100%**

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

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

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



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.

**PACKMEE****SECOND LIFE****SECOND HAND MARKET**



## Closing the production loop



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

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

### Case study: Avoiding overconsumption

Overstocking a product has a greater impact than it first appears. All of the inputs that went into creating excess goods, such as water, energy, and chemicals, have also been an unnecessary excess, along with the time and effort associated with production, logistics, and sales. We believe that this needs to change. Therefore, we have reduced our style count by 28% and the overall quantity by 26%. Additionally, we optimize our stock handling with the aim of reducing overstock, and reducing waste. Our teams work closely together to develop a smart purchasing strategy which ensures the proper volume of garments at the proper time in all of our different sales channels, while also minimizing the potential for unsold stock.

### 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.

## Future outlook 2023

While we have now reached the milestone year of 2020, our ambition to continuously improve pushes on. Our roadmap toward a more sustainable future now includes key targets that we will be addressing between now and the end of 2023. Our four key targets are highlighted below:

- 100% sustainable apparel
  - Increase our investment in product-focused research and development, and building a strong alignment among divisions
  - Extend sustainable product packaging and reduce single use plastic
- Be transparent
  - Public supplier list including garment vendors, fabric suppliers and beyond
- Highest ethical standards and beyond
  - Improve overall scoring of our garment supplier factories and move beyond auditing
- Climate neutral company
  - Shift to 100% renewable energy in our own operations, wherever possible. Off-set leftover emissions where no other solution available.

Achieving these targets will require intense cooperation among our internal teams and with our external suppliers. We are pleased with the strong commitment and involvement we are seeing from our suppliers, which confirms to us that our decision to work closely with a small group of like-minded partners is the right approach.





04

Set the  
frame





# Embedding sustainability

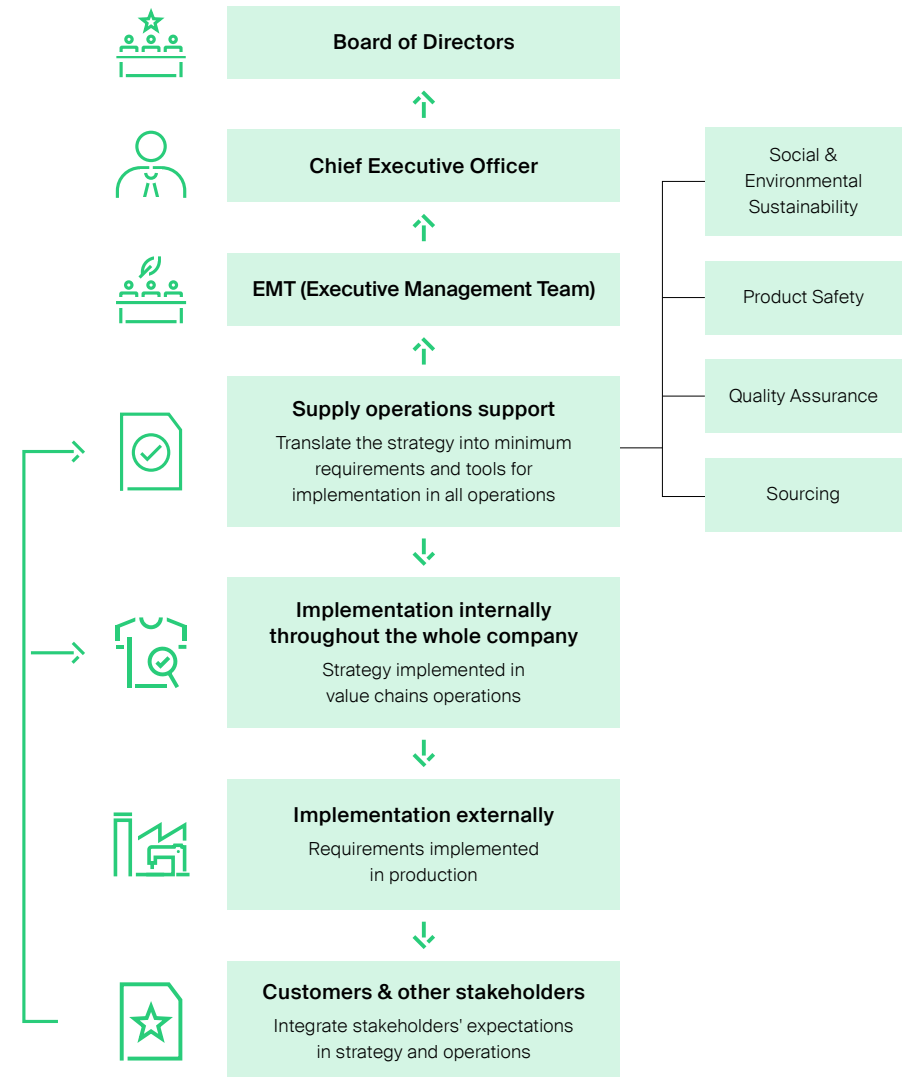
Our sustainability goals are embedded in our culture, in our daily decision-making, and in our planning for the future. This is true at every level of our company, and reinforced by the business structures and social platforms in place that ensure communication, consensus, and commitment to our circular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

## Implementing into supply chain

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

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

## How sustainability is embedded



# The core of our policies

Our foundational policy, which sets the core framework for how we work, is our Code of Conduct. This document formalizes our expectations of our employees, and clarifies our 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.

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

## Protection of customer privacy

We attach great importance to the privacy of customers and strictly require employees to abide by measures we implement to protect customers' privacy as well as applicable laws and regulations.



In FY19/20 our Compliance team trained around 150 new colleagues from different departments, such as Finance, Human Resources, Marketing and Operations.

## Grievance process

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

In FY19/20, 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 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.



05

How we  
report





# How we report

This report is Esprit Holdings Limited's (called "Esprit" in this report) Sustainability Report, written in accordance with the Global Reporting Initiative (GRI) G4 "Core" level. Our Sustainability Report is produced annually, together with our Annual Report covering our financial performance. This Sustainability Report covers our identified risks, focus areas and material topics (see Materiality assessment) and gives an overview of our new strategy towards circularity, including tools, targets, and progress of Esprit and all its entities covered in our Annual Report for financial year (FY19/20), ended 30 June 2020.

## Ongoing dialogue

Ongoing stakeholder dialogue is integrated in our business processes, and has informed the priorities and the sustainability targets shared in this report. For example, our stakeholders, from civil society organizations to customers, expressed a desire for greater transparency, and we responded – achieving fourth place in the 2020 Fashion Transparency Index. This is emblematic of the way we work: we strive for open and transparent dialogue to explain challenges in our industry and to communicate how we are tackling them.





### Employees

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



### Shareholders

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



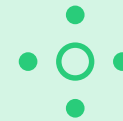
### Business Partners

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



### Customers

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



### Industry Initiatives

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

# ESPRIT

## Our partners and memberships





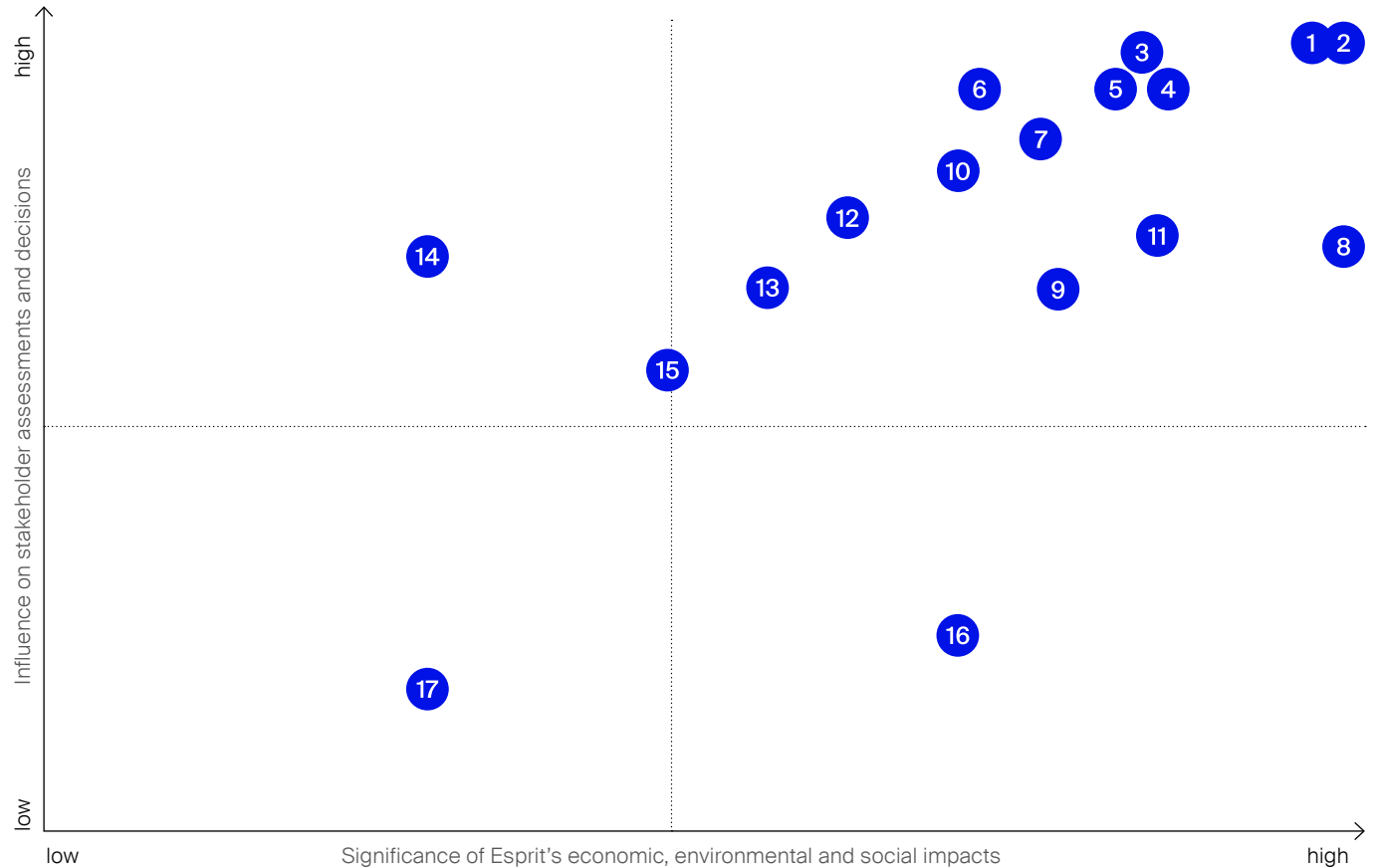
# Materiality assessment

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

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

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

FY19/20







# Performance overview

## GENERAL STANDARD DISCLOSURES

		HKEX ESG KPI	Page	Notes and Omissions
<b>Strategy and analysis</b>				
102-14	CEO-Statement		4-5	
<b>Organizational profile</b>				
102-1	Name of organization		89	
102-2	Primary brands, products, and services		9	
102-3	Location of the organization's Headquarters		93	
102-4	Number of countries where the organization operates, and names of countries where the organization has significant operations		8, 45	
102-5	Nature of Ownership and legal form		89	
102-6	Served markets		8	
102-7	Scale of organization		8, 10	
102-8	General employee-related disclosures		10-12	
102-41	Percentage of total employees covered by collective bargaining agreements		10	
102-9	Organization's supply chain		43-60	
102-10	Significant changes during the reporting period		-	On 27 March 2020, six German subsidiaries applied for Protective Shield Proceedings (the "Protective Shield Proceedings") i.e. restructuring proceedings in self-administration, pursuant to section 270b of the German Insolvency Act in order to protect the solvency and liquidity of our Group and the ongoing business operations in the midst of the Pandemic. Please find more details on p. 42-49 in our Annual Report FY19/20.
102-11	Precautionary approach		60-67	
102-12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses		4-5, 23-29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39-41, 43-60, 60-67, 68-75, 76-77, 78-82, 89-91	
102-13	Memberships of associations and national or international advocacy organizations		-	Besides her position at Esprit, Dr. Marion Welp is also chairwomen in the German Federal Association of Company Lawyers and is representing Esprit next to other German corporations.



# Performance overview

## GENERAL STANDARD DISCLOSURES

		HKEX ESG KPI	Page	Notes and Omissions
<b>Identified material aspects and boundaries</b>				
102-45	List of all entities	Reporting guidance 9, 10	-	This report covers all organization's entities as the Annual Report
102-46	Process for defining the report content	Reporting principles II	89-91	
102-47	List of material topics		92	
103-1	Explanation of the material topic and its Boundary		92	
102-48	Restatements of information		-	Not applicable
102-49	Changes in reporting	Reporting guidance 9, 10	-	Not applicable
<b>Stakeholder engagement</b>				
102-40	List of stakeholder groups engaged by the organization	General approach 6	89-91	
102-42	Basis for identification and selection of stakeholders	General approach 6	89-91	
102-43	Organization's approach to stakeholder engagement	General approach 6	89-91	
102-44	Key topics and concerns raised through stakeholder engagement	General approach 6	89-91	
<b>Report profile</b>				
102-50	Reporting period		89	
102-51	Date of most recent previous report		-	FY18/19 (financial year from July 01, 2018 – June 30, 2019)
102-52	Reporting cycle		89	
102-53	Contact point for questions	General approach 6	94	
102-54	Claims of reporting in accordance with the GRI Standards	Introduction 7	89-90	
102-55	GRI content index	Introduction 7	89-90	
102-56	External Assurance	Introduction 7	-	This report has not been externally assured.
102-18	Governance structure		93	
<b>Governance</b>				
102-16	Organization's values, principles, standards and norms of behavior		4-5, 85-87	



# Performance overview

## SPECIFIC STANDARD DISCLOSURES

Material Topic	GRI Material Topic	HKEX ESG KPI	DMA and Indicators	Page	Notes and Omissions
Business Performance	Economic	KPI B8.2	201-1: Direct economic value generated and distributed	-	Please find the disclosure on p. 42-49 in our Annual Report FY19/20.
			205-1: Operations assessed for risks related to corruption	86-87	Reason for omission: Confidential information
			205-2: Communication and training about anti-corruption policies and procedures	86-87	Reason for omission: Confidential information
Compliance	Social	B7(b), KPI B7.1	205-3: Confirmed incidents of corruption and actions taken	86-87	In FY19/20, Esprit has not identified any non-compliance with laws and regulations concerning bribery, extortion, fraud and money laundering.
			B6(b), KPI B6.2	-	In FY19/20, no legitimate complaints regarding data breaches or losses of customer or employee data were asserted against Esprit
			B6(b)	-	In FY19/20, Esprit has not identified any non-compliance with laws and regulations concerning the provision and use of products and services.
			B7	86-87	
More sustainable materials	Environmental	A2, A3, KPI A3.1.	301-1: Materials used by weight or volume	28-41	
			103-2: Materials	23-41	
Animal welfare	Own topic		Implementation of the Responsible Wool Standard	37	
Safe products	Social	B6(b)	416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	-	In FY19/20, Esprit has not identified any non-compliance with regulations and voluntary codes.
			417-1: Requirements for product and service information and labeling	25, 28, 66-67, 77, 92, 93	
			417-2: Incidents of non-compliance concerning product and service information and labeling		Esprit has not identified any non-compliance with regulations and voluntary codes.
			102-2: Activities, brands, products, and services		Material bans in place: Mohair, Angora, real fur, PVC and Cupro.
			419-1: Non-compliance with laws and regulations in the social and economic area	-	In FY19/20, Esprit has not identified any non-compliance with laws or regulations.
			B6	28	
A3, KPI A3.1 B6	28				



# 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	KPI A2.2	306-1: Water discharge by quality and destination	-	
		KPI B5.2	308-1: New suppliers that were screened using environmental criteria	60-67	
		KPI B5.2	308-2: Negative environmental impacts in the supply chain and actions taken	60-67	
		KPI A2.1	302-1: Energy consumption within the organization	68-74	
		KPI A2.4, A2	103-2: Water	61-64	
		A2, KPI A2.4, A3, KPI A3.1	103-2: Products and Services	60-67	
		B5	103-2: Supplier Environmental Assessment	60-67	
Responsible Sourcing	Sourcing	KPI B5.2	414-1: New suppliers that were screened using social criteria	46-59	
		KPI B5.2	414-2: Negative social impacts in the supply chain and actions taken	46-59	
			412-3: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	46-59	
		KPI B4.1, 4.2	408-1: Operations and suppliers at significant risk for incidents of child labor	54-55	
			412-1: Operations that have been subject to human rights reviews or impact assessments	46-59	
		KPI B5.2	414-1: New suppliers that were screened using social criteria	46-59	
		KPI B5.2	414-2: Negative social impacts in the supply chain and actions taken	54-55	
			413-1: Operations with local community engagement, impact assessments, and development programs	58-59	
		KPI B5.2	205-2: Communication and training about anti-corruption policies and procedures	49, 61, 46, 54-55	
		B8	103-2: Local Communities	17-18, 58, 59	
	B4	103-2: Child Labor, Forced or Compulsory Labor	49, 46-59, 86-87	Esprit complies with all relevant national and international standards, laws and regulations within each country where we operate.	
	B5	103-2: Supplier Assessment for Labor Practices, Supplier Human Rights Assessment, Supplier Assessment for Impact on Society	46-59		
Living wage	Own aspect		Participation in Action, Collaboration, Transformation (ACT)	46-59	





# Performance overview

## SPECIFIC STANDARD DISCLOSURES

Material Topic	GRI Material Topic	HKEX ESG KPI	DMA and Indicators	Page	Notes and Omissions
Carbon Footprint	Environmental	KPI A1.1, A1.2	GRI 305-1: Direct greenhouse gas emissions (Scope 1): Headquarters, DCE, fleetcars	70, 71, 70-75	
		KPI A1.1, A1.2	GRI 305-2: Energy indirect (Scope 2) GHG emissions	70, 71, 70-75	
		KPI A1.1, A1.2	305-3: Other indirect (Scope 3) GHG emissions	70, 71, 70-75	
		KPI A1.5	305-5: Reduction of GHG emissions	70-75	
		A2, KPI A2.3, A3, KPI A3.1	103-2: Energy	70-75	
		A1, KPI A1.5, A3, A3.1	103-2: Emission	70-75	Esprit complies with all relevant national and international standards, laws and regulations within each country where we operate.
		A1, A3, KPI A3.1	103-2: Transport	72-73	
Solid waste	Environmental	KPI A1.3, A1.4, A1.6	306-2: Waste by type and disposal method	97	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	75	
	Environmental	A1, KPI A1.5, A1.6, A3, KPI A3.1	103-2: Effluents and Waste	75	
Transparency	Own aspect		Public disclosure of Tier1 and Tier2 supply chain and focus on relationships with our suppliers	44-49	
	Economic	KPI B5.1	204-1: Proportion of spending on local suppliers	45	
	Social	KPI B5.2	414-1: New suppliers that were screened using social criteria	44-49	
Gender equality	Social	B1	103-2: Employment, Non-discrimination, Diversity and Equal Opportunity	86-87	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 within each country where we operate.
Diversity and equality	Social	B1	103-2: Employment, Non-discrimination, Diversity and Equal Opportunity	86-87	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 within each country where we operate.



# 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	10-12	
		KPI B3.2	404-1: Average hours of training per year per employee	-	Numbers are not available because there are no data collection systems in place for this financial year. We expect to have a consistent data set in FY20/21.
		B3	404-2: Programs for upgrading employee skills and transition assistance programs	10-12	
		B2	103-2: Occupational Health and Safety	10-12	We expect to extend the data also to other operations outside of Germany in FY20/21. Esprit complies with all relevant national and international standards, laws and regulations within each country where we operate.
Community and employee engagement	Economic	KPI B8.1	203-1: Infrastructure investments and services supported	13-14, 17-18	
	Social	B8	103-2: Local Communities'	13-14, 17-18	
Responsible marketing	Social	B6	417-3: Incidents of non-compliance concerning marketing communications	-	In FY19/20, Esprit has not identified any non-compliance with regulations and voluntary codes.
		B6	103-2: Marketing Communications	87	
Customer satisfaction	Social	KPI B6.2	102-43 Approach to stakeholder engagement 102-44 Key topics and concerns raised	-	In FY19/20, 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

## Non-executive Chairman

- Dr Raymond OR Ching Fai  
(re-designated with effect from 24 June 2020)

## Executive Directors

- Mr Anders Christian KRISTIANSEN  
Group Chief Executive Officer
- Dr Johannes Georg SCHMIDT-SCHULTES  
Group Chief Financial Officer  
(appointed with effect from 21 October 2019)
- Mr Marc Andreas TSCHIRNER  
Group Chief Operating Officer  
(appointed with effect from 21 July 2020)
- Ms CHIU Su Yi Christin  
Group Legal and Public Relations Officer  
(appointed with effect from 21 July 2020)
- Mr Hung Wai WONG  
Group Chief Investment Officer  
(appointed with effect from 21 July 2020)
- Mr Thomas TANG Wing Yung  
Group Chief Financial Officer  
(resigned with effect from 21 October 2019)

## Non-executive Director

- Mr Jürgen Alfred Rudolf FRIEDRICH

## Independent Non-executive Directors

- Mr Carmelo LEE Ka Sze
- Ms Sandrine Suzanne  
Eleonore Agar ZERBIB  
(appointed with effect from 3 October 2019)
- Mr Joseph LO Kin Ching  
(appointed with effect from 15 January 2020)
- Mr CHUNG Kwok Pan  
(appointed with effect from 29 July 2020)
- Dr Martin WECKWERTH  
(appointed with effect from 15 January 2020 and resigned with effect from 24 July 2020)
- Mr Alexander Reid HAMILTON  
(retired on 5 December 2019)
- Mr Norbert Adolf PLATT  
(retired on 5 December 2019)

## Company Secretary

- Ms Ophelia LO Tik Man

## Principal bankers

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

## Auditor

- PricewaterhouseCoopers  
Certified Public Accountants  
Registered Public Interest Entity Auditor

## Principal legal advisor

- LC Lawyers LLP
- Baker & McKenzie
- Freshfields Bruckhaus Deringer

## Principal share registrar

MUFG Fund Services (Bermuda) Limited  
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Bermuda

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Hong Kong

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## Share listing

Listing on The Stock Exchange of Hong Kong Limited since 1993  
Number of issued shares: 1,887,211,562  
Par value: HK\$0.10  
Stock Code: 00330

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



# We welcome your feedback and thoughts!

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