STOCK CODE 00330

SUSTAINABILITY REPORT

ESPRIT HOLDINGS LIMITED
YEAR ENDED 30 JUNE 2015



The achievements of Esprit and our sustainability efforts are the result of dedication and passion of outstanding people among our own staff, and in successful collaboration with our business partners and external stakeholders.

I N M E M O R I A M



Josep Sabaté

Senior Vice President -
Head of Global Quality Management &
Sustainability, Esprit
1976 — 2015

Josep passed away on 24 March 2015 in the crash of Germanwings Flight 4U9525. We at Esprit are most grateful to have had this inspiring gentleman as a colleague and a friend, as well as to have had him lead our efforts towards greater sustainability and transparency in our business, which he particularly contributed during the initial phases of preparing this report.

His drive, positive energy and humble kindness continue to inspire us.

We miss you, Josep, and strive to carry on your legacy.



SUSTAINABILITY REPORT FY14/15

ESPRIT HOLDINGS LIMITED

ESPRIT

Corporate information

Chairman
· Dr Raymond OR Ching Fai
Independent Non-executive Director

Deputy Chairman
· Paul CHENG Ming Fun
Independent Non-executive Director

Executive Directors
· Jose Manuel MARTINEZ GUTIERREZ
Group CEO
· Thomas TANG Wing Yung
Group CFO

Non-executive Director
· Jürgen Alfred Rudolf FRIEDRICH

Independent Non-executive Directors
· Dr José María CASTELLANO RIOS
· Alexander Reid HAMILTON
· Carmelo LEE Ka Sze
· Norbert Adolf PLATT

Stock code
The shares of Esprit Holdings Limited are listed for trading on The Stock Exchange of Hong Kong Limited (Stock code: 00330)

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Contents

01 Introduction 8
01.1 The spirit of Esprit 11
01.2 About this report 11
01.3 Message from our CEO 12
01.4 Sustainable business 14
01.5 The New Engine – Esprit's vertically integrated management system 16
01.6 Our focus 16
01.6.1 Materiality assessment and stakeholder dialogue 16
01.7 Esprit sustainability targets 19
01.8 Management approach 20
01.8.1 Compliance: Corporate governance, Code of Conduct and policies 20

02 Design and innovation 21
02.1 Sustainable materials 23
02.1.1 Sustainable cotton 24

03 Supply chain: sourcing and production 25
03.1 Supply chain management 27
03.2 Supply chain working conditions 29
03.2.1 The Esprit supplier audit process 30
03.3 Environmental management 32
03.3.1 Chemical management 32
03.3.2 Energy & water management 33
03.4 Animal welfare 35

04 Product responsibility and customer health and safety 37
04.1 Product confidence 39
04.1.1 Risk management 39

05 Bringing products to the market 41
05.1 Our customer loyalty program: Esprit Friends 43
05.2 Customer service 43
05.2.1 Customer surveys 43
05.3 Packaging 44
05.4 Carbon footprint 45

06 The people of Esprit 47
06.1 Diversity and equality at Esprit 49
06.1.1 Workers' council and collective bargaining 49
06.2 Personal development – growth from within 50
06.3 Volunteer engagement 50

07 Performance data 55





01
INTRODUCTION



01 Introduction

01.1 The spirit of Esprit

Doug Tompkins and Susie Buell founded Esprit in 1968 in San Francisco. The era's compassionate and open-minded spirit influenced Susie and Doug's business practices. They cared for their employees, social issues and the environment. Long before terms like sustainability and social responsibility became commonplace, they bought the first lots of sustainable cotton to produce Esprit's first 'eco collection' in the early 1980s.

Esprit's heritage is about embracing fashion and style in a casually relaxed and natural way while always maintaining high quality standards in operations and products. The Esprit brand stands for a free-spirited, friendly, accessible and positive attitude that makes us different from other fashion brands. From the beginning, Esprit's advertising campaigns were not only about marketing Esprit products. They were also about generating awareness of social issues, like Esprit's AIDS campaign in 1987. As early as 1984, Esprit featured employees and customers as models, and now again for the Spring/Summer 2015 campaign we have shown an actual group of friends from California wearing our collection. We are confident that sticking to our original values and identity brings us closer to our core customer base.

Our products are for women, men and children and range from garments to shoes and accessoires as well as home textiles. Esprit is an attitude, not an age. This is why we do not focus on a specific consumer age group. We want to make great products for everyone, and offer customers a broad range of collections to suit a variety of occasions.

As a global brand, we feel obligated to act responsibly. We believe in having a real and genuine dialogue with our customers and therefore try to communicate with them all over the world. Almost 50 years after the first Esprit collection was launched, we are still all about style for real life, relevant issues and authentic people.

> **"Esprit is an attitude, not an age."**
>
> Doug Tompkins

01.2 About this report

This Sustainability Report of Esprit Holdings Limited (called Esprit in the report) has been written for the first time in accordance with the Global Reporting Initiative (GRI) G4 'Core' level. The report gives an overview of the sustainability efforts and projects of Esprit and all its entities that are covered in the Annual Report for the financial year (FY) 2014/15 ended 30 June 2015. From this year onward, the Sustainability Report will be published annually just as we publish our Annual Report of our financial performance.

We welcome readers' feedback. Please send your thoughts to sustainability@esprit.com.



Jose Manuel MARTINEZ GUTIERREZ

"The heritage and values of Esprit are about doing things right. This is why we are committed to moving towards sustainability."

01.3 Message from our CEO

Dear Readers,

The heritage and values of Esprit are about doing things right. In order to address the importance of sustainability, Esprit decided to publish this Sustainability Report for the first time this year along with our Annual Report. We are committed to moving towards greater sustainability and transparency, as well as to creating sustainable products and fostering a sustainable environment for future generations. Furthermore, we see an increasing interest from customers, shareholders and society in general in topics related to sustainability and social responsibility. The tragic accidents in textile factories which have sharply focused attention on the operations of the textile industry in recent years are driving some of this interest, but not all of it. Environmental topics are also more relevant than ever. Climate change, water scarcity and pollution are omnipresent issues in our industry.

We are acutely conscious of our corporate and social responsibility. The textile industry is labor intensive and has significant impact on the environment throughout its manufacturing processes. To successfully implement needed systemic changes, however, we need cooperation with our industry peers. To increase the impact of our work, Esprit participates in associations like the Sustainable Apparel Coalition (SAC), The Business Social Compliance Initiative (BSCI) and the Zero Discharge of Hazardous Chemicals Group (ZDHC Group).

Besides our participation in multi-stakeholder and industry initiatives, we employ a team of specialists who manage risks related to sustainability and social responsibility. The team works to implement national and international requirements such as the standards of the International Labor Organization, the REACH standards, environmental standards, and policies related to animal welfare.

The elimination of PFC's

We created a dedicated in-house lab to conduct a research and testing program to eliminate poly- and per-fluorinated chemicals (PFCs) in the manufacturing of all Esprit products, which was accomplished four months faster than anticipated. PFCs are toxic chemicals used to produce waterproof garments. Eliminating them is good for customers, the workers who handle the chemicals in the production process, and for the environment in and around the factories. Overall, we have learned to be more preventive, especially when it comes to chemical usage, and to anticipate key sustainability risks and issues by already assessing manufacturing processes, for example, in the design phase of a garment.

Our targets for the future

As a member of the ZDHC Group, we are working to eliminate hazardous chemicals from our supply chain by the year 2020. In FY14/15, we also started mapping our supply chain to better engage our Tier 1 and Tier 2 suppliers in improving their social and environmental performance, and to move towards a more positive, partnership-based model of cooperation. In FY14/15, Esprit established a Risk Management Department responsible for research and testing for the elimination of harmful chemicals throughout our operations.

We also seek to avoid cruel treatment of animals in our supply chain, and have implemented a number of policies related to animal welfare. Esprit has banned the use of angora (rabbit) wool since 2013. We will not permit its use in our products until we are able to ensure that humane practices are used in shearing the rabbits. We have also begun implementing the Responsible Down Standard (RDS) for our products that contain down. By June 2016, all down used in Esprit products will meet the standards of this internationally recognized certification system for preventing the live-plucking of down and feathers.

Given our history of social consciousness, Esprit is eager to engage issues related to corporate social responsibility in the 21st Century.

01.4 Sustainable business

Since Esprit's foundation in 1968, we have grown into a global brand. Our global headquarters is located in Ratingen, Germany, the base of our CEO, product teams and corporate and central functions. Esprit has been listed on the Hong Kong Stock Exchange since 1993, so we also have a headquarters in Hong Kong that houses for example our finance functions. Worldwide, Esprit has 890 directly managed retail stores, including concession counters and outlets and more than 7,500 points of sale with a focus on the European and Asian Pacific markets. Additionally, Esprit operates online stores in 30 countries.

Our business is based on an Omnichannel distribution model. Esprit has directly managed retail stores, including stand-alone stores, concession counters in department stores, outlets and e-shops, as well as partner stores. Partner stores include franchise and wholesale business, such as shop-in-stores concepts and identity corners. Product licensees are an additional business model for Esprit. In the retail business, which generated 64.0% of Group's turnover in FY14/15, we saw 93 store openings globally versus 108 closings. Wholesale generated 35.2% and licensing 0.8% of Group's turnover.

Esprit's product range encompasses apparel, accessories, bodywear, sportswear and shoes for women, men and kids plus licensed products such as jewelry, fragrances, glasses, maternity collections and home collections. While Esprit Casual offers relaxed leisure wear and street styles, Esprit Collection provides outfits for more formal and business needs. These two labels are complemented by edc, a more progressive version of Esprit, targeting a slightly more trend-oriented consumer. Esprit aims to be the best casual fashion brand offering an outstanding price-value proposition. The collections capture market trends and newness in color, quality fabrics and shapes, expressed in the effortless and comfortable Esprit style. Esprit pays maximum attention to fabric selection, fit and quality in every garment. The company's "esprit de corps" reflects a positive and caring attitude towards life that celebrates real people and togetherness further expressed by the brand promise: "We want to make you feel good to look good."

Esprit Holdings Limited is publicly listed on the Hong Kong Stock Exchange with no controlling shareholder. The majority of the Board of Directors are independent non-executive directors with not more than one-third of its Board members being executive directors.

In FY14/15, Group's turnover achieved a net sales of HK$ 19,421 million. Complete financial data are reported in our Annual Report for FY14/15 (http://www.esprit.com/investor_relations/financial_information/annual_interim_reports/).

The Global Sustainability Department at Esprit is under the umbrella of Supply Chain Management, along with Global Quality Management and Risk Management. The Sustainability reporting line goes through the Senior Vice President - Head of Global Supply and the Chief Supply Chain Officer to our CEO and the Board of Management.

Turnover by Country

HK$ million // % to Group turnover // % local currency growth



NORTH AMERICA

United States **
126 // 0.7% // -9.4%

EUROPE

Germany *
8,961 // 46.2% // -11.1%
Rest of Europe
7,118 // 36.6% // -12.4%
Benelux *
2,410 // 12.4% // -12.4%
France
1,221 // 6.3% // -13.7%
Switzerland
1,010 // 5.2% // -6.9%
Austria
864 // 4.5% // -13.8%
Scandinavia
692 // 3.6% // -13.2%
Spain
223 // 1.1% // 10.0%
United Kingdom
203 // 1.0% // -26.2%
Italy
137 // 0.7% // 2.4%
Ireland
6 // 0.0% // -20.0%
Portugal
5 // 0.0% // -47.7%
Others ##
347 // 1.8% // -22.7%

ASIA PACIFIC

China @
1,500 // 7.7% // -14.2%
Hong Kong
386 // 2.0% // -3.7%
Australia and New Zealand
375 // 1.9% // -11.5%
Singapore
301 // 1.6% // -9.8%
Malaysia
239 // 1.2% // 1.5%
Taiwan
200 // 1.0% // 2.9%
Macau
132 // 0.7% // 7.3%
Others @@
83 // 0.4% // -33.6%

\# Country as a whole includes retail, wholesale and licensing operations
\## Others under Rest of Europe include wholesale sales to other countries mainly Chile, Colombia, Bosnia-Herzegovina, the Middle East, Russia and Romania
@ Includes salon
@@ Others under Asia Pacific include wholesale sales to other countries mainly Thailand, the Philippines and Indonesia
* Includes licensing
** Turnover from the United States represents third party licensing income that mainly comes from Asia Pacific and the Rest of Europe

Turnover by product division

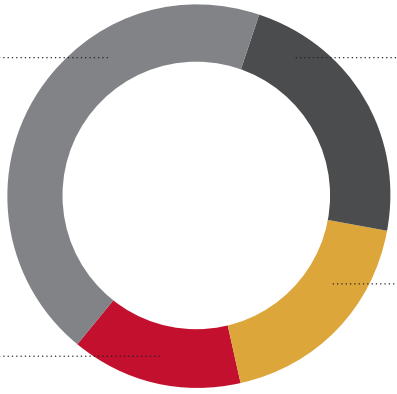
HK$ million // % of Group turnover // % local currency growth

WOMEN

women casual #
5,754 // 29.6% // -11.6%
women collection
2,323 // 12.0% // -7.8%
trend
507 // 2.6% // 29.7%

MEN

men casual
2,235 // 11.5% // -14.8%
men collection
538 // 2.8% // -21.6%



edc

edc women
3,359 // 17.3% // -14.2%
edc men
878 // 4.5% // -5.8%
edc others ^
231 // 1.2% // -3.9%

OTHERS

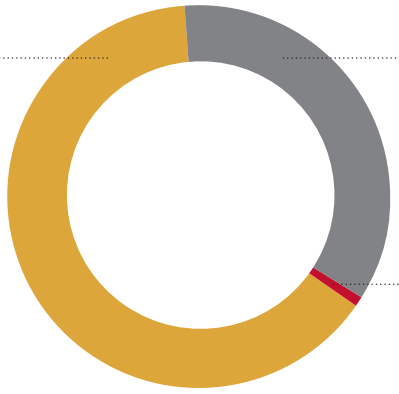
accessories
870 // 4.5% // -9.7%
bodywear
832 // 4.3% // -13.0%
shoes
746 // 3.8% // -16.8%
kids
622 // 3.2% // -14.2%
others *
526 // 2.7% // -8.2%

Turnover of sports has been re-grouped into women casual since FY14/15. Comparative figures have been restated accordingly
* Turnover of de. corp has been re-grouped into others under "OTHERS". Comparative figures have been restated accordingly. Others include mainly licensing income & licensed products like timewear, eyewear, jewelry, bed & bath, houseware, etc.
^ edc others include edc shoes, edc accessories and edc bodywear

Turnover by distribution channel

HK$ million // % of Group turnover // % local currency growth

RETAIL #
12,425 // 64.0% // -10.1%



WHOLESALE
6,845 // 35.2% // -13.9%

LICENSING AND OTHERS
151 // 0.8% // -10.0%

Retail sales include sales from e-shops in countries where available

01.5 The New Engine – Esprit's vertically integrated management system

Profitability is one of the key indicators to measure a company's success, and sustainable financial success is only possible with a long-term company strategy.

In July 2014, Esprit implemented the so-called "New Engine" management model. This is the outcome of a one year transformation process; this high-performance product engine aims to deliver high quality garments that customers can enjoy for a long time. As part of this effort, we have established faster, leaner and more cost-efficient product development and supply chain processes. The speed and efficiency of the New Engine are made possible through the more vertically integrated management of the entire Esprit business model - from product design to store operations – allowing information, decisions and actions to flow more rapidly throughout.

This means that our way of working has changed in multiple areas, involving the creation of a leaner system for supply chain management, category management teams and more centralized merchandise management to ensure that local assortment needs are taken into consideration during the product creation phase. Furthermore, we reduced our product range by eliminating under-performing products and created more focused collection statements. This will result in a significant reduction of the number of styles that we develop – a key prerequisite to increasing the efficiency of our buying and sourcing processes, and thus securing a more sustainable business.

In 2014, we stepped away from twelve monthly collections per year to work on just four continuously flowing seasonal collections and two cruise collections, thus radically simplifying our product development, production and distribution processes. This change is instrumental for the success of our business model, but is arguably one of our riskiest moves to date. It requires considerable adaptations in the way we work across the whole organization and, more importantly, with our wholesale partners who now buy from Esprit only six times instead of ten times per year. By focusing on fewer collections, we seek to provide a more durable long term product assortment.

During the implementation of the New Engine management model, we carefully considered service and relevance for all our channels, both retail and wholesale. We believe that with this new system, Esprit's organization is more financially and operationally sustainable and competitive going forward.

01.6 Our focus

The expectations of our customers and society at large have risen in recent years, and we strive to anticipate and respond to these expectations. While we have carried out many sustainability projects over the years, there is still room to grow. The existing scope and structure with which we work towards sustainability is built on a set of policies which have been adopted in an effort to guide our business operations as well as satisfying the expectations of our various stakeholders. All our business partners as well as our employees are committed to the Esprit Code of Conduct (see page 20). Furthermore, to fulfill uniform qualitative and quantitative criteria for our partner stores, we have established the Selective Distribution System to improve the quality standard of distribution channels and guarantee high brand value. This means all partners must fulfill the same transparency criteria in order to be accepted into the Selective Distribution System. In addition, we also have the Esprit Supplier Code of Conduct (see page 29) which is incorporated into the supplier agreement signed by all our direct supply chain business partners when collaboration starts.

By including sustainability as an integral part of our company strategy, we hope to fulfill our own vision of a sustainable business and meet the expectations of our stakeholders. To accomplish its proper role, our sustainability work must be traceable and measurable. With this goal in mind, we are implementing an extensive system for data collection and management to ensure that our sustainability reporting and commitment to the GRI G4 standard will advance in coming years.

This Sustainability Report is structured under the following categories:

- Design and Innovation
- Supply Chain: Sourcing & Production
- Product Confidence
- Bringing Products to the Market
- The People of Esprit

01.6.1 Materiality assessment and stakeholder dialogue

As a first step in preparing this report, we assembled an Esprit Sustainability Group consisting of 20 employees from various parts of the company, including the Product Division, Corporate Social Responsibility, Corporate Strategy, Finance, Human Resource Management, Legal and Compliance, Marketing, Corporate Communications and Supply Chain. To generate active engagement and implement a company-wide sustainability strategy, it was vital to have all business sectors participate in the planning. We were pleased to discover that many departments had been working independently on small sustainability projects that we could consolidate into our comprehensive plan.

To prepare the report's content, we held a series of workshops for various groups of employees in which each group conducted a "materiality assessment." A materiality assessment is a process of identifying and prioritizing sustainability issues based on questions such as what is the risk, to whom an issue is relevant, and why. The materiality assessment enabled us to define particular areas in which we are already working on sustainability projects, or where we want to become more engaged in the future. Our aim is to define a clear and measurable sustainability strategy and set future goals in the most transparent and comprehensive way.

Our Esprit Sustainability Group gathered the information generated in each workshop in order to define the opportunities and challenges related to sustainability for the various parts of the business. These challenges and opportunities included consideration of the economic, environmental and social impacts of Esprit, as well as how these impacts influence our stakeholders.

To identify our stakeholders and learn more about their interests and concerns, we also conducted interviews with Esprit's top management. Moreover, we integrated the feedback from the working group to identify the particularly relevant stakeholders for the Esprit business. An important aspect identified was the mutual influence of Esprit and its stakeholders and our value-added activities.

As this was our first materiality assessment, we engaged only our own employees from the Esprit Sustainability Group. However, going forward we will work to ensure engagement from our external stakeholders as well. In total, we identified the following eight stakeholders as most relevant to our business operations:

1. Customers and Esprit Friends[1]
2. Retail stores
3. Partner stores
4. Investors and shareholders
5. Suppliers (Tier 1)
6. Employees
7. Non-governmental organizations
8. Media

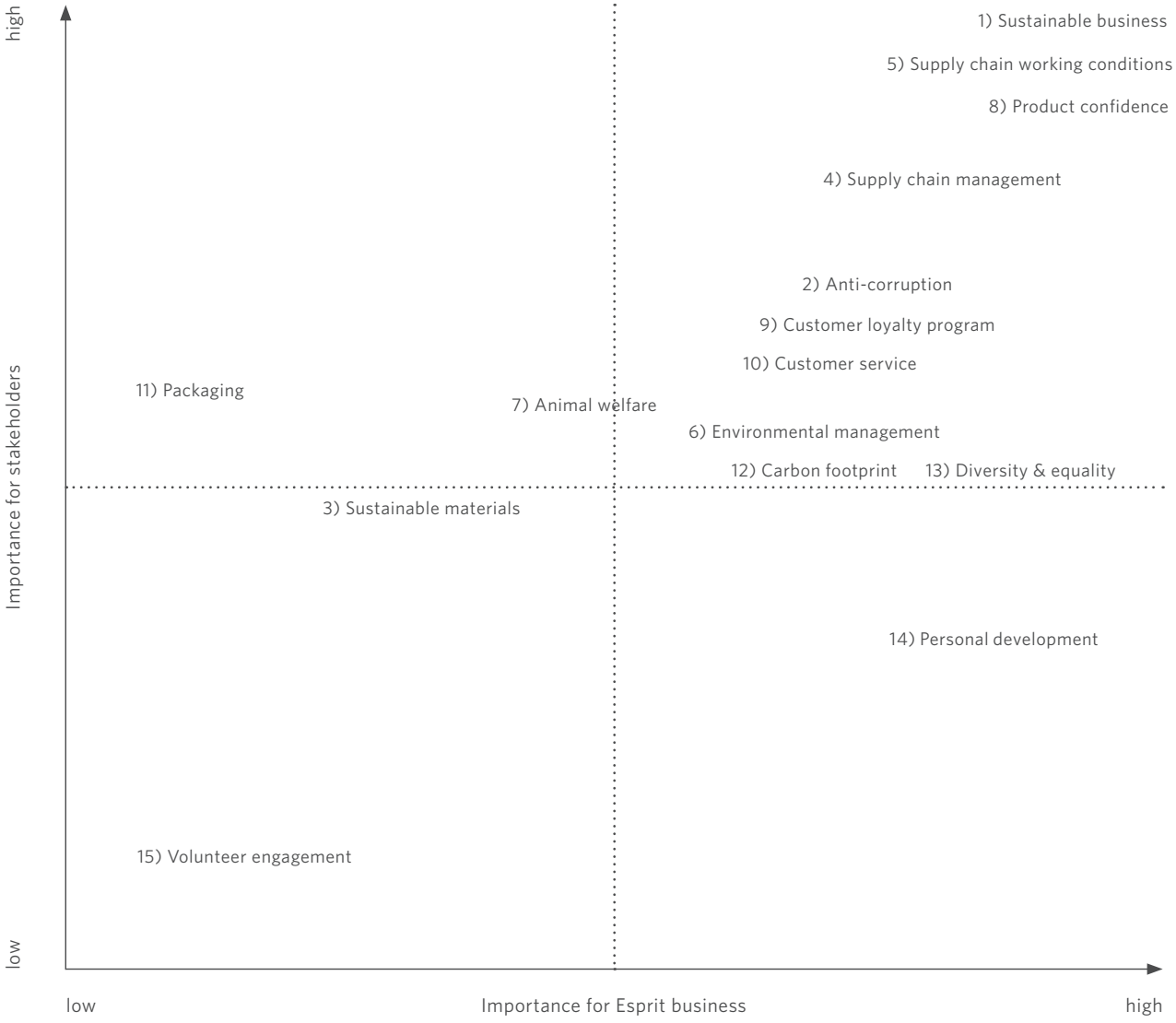
Regular and ongoing conversation with our stakeholders is a major priority and important element for a sustainable business, allowing us to learn our stakeholders' expectations and their different perspectives when they assess the Esprit business.

A list of 40 relevant topics was generated from the materiality assessment and stakeholder analysis. From this list, we selected the most relevant aspects and evaluated them based on their importance to different stakeholder groups and the economic, environmental and social impact on the business. In the end, we have chosen to focus on the 14 most material aspects for the Esprit business. The aspects which have been identified as the top priorities for Esprit as well as for our stakeholders can be found in the top right corner of the matrix, on page 18. The content of this report reflects the result from the materiality assessment and stakeholder dialogue.



[1] Please find further information regarding our Esprit Friends program on p. 43

Materiality Matrix



Material Issue		Esprit Material Aspect	Aspects Included
01 Sustainable business	1	Sustainable business	1) Economic performance (G4), The 'New engine' 2) Anti-corruption (G4) 3) Sustainable fabrics - Esprit Decision Tree 4) Buying strategy 5) Supplier assessment for labor practices (G4), Investment (G4), Assessment (G4), Supplier human rights assessment (G4) 6) Elimination of hazardous chemicals, Sustainability benchmarking project 7) Responsible down standard; Marketing (G4); 8) Product and service labeling (G4), Risk management 9) Esprit Friends 10) Product and service labeling (G4); 11) Recycled shopping bags, Reusable boxes; 12) Emissions (G4), 13) Esprit Code of Conduct, 14) Training & education 15) Esprit Cares program
01 Our management approach	2	Anti-corruption	
02 Design & innovation	3	Sustainable materials	
03 Supply chain: sourcing & production	4	Supply chain management	
	5	Supply chain working conditions	
	6	Environmental management	
	7	Animal welfare	
04 Product responsability - customer's health & safety	8	Product confidence	
05 Bringing products into the market	9	Customer loyalty program	
	10	Customer service	
	11	Packaging	
	12	Carbon footprint	
06 The people of Esprit	13	Diversity & equalty	
	14	Personal development	
	15	Volunteer engagement	

01.7 Esprit sustainability targets

In 2015, we set a number of targets for our sustainability reporting and future activities. As this year marks the first time we are reporting according to GRI G4 "Core" level, we have chosen to focus on creating short term goals in order to set a baseline for the future sustainability initiatives at Esprit.

Material Aspect	Target	Timeline	Status	Stakeholder Impact
Sustainable materials	Esprit Decision Tree: Evaluate its use and develop quantitative goals for the use of more sustainable materials.	By June 2016	In progress	Customers, suppliers, own business
Supply chain management	Implement of new buying strategy focusing on key partners.	By June 2015	Achieved	Suppliers, own business
	Support our key suppliers in their environmental self-assessment in HIGG[2] and share results to identify improvement.	By December 2017	In progress	Suppliers, industry associations, own business
Supply chain working conditions	Maintain assessment of working conditions for 100% of our Tier1 suppliers before order placement.	Ongoing	In progress	Suppliers, local communities surrounding supplier facilities, own business,
	Improve audit quality by designating BSCI[3] auditors.	By December 2016	In progress	Suppliers, industry association, own business
Environmental management	Work with ZDHC Group[4] – Roadmap to Zero: Elimination of all hazardous chemicals in our supply chain.	By January 2020	In progress	Suppliers, Non-Governmental Organizations, own business
	Roll out of sustainability benchmarking project to a total of four denim facilities.	By April 2015	Achieved	
Animal welfare	Implement Responsible Down Standard (RDS): All down styles for Autumn/ Winter 2016 shall be certified with the RDS.	June 2016	In progress	Customers, suppliers, media, non-governmental organizations, own business
Product confidence	Establish a Risk Management department.	By July 2014	Achieved	Suppliers, own business
Packaging	Switch all European retail stores[5] from using plastic shopping bags to recycled paper.	By January 2015	Achieved[6]	Customers, own business
	Switch all Asia Pacific retail stores from using plastic shopping bags to recycled paper.	By December 2015	In progress	Customers, own business
	Reduce usage of 220,000 cardboard boxes as a result of roll out of reusable shipping boxes to additional European countries .	By June 2016	In progress	Customers, franchise and wholesale partners, own business
Carbon footprint	Implement of LED lightning in 40 stores globally.	End of 2016	In progress	Customers, own business
	Expand the new sustainable Lighthouse Store Concept from 47% to 59% of all own operated and partner stores globally[7].	End of 2016	In progress	Customers, own business

[2] The HIGG Index is a tool that measures the environmental and social performance of an organization
Please find further information on p. 28 and at http://www.apparelcoalition.org/higgindex/

[3] Please find further information about the Business Social Compliance Initiative (BSCI) on page 29

[4] Find more information about the ZDHC Group on p. 32 and at http://www.roadmaptozero.com/

[5] Excluding outlets

[6] Existing stock of plastic bag will be used

[7] Find further information about the Esprit Lighthouse Store Concept on page 45

01.8 Our Management approach

Esprit operates in over 40 countries worldwide, which requires us to meet a wide variety of laws, rules and country-specific regulations. Esprit endorses lawful and ethical business practices and zero tolerance for unethical or illegal conduct in the day-to-day business. Esprit has not signed the United Nations Global Compact[8], but in our business practices we incorporate the Compact Principles, which include ten principles related to Human Rights, Labor, Environment and Anti-Corruption. Esprit incorporates these principles through participation in the Business Social Compliance Initiative (BSCI)[9] and a number of other initiatives aimed specifically at our industry that draw their standards from the same International Labor Organization (ILO)[10] and United Nations sources as the Global Compact.

"The Code of Conduct is the central guideline for Esprit's employees and business partners to fulfill ethical business practices and 'doing things right'."

Stefan Ort, Group Compliance Officer

01.8.1 Compliance: Corporate governance, Code of Conduct and policies

The core of our conviction in lawful and ethical business practices and in "doing things right" is reflected in Esprit's Code of Conduct and policies. The Code of Conduct, which was implemented in 2006, is the central guide and reference for all Esprit employees. It specifies our core values and main principles by providing visible behavioral guidelines. Furthermore, Esprit's policies, such as the Anti-Corruption Policy, establish the rules of conduct and outline our individual responsibilities in particular areas, circumstances or situations to support day-to-day decision-making throughout the Esprit Group. All partners, including suppliers, franchise partners and wholesale partners must agree to our business practices and our Code of Conduct.

Free and fair competition forms the basis of all commercial activity. Esprit disapproves of any kind of corruption and therefore commits to a global Anti-Corruption Program guided by our Code of Conduct and Anti-Corruption Policy. A global anti-corruption risk assessment has been conducted, covering all business units and legal entities of Esprit in order to identify areas and employees most vulnerable to corruption.

Esprit expects its employees and all business partners to clearly denounce corruption and unfair business practices. To support everyone in "doing things right" and in following Esprit's solid commitment to ethical conduct, Esprit's compliance team is responsible for Esprit's Compliance Management System. It ensures our adherence to the Code of Conduct, our policies and all binding rules, regulations and ethical business practices. This system is built on three pillars: Prevent, Detect, and Respond. Each pillar handles a detailed and thorough system of activities intended to ensure that Esprit is compliant with applicable laws, regulations as well as the company's own policies. To mitigate identified risks, as previously mentioned, Esprit rolled out our Anti-Corruption Policy globally in 2013. The Anti-Corruption Policy is available in seven languages, and can easily be downloaded from the company intranet to ensure that all 12,000 of our employees have access to it. With our Anti-Corruption Policy we clearly commit that Esprit neither offers nor accepts any form of bribes and is against any form of facilitation payments. When third parties, including wholesale and franchise partners as well as suppliers, enter into a partnership with Esprit, they agree to comply with Esprit's Code of Conduct and our Anti-Corruption Policy as well as any applicable anti-corruption laws.

In our daily business operations, our compliance team assesses Esprit's risks in the international business environment and develops strategies to prevent potential breaches of rules and regulations. Furthermore, the team supports employees in risk exposed areas, such as sales and procurement, and ensures the right preventative compliance tools are available to raise understanding and awareness. Our efforts are additionally supported by extensive compliance communications measures, such as guidance documents, FAQs and aids for interpretation of policies. These measures allow for the identification of areas needing improvement and add value by improving Esprit's policies and procedures to reduce any risk of corruption occurring. Moreover, to raise employees' awareness, an Anti-Corruption training program has been established and Esprit has committed relevant employees be provided with regular face-to-face training. By the end of FY14/15, more than 70% of these employees completed the training measures, and it is expected that the remaining employees will undergo the training during autumn 2015.

Anti-corruption risk assessment has been implemented as a permanent program, based on the knowledge gained from Esprit's compliance communication tools. The findings from the anti-corruption risk assessment resulted in the decision to take further actions, such as implementing regular trainings for risk-exposed employees, making policy- and process adaptions and setting up neutral control measures in high risk areas.

The Group Compliance Officer is responsible for investigating each alleged incident of bribery or corruption. Compliance violations are fully investigated and clarified in order to prevent reoccurrence and, in case of illegal conduct, to rigorously pursue legal avenues of redress. In order to uncover compliance violations, our Whistle-blower Hotline was established in 2014. This is a substantial part of Esprit's Compliance Management System. The Whistle-blower Hotline is open to all Esprit employees worldwide as well as to our business partners. We provide detailed instructions for using it on our intranet. The compliance team can be contacted either directly or through the Hotline at any time to provide guidance in sensitive situations or to pursue and investigate possible violations.

Esprit follows a zero tolerance strategy if severe compliance violations occur. Following this principle, the compliance team initiates suitable and appropriate sanctions when violations are identified, investigated and confirmed. In the event that systematic deficiencies or structural failures are revealed, the compliance team supports the business units to improve their processes. Policies and trainings are regularly reviewed, adapted and communicated wherever necessary. In FY14/15, no allegation of corruption was made against Esprit.

[8] For further information please visit: https://www.unglobalcompact.org/

[9] Please find further information on page 29

[10] For further information please visit http://www.ilo.org/

02
DESIGN AND INNOVATION



Rafa Pastor CHIEF PRODUCT OFFICER

"Sustainability involves a focus on materials that impact the environment as little as possible"

02 Design and innovation

"Esprit was born in California as a company of free-minded people living life and doing things their own way. From the beginning, environmental and social issues have influenced the business practices of Esprit and continue to do so. To us, sustainability involves a focus on materials that impact the environment as little as possible in their production, use and disposal. Therefore, sustainable design at Esprit begins with choosing sustainable fabrics and materials. We have a transparent system in place that classifies sustainable materials and allows us to make informed decisions in our material selection. We know, however, that we have much room to grow. Our goal for the future is to use more sustainable fibers in all our collections, including sustainable cotton and recycled materials. Beyond sustainable material selection, animal welfare is also an important topic to us. We believe that this is a great approach for sustainable design."

Rafa Pastor - Chief Product Officer

02.1 Sustainable materials

A large part of the sustainability of a garment is "designed in" at the beginning by choosing lower impact materials. Esprit tries to encourage suppliers to actively develop and work on sustainable improvements for use within our products. As a first point of reference on fibers and fabrics, we developed a Sustainable Fabrics - Esprit Decision Tree that helps our product teams to identify whether the fabrics they are considering are of the right composition to be as sustainable as possible. As a first step in taking this decision, we sort sustainable fibers into three areas:

- Natural sustainable fibers such as organic cotton, organic linen and organic wool.
- Regenerated cellulose fibers such as Lyocell, which is made from sustainably sourced wood pulp and produced in a closed loop process where almost all solvents used can be recovered and reused. The closed loop makes Lyocell eco-friendly, water saving and economical.
- Recycled fibers such as recycled cotton, recycled wool and recycled polyester and polyamide.







Besides sorting fibers into the three areas, we additionally consider the percentage of sustainable material in each fiber for classification into sustainable fiber or conventional fiber. Considering the commercial realities of price, quality and aesthetics, Esprit strives to use the highest percentage possible of sustainable fibers in each material. With the implementation of the Esprit Decision Tree process and its transparent classification system, we believe that we have created a good basis for increasing the usage of sustainable materials going forward. In the coming year, it is Esprit's target to evaluate and quantify the impact of the Decision Tree and to ensure that the process results in the increasing use of more sustainable materials.

02.1.1 Sustainable cotton

Cotton is one of the most used fibers in the world. Its lightness and softness also make it one of the most used fibers in Esprit garments. In 2013/2014, more than 2.6 billion kilos of cotton were produced worldwide[11]. In conventional cotton production, a large volume of pesticides is used, which has a significant impact on the environment. In addition, cotton production needs a lot of water, which is an increasingly scarce natural resource. Being aware of our responsibility, we started to use organic cotton certified by the 'The Global Organic Textile Standard (GOTS)[12], the world's leading processing standard for textiles made from organic fibers. The GOTS certified cotton is traceable throughout the production process. The organic cotton is grown in soil using only natural fertilizer and pest control methods. This, together with crop rotation and improved water and energy management, results in healthier land and a healthier environment. Next to these environmental criteria, GOTS also defines certain social standards and the usage of trims as well as dye stuffs in the whole supply chain.

At Esprit we use organic cotton for our kids collection. In FY14/15, more than 90% of the cotton used in our newborn and kids essential collections was organic and GOTS-certified. We are working to establish a robust system to monitor our cotton sourcing. Over the coming years we expect to be able to report more on our quantitative performance indicators related to sustainable cotton.





[11] For further information please visit: http://www.cottoninc.com/corporate/Market-Data/MonthlyEconomicLetter/pdfs/English-pdf-charts-and-tables/World-Cotton-Production-Bales.pdf
[12] For further information please visit: http://www.global-standard.org/

03

SUPPLY CHAIN: SOURCING AND PRODUCTION



Juan Chaparro CHIEF SUPPLY CHAIN OFFICER

"Sustainability is not a short-term project."

03 Supply chain: sourcing and production

"Sustainability is in Esprit's heritage; this is where we come from. Over the past years, we have also observed that the market has become more sensitive in regards to sustainability. After the Rana Plaza accident in Bangladesh in 2013, social compliance and sustainability-related topics have received more attention in society and in the media than ever before. Even though Esprit was not involved in Rana Plaza, the tragedy made us see the need to check our supply chain very carefully to prevent the risk of such an accident occurring in our own supply chain. For Esprit, sustainability means responsibility. We believe that this topic is too important to be used or created for marketing purposes. For all issues related to human rights and labor practices in garment production, we have a Social Compliance team that takes care of supplier assessments and working conditions in our supplier factories. With regard to product sustainability, several teams make sure every day that all products in the market are safe. Furthermore, our Sustainability department is responsible for environmental and chemical issues in our supply chain.

We are convinced that much more can be achieved through strong partnerships than we can accomplish acting alone. This is why we are a member of various organizations, such as the Business Social Compliance Initiative, Better Work, Bangladesh Accord on Fire and Building Safety, and the Sustainable Apparel Coalition. On the chemical side we joined the Zero Discharge of Hazardous Chemicals Group to achieve the goal of a hazardous chemical-free supply chain by 2020. With this set of relationships, we seek to create and maintain a conscious organization.

In the future, we aim to improve our supply chain step by step towards greater sustainability. This is not a short-term project, and it is especially important in the supply chain, where many different stakeholders are involved. Our mission is to bring them all on board in this important journey."

Juan Chaparro - Chief Supply Chain Officer

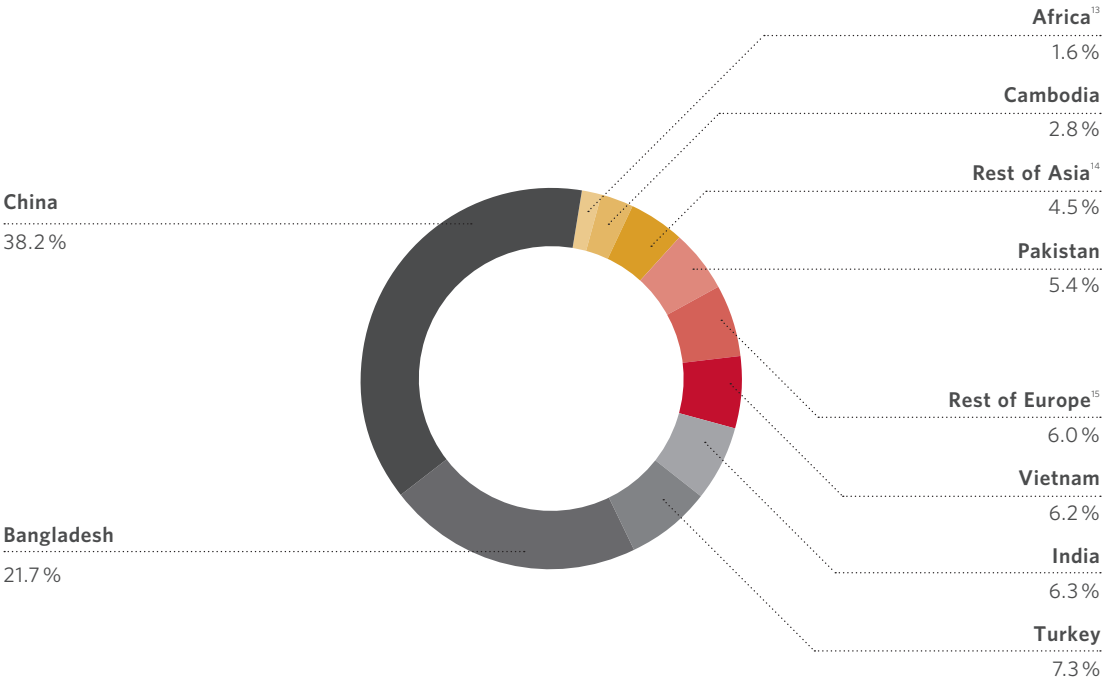
03.1 Supply chain management

Responsible supply chain management is a high priority for Esprit. It is a critical part of our business model, and there are high expectations of our standards among our stakeholders, and among our own employees in particular, as confirmed by our materiality assessment.

Esprit strives to operate according to the highest ethical, social and environmental standards, and we are aware of our responsibility towards our suppliers, the people making our products and society in general. As an international brand, we seek to ensure that our products are made under conditions that treat workers fairly and with respect, and in factories that operate in accordance with local law and international standards regarding working hours, wages, health, safety and overall treatment of workers, as well as environmental standards.

The Esprit supply chain reflects the broad reach of our sourcing needs. In FY14/15, more than 105 million garments, 7 million accessories and 3.5 million shoes were produced for Esprit. Our finished goods were sourced from 27 countries throughout Asia, Africa and Europe. The main sourcing countries for finished garments are China, Bangladesh, Turkey, India, Vietnam and Pakistan.

Countries of origin for Esprit products in FY14/15 based on ordered quantity



[13] Including Madagascar, Morocco, Tunisia

[14] Including Indonesia, Philippines, Sri Lanka

[15] Including Belarus, Bulgaria, Georgia, Italy, Lithuania, Macedonia, Moldova, Netherlands, Poland, Portugal, Romania, Serbia, Spain, Ukraine

Our buying strategy is an important first step to achieving a more sustainable supply chain. We have started off focusing on creating strong partnerships with selected suppliers, as we believe we are only able to create great products with resilient and stable relationships and a clear understanding of our business partners' operations, expectations and needs. In FY14/15, Esprit produced finished garments, shoes and accessories with a total of 226 suppliers who in turn used 526 individual factories. By focusing on fewer suppliers we reduced our supplier base by around 17 % in comparison to FY13/14. A total of around 55% of our products were made by our key suppliers which comprise 20% of all Esprit production. The textile industry is exceptionally labor intensive and creates millions of jobs in developing countries. Combined, the factories we use employ approximately 400,000 people.

Our business model is to engage reliable suppliers to provide products of high quality. Transparency is equally essential to our sustainability efforts within our supplier relationships.

In the past years, it was common practice in the textile industry that companies only knew their Tier 1 suppliers, which are generally considered to be factories providing finished garments. Today, Esprit compiles much more information, and is therefore able to map out all of our Tier 1 suppliers and their subcontractors, such as dye houses, weaving and spinning mills, laundries and other processors (commonly known as Tier 2 suppliers). This higher level of transparency allows us to maintain better control of our supply chain.

In 2009, the Sustainable Apparel Coalition (SAC) was founded by leading apparel and footwear brands, retailers, suppliers and non-profit organizations to address social and environmental challenges in the textile industry. The aim for the coalition is to develop an environmental- and community-friendly supply chain for the textile and footwear industry.

As one of the SAC's founding members, Esprit has supported the development of an industry wide process to measure the sustainability of a product. Together with many other brands and manufacturers, Esprit has, over the last four years, worked on the HIGG Index.

The HIGG Index connects manufacturers and brands to not only achieve a transparent supply chain, but to also work on improvements in the environmental and social impact of apparel production. Consequently, the tool focuses on water use and quality, energy and greenhouse gases as well as waste, chemicals and toxicity. It enables all SAC members to measure and evaluate the sustainability performance of their products against an industry-wide scale which allows that coalition member to spotlight priorities for action and opportunities for technological innovation.

Esprit initially started to use the HIGG Index with direct, Tier 1 suppliers. During 2014, this was extended to include Tier 2 suppliers. We have also used the HIGG Index to track improvement and progress of various sustainability projects. By using the HIGG Index, we have begun to achieve the needed level of transparency required to drive sustainability in the supply chain and to measure our own performance. Our goal is to support our suppliers in the on-boarding process for the HIGG Index and to have our key suppliers using the tool by December 2017. Utilizing the HIGG Index helps us to identify opportunities to reduce any negative social and environmental impacts, and consequently to improve our long-term sustainability throughout our entire supply chain – from design to manufacturing to our stores.

More information about the SAC and the HIGG Index is available at http://www.apparelcoalition.org/.



03.2 Supply chain working conditions

To make sure that our suppliers meet our social standards, we have implemented a thorough on-boarding process. Before we start any business collaboration, our Esprit Supplier Code of Conduct is shared with the potential supplier and has to be signed prior to the engagement as part of our general supplier agreement. Esprit expects all suppliers and all participants in the supply chain to respect the key values and principles of the Supplier Code of Conduct.

The Supplier Code of Conduct references the Core Conventions of the International Labor Organization (ILO) and the ILO Declaration on Fundamental Principles and Rights at Work.

Esprit Supplier Code of Conduct main principles

1. *Ethics: anti-corruption & fair business practices*
2. *Legal compliance*
3. *No child labor*
4. *No forced, bonded, indentured and prison labour*
5. *Freedom of association and collective bargaining*
6. *Discrimination harrassment and abuse*
7. *Wages and benefits: fair and legal compensation*
8. *Working hours: no involuntary and excessive overtime*
9. *Safe and healthy working conditions*
10. *Responsible animal treatment, use of chemical substances and environment*
11. *Implementation of management systems*

Before we place an order at a new supplier's facility, we take care to ensure that there are no serious violations of our Supplier Code of Conduct. However, the fact is that most apparel factories globally fail in some way to meet our standards, so we look for factories that are fully engaged with the issue, do not have serious violations, and above all that are willing to work toward improvement. This is done through an on-boarding process, led by a third party such as the Business Social Compliance Initiative (BSCI)[16] or Better Work[17]. Beyond the commitment to these requirements, we want to ensure that the working conditions at our suppliers' facilities are aligned with our expectations. Therefore, we take on responsibility not merely to choose factories that are already in full compliance with our standards, but to ensure steady improvement in the factories that we use. In the FY14/15, 100 % of our new suppliers were audited on labor practices and human rights standards before placing an order. Our goal is to maintain this high level of vigilance.

The Esprit on-boarding process



Auditing factories to assess how working conditions meet local law and international standards does not, by itself, ensure factory improvements. Nevertheless, comprehensive and rigorous audits are fundamental to improving factory working conditions, since they tell us where the problems are and what needs to be fixed. "Audit fatigue" has been recognized as a problem for factories as each of the supplier's many customers may all require different audits to be conducted by different groups using slightly different audit criteria and benchmarks. The challenge to brands and auditors is to ensure that good, useful audit reports are produced, while avoiding excess audits where possible. With limited resources, we must strike the right balance between generating comprehensive audit reports and focusing energy on following up to ensure that audit recommendations translate into actual improvements on the factory floor. A program must include both audits and remediation assistance for factories. The work should be recognized by as many of the factories' other customers as possible in order to avoid duplicating audits and remediation efforts. Multi-stakeholder initiatives are therefore vital to these goals, and they also help to magnify the impact of our program.

To achieve the right balance of audit quality, follow-up remediation work, and recognition of the effort by multiple factory customers, Esprit relies on a combination of BSCI audits, Better Work audits and internal audits. Better Work offers a combination of audits and remediation assistance which is supported by the ILO and a number of international donor agencies. Many leading brands participate in Better Work, providing widespread recognition of the effort. Better Work's approach is to provide assistance to fix the problems found in audits. This happens under the guidance of the ILO and represents the best overall approach. However, Better Work is not available in all countries. The Esprit sourcing countries in which Better Work is active include Bangladesh, Cambodia, Indonesia and Vietnam. In these countries, Esprit is part of the program.

In countries where Better Work is unavailable, Esprit relies on the BSCI process. With over 1500 members, BSCI audit reports are among the most widely recognized in the world, which helps to reduce duplicate auditing. The BSCI Code of Conduct complies with ILO Conventions, OECD Guidelines for Multinational Enterprises[18] and the UN Global Compact. When neither Better Work nor BSCI audit reports are available for our on-boarding process, we also accept reports of the Fair Labor Association (FLA)[19] from our suppliers.

Audits provide the key baseline data with which to establish plans to improve factories. Because of the key role that audits play in the larger compliance process, audit quality is a vital prerequisite to improving factories overall. In the past, Esprit suppliers were allowed to choose any of the 19 BSCI auditing bodies to conduct their regular BSCI audits.

[16] For further information please visit http://www.bsci-intl.org/
[17] For further information please visit http://betterwork.org/
[18] For further information please visit http://www.oecd.org/
[19] For further information please visit http://www.fairlabor.org/

As a result, audit quality was inconsistent. Starting in June 2014, Esprit ran a pilot project whereby we required BSCI audits in Turkey to be conducted by a single auditing company. Esprit social compliance staff worked closely with the auditors to ensure that they understood Esprit's expectations and were prepared to deliver the excellent quality that we demand. The results of this pilot were strongly positive. The audits included more findings than in the past and the reports were of a high, consistent quality. In 2016, Esprit will expand the program from Turkey to include all our sourcing countries.

To support our suppliers in achieving the required standards, Esprit has a social compliance team of eleven employees, who are based in our headquarters in Germany as well as in Bangladesh, China, Hong Kong, India, Turkey and Vietnam. The team assesses social compliance in our supplier factories through formal audits and informal visits by both Esprit staff and third parties.

To support our suppliers in understanding our social compliance standards, the Supplier Code of Conduct as well as our quality standards, in June 2015 we started a series of Vendor Summits. Through these Summits, and the conversations that they will generate, we hope to establish a constant dialogue and understanding of each other's expectations.

03.2.1 The Esprit supplier audit process

Esprit's audit process does not stop once new suppliers are on-boarded. To ensure that our compliance standards as well as safe working conditions are maintained over time, the Esprit Social Compliance team conducts unannounced internal audits. We also visit factories to assist management in implementing recommendations from previous audits. The goal for us is to assess each factory at least once a year, and more often where warranted.

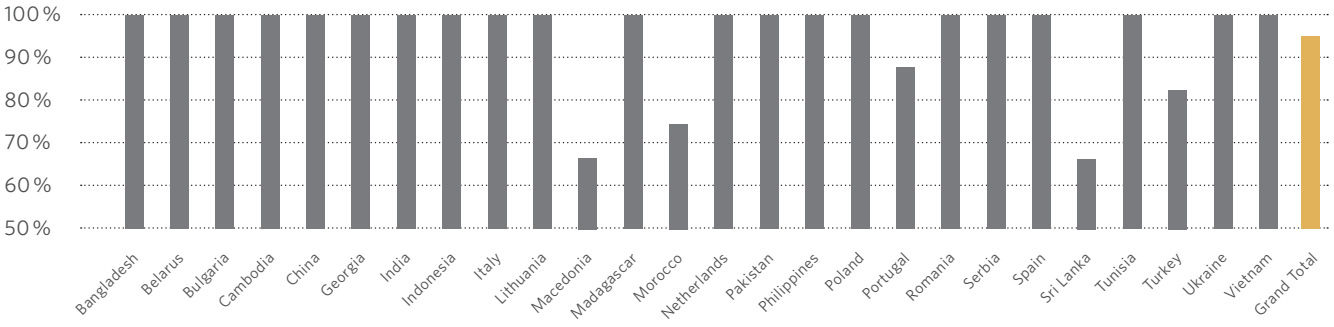
Unannounced auditing is an important part of our process to determine how well suppliers meet the standards laid out in our Code of Conduct. Unannounced internal audits function as a review process that also gives us the opportunity to conduct interviews with the factory owners and workers to ensure that modern management systems are implemented. These management systems are very important as they support clear chains of responsibility to achieve and maintain compliance standards over time, and to meet relevant legal requirements. All Esprit supplier factories are working on corrective action plans to improve their performance. From July 2014 until June 2015 the Esprit Social Compliance team conducted 531 audits.
Applying different programs in the countries where we operate, such as BSCI, Better Work and the Esprit Internal audit Program, adds significant complexity to Esprit's social compliance effort and generates a great deal of extra work for us. We believe, however, that flexibility in choosing the best program available in a given region is vital to improving factory working conditions. This extra work increases the impact of what we do, which makes it worthwhile.

Depending on the seriousness of the violation and the willingness of factory management to respond, non-compliance with the Esprit Code of Conduct and legal requirements can lead to the termination of business collaboration with immediate effect. In FY14/15, three factories (0.5% of all factories) were dropped because of falsified pay-roll, production or work hour records. As described in our purchasing strategy on page 29, we aim to establish a fair, stable and long-term relationship with our suppliers. As we see it, pulling out of factories does not solve problems. We prefer to develop solutions for compliance violations along with our suppliers wherever possible. Working conditions in Esprit's supplier factories are not yet at the point where we want them to be, but we believe that they are improving. In FY14/15 significant findings were found and addressed through corrective action plans in 74% of our factories. The most common non-compliance issues that were found during audits were:

- Inconsistencies between compensation policies and wage calculation, i.e. incorrect wage calculation
- Inconsistencies between payroll, attendance and production records
- Inconsistencies between written factory policies and information obtained in worker interviews
- Work hours in excess of 60 hours per week including regular and overtime hours
- Failure to provide one day off over a seven day period as per ILO and BSCI standards
- Inadequate first aid supplies on factory floors
- Inadequate machine safety (e.g. missing safety guards, etc.)
- Poor emergency procedures in place (e.g. fire safety, emergency evacuation, etc.)
- Poor handling and disposal of hazardous chemicals
- Lack of written and enforced policies on discrimination such as related to race, gender, marital status, union or political affiliation and sexual orientation, as well as policies governing maternity leave and dormitory rules

For each finding, the supplier is given a time-bound corrective action plan, which is monitored continuously by our Social Compliance team to see that the improvements have been made. Continuous efforts, both alone and through carefully chosen partnerships, allow us to make a real difference in the lives of the people who make Esprit clothes.

Esprit supplier audits FY14/15



"The loss of life in Rana Plaza was unprecedented. We hope that the tragedy will prove to be a turning point in the history of our industry, and will result in better working conditions for apparel workers everywhere in the future – starting now."

Lary Brown, Vice President – Head of Social Compliance & Sustainability[20]

Esprit and the Bangladesh Accord on Fire and Building Safety

The collapse of the Rana Plaza factory complex on April 24, 2013 marked a turning point in the effort to ensure safe working conditions in apparel factories worldwide. The disaster, in which 1,134 people lost their lives and more than 2,500 were injured, caused people everywhere to question the textile industry's efforts to ensure worker safety. Although Esprit products were not made in any of the six factories in Rana Plaza, in the two years since the tragedy, we have redoubled our efforts related to working conditions and safety and are committed to doing what we can to ensure that such a tragedy never happens again.

Esprit was among the first group of companies to sign onto the Bangladesh Accord on Fire and Building Safety[21], along with 200 brands, trade unions and NGOs dedicated to ensuring safe factory buildings in Bangladesh. This effort is unprecedented in scale, and represents the first time that such a large number of stakeholders have all come together to bring about improvements in building safety.

To date, all Esprit suppliers in Bangladesh have been audited to determine changes that are needed to ensure that the factories meet international standards of building and fire safety. None of Esprit's suppliers was forced to suspend operations due to unsafe buildings, but a significant number are currently undergoing remediation of less severe problems. The most common failures found in the Accord inspections include lack of sprinkler systems, which are not required under Bangladeshi law but are international best practice, as well as the lack of international standard fire doors. Worker awareness and training were also found to be inadequate in many factories. Esprit has supplemented the Accord inspections with a worker communication program in the factories where we are the lead brand. The program is designed to make sure that workers understand the technical English of the Accord audit reports. Esprit is actively working within the Accord system to ensure that all recommendations are implemented completely and within a reasonable length of time. The physical changes required should be mostly completed by the end of 2015, at which point the program will shift the focus to worker training and other efforts designed to make the improvements permanent and sustainable over time.





[20] Besides his position at Esprit, Lary Brown is also member of the BSCI Steering Committee. For further information please visit: http://www.bsci-intl.org/content/bsci-steering-committee

[21] For further information please visit: http://bangladeshaccord.org/

03.3 Environmental management

At Esprit, we are very aware of the environmental problems caused by the fashion industry. Making fashionable clothing requires many different manufacturing processes, including fabric manufacture, dyeing, printing and a variety of different finishing washes, not to mention the actual cutting and sewing of the garments. Many of these processes can have negative impacts on the environment, and thus need to be managed in the most responsible and sustainable way possible. In times of climate change, heavy pollution and water scarcity, we all have to rethink our operations and find solutions to preserve our planet. We have analyzed and monitored our supply chain for several years to identify areas where we need to improve manufacturing processes. We have consequently undertaken a number of projects in cooperation with suppliers and other associations to improve the way our supply chain works.

Our Materiality Assessment and operational insight have identified the following environmental issues as critical to manage: chemical handling, energy and water management. Carbon emissions and packaging emerged as equally important. We consider these issues in relation to the shipment of our products and business travel in chapter 05, page 44–46.

03.3.1 Chemical management

Ensuring a sustainable business also means ensuring a safe product range. Therefore, a key priority and constant focus at Esprit is the use of chemicals in the manufacturing of our products. We work with external agencies to identify chemicals of concern and apply the precautionary principle in our evaluation.

We want to ensure that we protect our environment, our consumers and the local communities where our products are manufactured. We endeavor to follow guidelines to support the UN Global Compact concerning environment principles and a precautionary approach to environmental challenges. The UN Global Compact principles seven, eight and nine are all related to environmental topics and addressed by our projects. Principle seven includes the precautionary approach of a business to environmental challenges, principle eight covers the initiatives of an organization to promote greater environmental responsibility and principle nine refers to the encouragement of the development of environmentally friendly technologies[22]. In December 2012, Esprit made a firm commitment within the Greenpeace Detox Campaign to completely eliminate a range of eleven classes of chemicals. To help realize this commitment, we became an active member of the Zero Discharge of Hazardous Chemicals Group (ZDHC)[23], working alongside like-minded industry peers to develop the tools and protocols to empower the entire supply chain and eliminate chemical discharges. The long-term aim of the ZDHC Group's "Roadmap to Zero" is zero discharge of hazardous chemicals by 2020. Completely eliminating hazardous chemicals from the supply chain is an extremely challenging, long-term project. Esprit continues to work alongside the ZDHC Group on the development of a holistic system to achieve this goal.

In 2013, Esprit reached its first milestone towards achieving this target with an intensive benchmarking study on water quality before and after the manufacturing process at 34 of our major textile production facilities. The study highlighted the hot spots where chemicals of concern could to be found in the manufacturing process. Analysis of the data indicated where to prioritize elimination of chemicals to achieve the greatest positive impact within Esprit's scope of control. The data was also aggregated with results from other brands within ZDHC. The exercise revealed the efficiency of effluent treatment plants where such facilities exist in regions with heavy pollution. We found several cases where the effluent water leaving manufacturing facilities was less contaminated than the input stream. In the absence of a comprehensive standard for treated effluent water, the results were indexed against various standards for drinking water, such as the World Health Organization (WHO) and EU standards. The development of guidelines and a standard for effluent water is now a focus area for ZDHC.

During FY14/15, we continued to target elimination of priority chemical groups. In July 2014, the ZDHC Group published the first version of a Manufacturing Restricted Substance List (MRSL)[24]. This document has been fully adopted by Esprit and is part of our commitment to minimizing chemical hazards in our supply chain. To assist with the adoption and extension of the MRSL, we have also been working with our ZDHC Group peers on a data platform to drive future operating and reporting systems. This platform will enable suppliers to control and report on chemical inventories. We will continue to expand this program as we move our focus towards the control of input chemistry. With our attention on the use of compliant chemicals in processing, we can reduce our frequency of effluent testing to a level that demonstrates due diligence and provides an indicator of progress.



To achieve these targets and progress toward transparency and traceability, we are working with the ZDHC Group on the development of data systems that move us closer to a credible disclosure platform. An in-depth study by ZDHC concluded that the so-called Pollutant Release & Transfer Register (PRTR)[25] methodology is the most appropriate method for addressing issues advocated by the Right-to-Know principle. Last year, 14 of our supply chain partners disclosed test data on the Institute of Public and Environmental Affairs (IPE)[26] platform. With ZDHC, we continue to support the work of IPE and share our progress.

[22] For further information please visit: https://www.unglobalcompact.org/abouttheGC/thetenprinciples/index.html

[23] For further information please visit: http://www.roadmaptozero.com/

[24] For further information please visit: http://www.roadmaptozero.com/pdf/MRSL.pdf

[25] For further information please visit http://www.prtr.net/

[26] For further information please visit http://www.ipe.org.cn/en/

How we eliminated PFCs

Our chemical management program achieved one of its targets in December 2014 - four months ahead of schedule. In the past, Esprit has stated a commitment to eliminate all poly- and per-fluorinated chemicals (PFC's) in the supply chain. These chemicals are mostly used in high performance outerwear to achieve a water repellent surface for garments worn in the rain. PFCs are persistent in the environment. They decompose very slowly, and can affect the health of both people and animals. Through our chemical management program, Esprit has stopped the use of PFC-based technology in our manufacturing processes. This equates to the removal of 54.3 tons/year of PFC-based chemicals from our supply chain and any release into the environment.

From early 2013, Esprit invested in a research program and enhanced collaboration with the chemical industry. We have evaluated and graded durable water repellants from key chemical companies through various in-house tests. We investigated our most frequently used fabrics to evaluate the performance of the PFC chemicals with which they were treated. Once we had performance data, we started working with our fabric vendors to find substitute materials with less impact on the environment and health than PFCs. Initially, the challenge was that there were not many substitutes available with the same level of performance as PFC products. Our aim was to find a product that would maintain the quality performance that we wanted while not harming the environment. By the start of 2014, we succeeded in this transformation. Our evaluation research gave us the confidence to move all products to our green list – PFC Free.

By August 2014, all Esprit products delivered to our stores were free of any PFC-based chemicals. To make sure that we maintain this status we have also equipped our in-house laboratory with the latest test equipment so that every style delivered to our warehouse undergoes extensive analysis.

Please find further information here: http://www.greenpeace.org/international/en/campaigns/detox/fashion/.



03.3.2 Energy & water management

The manufacture of denim is among the most polluting of all kinds of apparel. Dye stuffs and other chemicals used to make denim can have a huge impact on the local environment surrounding the production facility, not least because denim manufacturers tend to be large scale enterprises. Since denims are one of the most popular products for our consumers, there is great potential to bring about substantial improvement, while at the same time requiring cooperation with a manageable number of large suppliers. In 2013, Esprit conducted an internal consultation exercise to develop a sustainable supply chain strategy integrating environmental objectives with the company's commercial strategy. The aim of this strategy is:

- Improving our supplier capabilities and performances
- Ensuring greater supplier environmental compliance
- Refining current sustainable fiber targets
- Engaging our customers



In April 2014, we started a program in collaboration with service provider Reset Carbon[27] that focuses on water and energy usage in textile production. Starting with our denim ranges, we have selected four production sites in Pakistan: two garment manufacturers, each with laundry facilities, and two denim fabric mills with integral dyeing and finishing facilities. The selected producers joined the project in the beginning of 2015. In each of these facilities, we have conducted comprehensive studies on water, energy and chemical usage to develop strategies for improvement. To better understand the status-quo at the facilities and learn more about potential improvements in energy and water efficiency, chemical management and recycled fabric opportunities, we started with a site-assessment. In the long-term, this project will help suppliers to save costs through reduced water and energy use during the manufacturing processes. The program is designed to require minimal upfront costs on the part of the participating factories in order to encourage suppliers to make future investments in sustainability.

[27] For further information please visit: http://resetcarbon.com/

Performance monitoring and benchmarking

We continuously work to ensure a systematic collection of data. Applying quantitative metrics for energy consumption, water consumption, and energy efficiency across the supplier base is challenging for the following reasons:

- Many suppliers do not collect data to the levels required to gain sufficient consistency and quality to allow effective performance assessment.
- Reporting energy savings in industrial manufacturing sites can be complex because a large number of variables need to be normalized, such as production type and operating capacity.
- Some suppliers might consider elements of this data to be commercially confidential.

As a tool to measure and benchmark performance, Esprit will use the HIGG Index Facilities Environment Module. The HIGG Index incorporates a benchmarking structure, which allows facilities to be scored on each of seven different environmental performance issues. In this way, Esprit will benchmark the baseline performance of a number of strategic suppliers. This information will be available in FY 15/16. In 2016, Esprit will set performance goals for our strategic suppliers using the HIGG Index.

In 2015, Esprit is working with leading suppliers to improve their understanding of the costs and benefits of achieving different levels of HIGG Index performance across energy, water and chemicals. Esprit's aim is to set performance goals beyond basic regulatory requirements that do not significantly increase the cost base for our suppliers.





03.4 Animal welfare

Esprit has implemented an Animal Welfare Policy because all creatures deserve to be treated with respect. Any kind of cruel treatment of animals in our supply chain is strictly prohibited. Esprit strives to source raw materials responsibly, and all products derived from animals must be in accordance with our Code of Conduct and the Farm Animal Welfare Council's (FAWC) Five Freedoms[28]. They include:

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

Since 2012, the use of wool from surgically mulesed sheep has been banned in all Esprit products. Furthermore, as a direct response to reports of live-plucking of angora wool, Esprit immediately discontinued the sourcing of angora wool in November 2013. The ban on the sourcing of angora wool will remain in effect until proper controls and transparency can be established within this field.

In accordance with our Animal Policy, we strongly condemn any removal of feather and down from live birds or forced-fed animals. To ensure a high level of transparency, the entire Esprit down supply chain is in the process of being certified according to the Responsible Down Standard (RDS)[29]. We have begun the process of certifying our supply chain and expect to complete certification developed by Textile Exchange, a non-profit organization that was founded in 2002 to work on a more sustainable textile industry. In the RDS certification process, all stakeholders in the supply chain - from duck and goose farms to Esprit itself - are audited to ensure that no live-plucked down or feathers are used in Esprit garments. Our goal is to certify our entire down supply chain by June 2016.

Esprit is also a fur free company and member of the Fur Free Retailer Program[30]. The program is an international initiative designed to provide consumers with accurate information about a retailer's fur policy, allowing consumers to make informed choices when shopping. The Esprit Fur Policy is part of the Animal Policy.

We want to reach a broad range of consumers, which is why we offer both vegan collections as well as leather styles. We require our leather to be a by-product of the food industry. Our suppliers must have the ability to trace raw hides and skins back to their country of origin. Additionally, we do not source leather from endangered or threatened species that appear on the lists of the International Union for the Conservation of Nature (IUCN)[31] or the Convention of International Trade in Endangered Species of Wild Fauna and Flora (CITES)[32].

Esprit loves vegan

In collaboration with the non-profit organization People for the Ethical Treatment of Animals (PETA)[33], in 2013, Esprit began offering a women's shoe collection made of high quality leather alternatives to meet the needs of vegan customers. As part of this collection, we teamed up with PETA to introduce the PETA-Approved Vegan logo.

We have always had vegan styles in our product range, and still do even beyond the PETA certification, but when labeling the selected vegan styles, we are trying to make it easier for our customers to identify products that do not contain any non-textile components, such as leather, wool, silk, down and feathers. We believe that the PETA hangtags are a good step in this direction. In Autumn/Winter 2015, we will extend the line to include a vegan accessories collection.

For further information please check here: http://www.esprit.com/press/news/news_detail?identity=158.



[28] For further information please visit https://www.gov.uk/government/groups/farm-animal-welfare-committee-fawc

[29] For further information please visit: http://textileexchange.org/RDS

[30] For further information please visit: http://www.furfreeretailer.com

[31] For further information please visit: http://www.iucn.org/

[32] For further information please visit: http://www.cites.org/

[33] For further information please visit http://www.peta.org.uk/



04

PRODUCT RESPONSIBILITY AND CUSTOMER'S HEALTH & SAFETY





Luis Gonzaga SENIOR VICE PRESIDENT – HEAD OF GLOBAL SUPPLY

“Sustainable production means controlling the use of chemicals in our products.”

04 Product responsibility and customer’s health & safety

“Product responsibility and customer health and safety are topics that are strongly related to sustainability. We want customers to enjoy our products. Safety is one of the most important aspects of the customer experience. Sustainable production means controlling the use of chemicals in our products. Esprit not only follows all legal requirements and standards, but we also have even stricter internal product requirements beyond what the law requires. Esprit’s internal requirements are included on our Restricted Substances List (RSL). The list, which contains information about substances that we do not permit in our products, is updated regularly to ensure that our products, at a minimum meet the legal requirements in all countries where we operate. Our RSL also contains restrictions and information about prohibited production methods that are harmful for factory workers, such as sandblasting. To ensure compliance with our RSL, our Quality and Risk Management teams are involved from the first steps of development to ensure that our quality and product safety standards are met. Moreover, before they appear in stores, we conduct chemical and mechanical tests of our garments in our own internal laboratory. This process is supported by external, independent laboratories in the countries of origin to ensure comprehensive testing and reporting.”

Luis Gonzaga, Senior Vice President – Head of Global Supply

04.1 Product confidence

Providing customers with high quality, safe products is always a priority for Esprit. Overall quality assurance is a key point in our corporate strategy and our commitment to our customers. We continually follow developments in legal requirements and social expectations, as well as technical and design innovations to ensure that we live up to the promise of our brand.

As mentioned above, all Esprit products are tested by independent and certified laboratories before leaving the factory. Our in-house laboratory also checks goods as they are delivered to our distribution center. These mechanical and chemical tests are in accordance with global standards and norms. The tests include conformance to our Restricted Substances List (RSL) as well as REACH, a system of European Union regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals[34]. Additionally, Esprit is also a member of AFIRM[35], an industry body dedicated to maintaining the highest standards for implementing restrictions.

We take special care that clothes for children, in particular, are completely safe. A focus on functionality is part of our design process, and with safety in mind, we make sure dangerous cords, for example, are not used. Furthermore, we continuously seek to use natural and, if available, organic fibers in our children's collections.

In addition, we strive to provide our customers with all needed information regarding a product, the product content and product care instructions. We ensure that our labels are in accordance with the required law of each country where we sell our products. To achieve this, our responsible staff in our Quality Assurance team regularly joins training sessions to obtain knowledge of European, American and Asian trade regulations. The most recent training of this kind was in March 2015 where Esprit's two key staff participated. After this training, they then organized an internal training session for eight people from our Quality Management team. In FY14/15, Esprit did not identify any non-compliance with regulations for labeling, such as the specification of all components in our products. Furthermore, as required for some countries, Esprit has, since February 2013, included the country of origin on each garment's label. In addition, all non-textile components of animal origin such as leather, horn buttons, feathers and down have to be stated on the care label. The labeling also includes minor components such as applications or leather badges on denim pants. To meet the legal requirements Esprit has decided to use an additional label stating: "Contains non-textile parts of animal origin". The purpose of this detailed information is to give the consumer a clearer picture of textile and non-textile components used in our products.

Additionally, most of our hangtags are made of paper from Forest Stewardship Council (FSC)[36]-certified wood. In FY 15/16, we plan to change all our hangtags to the FSC-certified paper. The string is organic cotton and the snap-seal is made of recycled polyester.

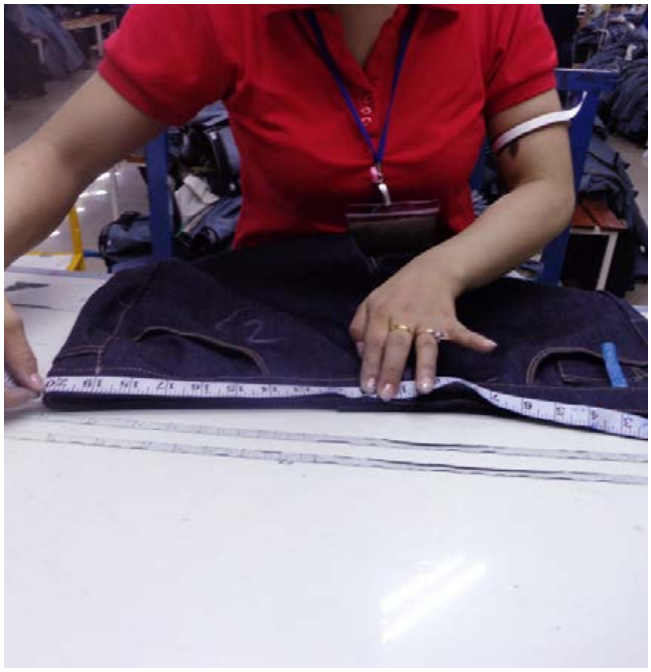
04.1.1 Risk management

As an international company with a strong environmental commitment and a long history in the textile industry, quality assurance for Esprit involves the application of and compliance with the most stringent standards for product safety and health. To do this, Esprit has developed its own mandatory quality standards.

To monitor compliance with all statutory provisions and necessary standards of health and safety, in July 2014 Esprit incorporated a Risk Management department into its organizational structure. In addition to monitoring products, this team supports both suppliers and Esprit employees directly involved in product development. For this purpose, Esprit Risk Management provides training plans focusing on the earliest development phase: Design. Checking the product from the beginning and evaluating inherent risks in the design phase enhances our ability to react to unforeseen events and to ensure sustainable products.

Esprit Risk Management develops programs to ensure the implementation of our product safety requirements. Esprit performs regular product tests on physical and chemical parameters by using technicians of the in-house laboratory or external laboratories around the world. This has led us to be more agile in verifying compliance with our standards, and we implement corrective actions immediately, where necessary. This could include, for example, factory and laboratory visits from our Risk Management team.

We strongly believe that our approach in the control and verification of our standards provide our consumers with products of the highest quality. Enhancing the partnership between all internal and external stakeholders involved in ensuring the quality of our garments is critical to our success in this area.



[34] For further information please visit http://ec.europa.eu/growth/sectors/chemicals/reach/

[35] For further information please visit http://www.afirm-group.com/

[36] For further information please visit http://info.fsc.org/



05
BRINGING PRODUCTS TO THE MARKET





Leif Erichson CHIEF OPERATIONS & SYSTEMS OFFICER

"For a sustainable long-term growth we implemented the Omnichannel model."

05. Bringing products to the market

"Sustainability is a relevant topic for every department at Esprit. To become an economically successful company, we have to re-think our organizational structure. For a sustainable long-term growth, we implemented, among other initiatives, the Omnichannel model in 2014.

Our Omnichannel model will be the center of a system that allows customers to better interact with our brand across all its sales channels - offline as well as online. We want the shopping experience at Esprit to be as convenient and seamless as possible for our customers. With the launch of the "Click & Collect" program in Austria in the beginning of 2015, we are now able to improve our service and inject up-to-date features that reflect the way our customers shop. This includes, for example, offering e-shop customers the choice to deliver parcels to their preferred address, or to a preferred Esprit store in the same country. Furthermore, we can offer our customers the opportunity to return products to any store, as well as franchise partner stores, in the same country or to the e-shop from where the goods were ordered. After pilot tests in Austria, we are planning to roll-out the Click & Collect program throughout our European e-shops and retail stores in the beginning of 2016. Our Omnichannel strategy is furthermore complemented by a technology update push of both our e-shop and our corresponding shopping app, to enhance mobile shopping and provide a personalized shopping experience.

With the Omnichannel model, we have also found the basis of an expansion strategy for the near future. After we achieve sustainable improvement in the performance of our products and our stores, our long term plan is to pursue organic expansion int those markets where Esprit as a brand is already relevant, but where distribution is still limited."

Leif Erichson – Chief Operations & Systems Officer

05.1 Our customer loyalty program: Esprit Friends

Customer loyalty is an important part of ensuring a sustainable business, and high customer satisfaction is key to the success of our business. At Esprit, we have different approaches to achieving this, and one of them is our loyalty program, "Esprit Friends." To become a Friend, customers register online in our e-shops, or right in our stores.

After registration, customers receive their Friends card for identification. Esprit Friends collect e-points and receive a bonus for every purchase. The program provides exclusive advantages for its members, such as birthday presents, invitations to events, tailored mailings and free alterations. The more e-points collected, the more advantages and benefits the Esprit Friends receive. An Esprit Friends' app offers a special mobile service for our consumers. The app is connected to our e-shop and offers a 24 hour mobile shopping experience. In addition, it can be used as a communication tool for customers to interact with Esprit Consumer Service. Since its launch in 2013, more than 800,000 Esprit Friends have downloaded the app.

At the end of FY14/15, Esprit Friends recorded 5 million loyal customers worldwide who purchased in the last 12 months. The success of this program is reflected in the numbers: 60% of the turnover in our e-shops and own-operated retail stores is generated by Esprit Friends.

For more information, please visit our website:
https://www.esprit-friends.com/



05.2 Customer service

Our customers' and wholesale partners' satisfaction with – and feedback on – our products and services are key drivers for Esprit, as these stakeholders have a major impact on our commercial success. We thus strive to engage in a constant and open dialogue with all our stakeholders.

Esprit offers a customer service team dedicated to taking care of our wholesale partners. Additionally, we have also implemented a customer service team of who takes care of all incoming calls and emails from our end customers. Our hotline for our e-shop customers is free of charge from all networks in Europe from 8AM – 10PM, 365 days a year. Our diverse customer service team can respond in nine languages: Czech, Danish, Dutch, English, Finnish, French, German, Italian and Spanish. We seek to ensure that 80% of all end customers' emails are answered within seven hours. On top of this, we provide a chat function on our website where our team is available to respond to inquiries in real time. We provide our customers with the opportunity to rate our customer service in grades from 1 (= very good) to 6 (= insufficient). This data is used internally to constantly improve our service. In FY14/15, our customer service achieved on average a score of 1.83.

"80% of all customers' emails receive a response within seven hours."

05.2.1 Customer surveys

Customers and their experience with our products and services is a central focus at Esprit. We therefore regularly conduct surveys and ad hoc research with external partners to monitor our customers' perception of the Esprit brand and products in order to make improvements. An example of this is our monthly online survey with our Esprit Friends. Here, we track, among other things, product and assortment satisfaction, and improvement potential for stores, the e-shop and the customer service. Two examples of important KPI´s:

- Net Promoter Score, which indicates the likelihood of a customer recommending a brand.

- Satisfaction Index, which draws results from a statistical calculation based on customer satisfaction with product, assortment, personnel, store, online-shop and advertising/-communication.

In FY14/15, our Net Promoter Score improved by four percentage points while the Satisfaction Index remained stable. Besides this monthly tracking, we also collect brand-related information such as brand awareness at a total market level. Our recent survey in January 2015 showed that Esprit takes a leading position among other brands in the textile market with an awareness of 96%, and is clearly anchored in the minds of female customers in Germany, Esprit's largest market where we generate ___ % of our revenue.

05.3 Packaging

Esprit uses, on average, approximately 1 million shopping bags per month just in the European market alone. Even though the red plastic bags we have globally used in the past are very durable, research shows that it is unlikely that our consumers will reuse the bags afterwards. A lot of everyday plastic waste, including plastic shopping bags, ultimately ends up in the ocean. The United Nations Environment Program (UNEP)[37] estimates that more than 13,000[38] pieces of plastic litter floats on each square kilometer of ocean surface. Plastics decompose very slowly and incompletely under the influence of salt water and sun, and in doing so release many toxins that are harmful to the animals that make their home in the ocean. To reduce plastic waste, we switched the plastic shopping bags to recycled paper bags in all retail stores and outlets in the European market by January 2015. The new bags are not only biodegradable and recyclable, they are also made out of wood from sustainably managed European forests. Moreover, the printing on the new recyclable shopping bags uses water-based dye. This improves sustainable business operations as we can significantly reduce the amount of plastic waste that we generate. In FY14/15, Esprit replaced more than 7 million plastic bags with paper bags.

By December 2015, we expect all Asia Pacific Retail stores to switch from using plastic shopping bags to the more sustainable paper ones.

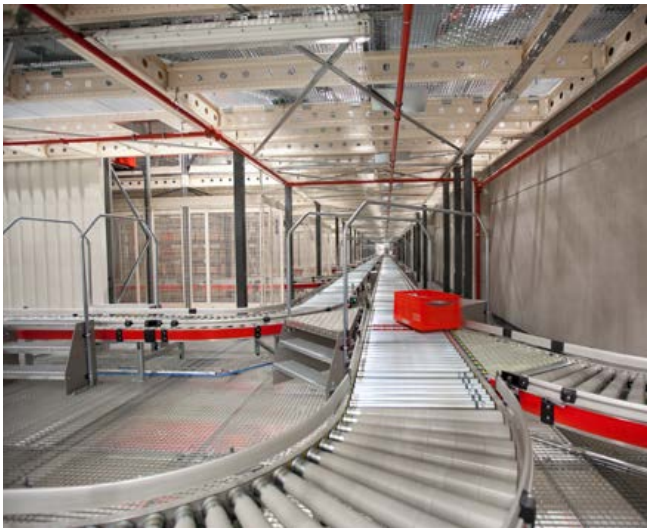


We recognize that our e-commerce business involves a further environmental impact related to waste. A few simple changes have been made to improve processes and waste consumption. With six different carton sizes, we endeavored to ensure the best possible filling in our parcels to minimize the share of air being shipped. However, we recognized that some improvements can still be made. Since June 2015, we have implemented two more package sizes. In addition, we reduced packaging material to a minimum. For instance: we do not wrap our goods in tissue and we do not use envelopes for our invoices.

Another project to reduce waste is underway in our logistics department. In our Distribution Center Europe in Mönchengladbach, Germany, we previously used cardboard boxes to send Esprit garments to our retail stores. In Germany alone, this amounted to more than 390,000 cardboard boxes every year. In 2011, our logistics team started implementing a system with reusable boxes made of robust plastic that does not break, even after multiple uses. By doing this, we require only 40,000 reusable boxes for transportation of our products from the Distribution Center to our German retail stores. In FY 15/16, we want to roll out this approach to Austria, the Netherlands, Belgium, France, Poland and Sweden. We estimate that we will be able to save more than 220,000 cardboard boxes per year.

In June 2015, Esprit stopped using plastic packet strings to further reduce the waste in the European Distribution Center.





[37] For further information please visit: http://www.unep.org/

[38] For further information please visit http://www.unep.org/regionalseas/marinelitter/about/distribution/

05.4 Carbon footprint

Global warming is a topic that affects us all. Esprit cares about this crucial issue, and is therefore committed to acting responsibly to reduce our energy consumption and greenhouse gas emissions (GHG). Reduced energy also means reduced costs, and thus acting responsibly also ensures almost immediate economic gains.

As a brand with 428 directly managed retail stores and 1,117 partnership stores, there is great potential to work towards sustainability at the point of sale, and our store concept and equipment have been influenced by our focus on sustainability. Our retail stores and partner stores have started to implement new, more sustainable store architecture under the "Lighthouse Store Concept." As part of this, we use renewable construction materials for the stores and avoid artificial materials wherever possible. Hence, wood and metal materials are chosen over synthetics and plastic, and we have, for instance, opted not to use aluminum in our stores, as the aluminum production process is heavy on emissions and consumes a large amount of both energy and water.

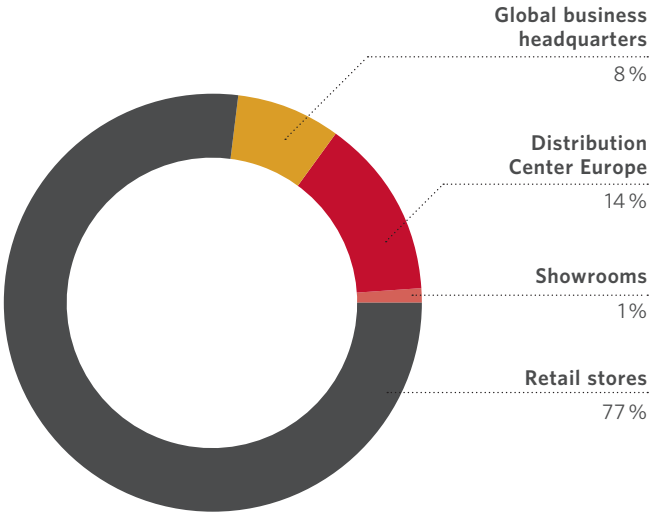
All our store equipment suppliers must be certified to the ISO 14001 standard, which specifies the requirements for an organization's environmental management systems. The wooden floor found in all our European stores is certified by the Forest Stewardship Council (FSC) or by the Program for the Endorsement of Forest Certification Schemes (PEFC)[39].

Out of all our own-operated and partner stores globally, around 47% have already been built and furnished according to the new store concept. By December 2016, we plan to extend the concept to 59% of our stores globally.

In the German retail stores, Esprit has recently put in electrical meters that can deliver consumption data on demand. By detecting seasonal and daily fluctuations in electricity consumption and their causes, we are able to take a better informed approach to saving energy. In 2014, about 77% of Esprit's total electrical consumption in Esprit's German operations was in the retail stores. Generally, the power needed in the retail stores is for lighting, heating and air conditioning. To reduce electrical consumption for lighting, in 2014 we started to install LED lighting in our stores. In FY14/15, the LED lighting project was brought to twelve of our own retail stores, and we intend to install LED lighting at 20 of our partner stores as well. For FY15/16 our goal is to implement LED lighting in 40 more Esprit stores.



Distribution of electricity consumption in German operations in 2014



Distribution of electrical consumption in 2014

In order to calculate the relevant emissions from our energy consumption data, Esprit follows the international accepted reporting principles and methods of the Department for Environmental Food & Rural Affairs of the United Kingdom (DEFRA)[40]. Applying the DEFRA tool to convert the electrical consumption in our German retail stores, we have calculated an amount of 16,529t CO_2 equivalents (CO_2e) in 2014.

As the current Sustainability Report is Esprit's first time reporting according to GRI G4, some data on our energy consumption has been found to be unavailable due to limited data collection systems in place. We intend to continuously strive to implement more thorough data collection systems in order to ensure a more comprehensive data presentation for future reports published.



[39] For further information please visit http://www.pefc.org/

[40] For further information please visit http://www.ukconversionfactorscarbonsmart.co.uk/

Comparison of electrical consumption of two Esprit retail stores

Data for 2014	Old store concept Cologne, Hohe Straße, (Germany)	New store concept Wallisellen (Zurich), (Switzerland)
Size in m²	807	619
Properties	Located in a pedestrian zone	Located in a mall
Escalator/Elevator	Elevator	-
Lighting system	Conventional lighting system	New LED lighting system
Electricity consumption per m² in kWh	432	98

Energy consumption of the Esprit headquarters and distribution center Europe

Data for FY14/15	Headquarters, Ratingen (main building)	Distribution Center Europe, Mönchengladbach
Size in m²	27,000	47,842
Natural gas consumption in kWh	1,847,183	730,858
Natural gas consumption in kWh per m²	68	15
Electrical consumption in kWh	3,109,697	6,333,365
Electrical consumption in kWh per m²	115	132
CO_2e in t	1,778	3,062

Esprit has a fleet of 225 passenger cars and vans at our headquarters in Ratingen, Germany. For these vehicles, Esprit collects the data of total fuel consumption and kilometers driven. In FY14/15, we generated approximately 1211t CO_2e in total with our fleet, plus 41 t outside of scope. Additionally, we also track emissions generated by business related air travel. In FY14/15, business related air travel by employees in our headquarters generated emissions to the amount of around 2,026t CO_2e. To turn rail travel in Germany climate neutral, Esprit participates in 'DB Umwelt Plus' program of the Deutsche Bahn[41]. The energy used for the journey comes from 100% renewable energy sources.

[41] Please find further information on http://www.bahn.de/regional/view/regionen/partner/rit_umwelt_plus.shtml

06
THE PEOPLE OF ESPRIT



Dr. Marion Welp CHIEF HR & LEGAL AFFAIRS OFFICER

"Long term success hinges on talented people and an engaged work force."

06 The people of Esprit

"Our people are our most valuable and important asset. Our long-term success hinges on talented people and an engaged work force. Our aspiration is to be a sustainable, caring employer, which means that we are interested in long-term relationships with our employees and in their overall well-being.

We are committed to developing and supporting our people, and strongly believe in creating opportunities for their individual development. Therefore, we encourage our employees to use these opportunities to pursue their career paths - together with Esprit. Moreover, sustainable leadership also means adapting work life to the changing circumstances of our employees' personal life. We believe that good work-life balance has a great impact on the satisfaction and performance of our 12,000 employees. Hence we are always striving to achieve the best solutions for both sides."

Dr. Marion Welp, Senior Vice President - Head of HR/Legal/Compliance[42]

[42] 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. For further information please visit: http://www.buj.net/

06.1 Diversity and equality at Esprit

Esprit is proud to be an international company. We are active in more than 40 countries and employ 12,000 colleagues worldwide. At our global headquarters in Ratingen, Germany, people from 41 nations work together. We believe that working together can provide the most creative and innovative outcome. With this diverse workplace, we are able to experience and learn about a variety of languages, cultures and values as we go about our business and daily life.

In Germany, where most of our employees are based, the Equality Act[43] provides the legal framework for extensive protection against discrimination. The purpose of this Act is to prevent or to stop discrimination on the grounds of race or ethnicity, gender, religion or beliefs, disability, age or sexual orientation.

Equality and the prohibition of discrimination are part of the Esprit Code of Conduct which has set out rules for Anti-Discrimination and which applies to every country where Esprit operates. As stated in our Code of Conduct, each Esprit employee must be treated with respect and dignity. Furthermore, it states that harassment and intimidation will not be tolerated at Esprit. Regardless of our colleagues' national origin, gender, religion, whether they are disabled or not, their age or sexual orientation, everybody is equally important. Violations of our Code of Conduct are rigorously pursued to protect all employees at Esprit. For any kind of discrimination or harassment, we have implemented a confidential whistle-blower hotline where employees can anonymously notify management if they suspect or know of reportable incidents.

We strive to conduct our business in a socially conscious manner on a daily basis. The golden rule of anti-discrimination is self-evident for all our colleagues: treat others with the same respect with which you would like to be treated yourself. Our non-discriminatory environment is shaped by our employees' contributions. This not only results in a higher quality of life for each individual employee, it also makes our everyday operations more productive and efficient.

In order to honor our staff's diversity, we celebrate international and national holidays and events such as Chinese New Year, Diwali, Christmas and Oktoberfest, and complement these festivities with initiatives such as information about local activities, and encouraging the sharing and learning of languages and cultural aspects with and from each other.

06.1.1 Workers' council and collective bargaining

We follow local law and the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work wherever we operate. In regards to workers' councils and collective bargaining, this means that we observe all legal requirements and respect every individual employee's involvement. For Esprit, it is very important to have an open and regular dialogue with the workers' councils or any other employees' representative bodies. We apply the terms and conditions of collective bargaining agreements around the globe, wherever our subsidiaries and employees are bound by it. However, we do not have an overall collective bargaining agreement and therefore cannot provide the numbers of colleagues covered by such agreements.

FTE/Headcount by region & country as of June 30, 2015

Region/ Country	Total staff		People													
	FTE[44]	People	Male	Female	Permanent Contract			Temporary Contract			Full-time			Part-time		
					Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
Europe/NA	**5.409**	**7.697**	**16%**	**84%**	**80%**	**16%**	**84%**	**20%**	**15%**	**85%**	**42%**	**25%**	**75%**	**58%**	**9%**	**91%**
Austria	259	377	12%	88%	100%	12%	88%	0%			38%	20%	80%	62%	7%	93%
Belgium	313	397	11%	89%	100%	11%	89%	0%			31%	18%	82%	69%	8%	92%
Denmark	47	54	12%	88%	83%	15%	85%	17%	0%	100%	78%	14%	86%	22%	6%	94%
Finland	52	71	8%	92%	97%	9%	91%	3%	0%	100%	37%	12%	88%	63%	7%	93%
France	483	546	22%	78%	77%	21%	79%	23%	24%	76%	62%	24%	76%	38%	17%	83%
Germany*	3.330	4.981	17%	83%	73%	18%	82%	27%	14%	86%	42%	28%	72%	58%	9%	91%
Great Britain	23	27	34%	66%	100%	34%	66%	0%			66%	28%	72%	34%	46%	54%
Italy	26	26	35%	65%	100%	35%	65%	0%			92%	33%	67%	8%	52%	48%
Luxembourg	28	34	12%	88%	100%	12%	88%	0%			41%	21%	79%	59%	5%	95%
Netherlands	358	528	12%	88%	100%	12%	88%	0%			28%	19%	81%	72%	9%	91%
Poland	78	90	12%	88%	100%	12%	88%	0%			71%	16%	84%	29%	4%	96%
Spain	82	92	3%	97%	100%	3%	97%	0%			32%	3%	97%	68%	3%	97%
Sweden	63	96	19%	81%	100%	19%	81%	0%			19%	22%	78%	81%	18%	82%
Switzerland	262	373	8%	92%	89%	7%	93%	11%	14%	86%	34%	13%	87%	66%	5%	95%
USA	4	4	50%	50%	100%	50%	50%	0%			100%	50%	50%	0%		
APAC incl. Group	**3.771**	**4.242**	**21%**	**79%**	**52%**	**27%**	**73%**	**48%**	**14%**	**86%**	**80%**	**21%**	**79%**	**20%**	**19%**	**81%**
Australia	224	379	7%	93%	100%	7%	93%	0%			25%	13%	87%	75%	6%	94%
China	2.036	2.149	14%	86%	11%	22%	78%	89%	12%	88%	89%	12%	88%	11%	23%	77%
Hong Kong**	596	651	37%	63%	99,7%	37%	63%	0,3%	100%	0%	83%	39%	61%	17%	29%	71%
India	26	26	69%	31%	100%	69%	31%	0%			100%	69%	31%	0%		
Macau	100	113	19%	81%	100%	19%	81%	0%			81%	18%	82%	19%	23%	77%
Malaysia	264	272	45%	55%	100%	45%	55%	0%			94%	45%	55%	6%	56%	44%
New Zealand	36	58	2%	98%	100%	2%	98%	0%			26%	0%	100%	74%	2%	98%
Singapore	231	264	25%	75%	83%	23%	77%	17%	33%	67%	81%	24%	76%	19%	29%	71%
Taiwan	256	331	27%	73%	71%	25%	75%	29%	33%	67%	68%	24%	76%	32%	33%	67%
Total	**9.179**	**11.939**	**18%**	**82%**	**70%**	**19%**	**81%**	**30%**	**14%**	**86%**	**55%**	**23%**	**77%**	**45%**	**11%**	**89%**

*Including the Quality & Social Compliance office in Turkey **Including the Sourcing offices in Bangladesh, Cambodia, Indonesia, Pakistan and Vietnam

[43] https://www.bmas.de/DE/Service/Gesetze/agg-allgemeines-gleichbehandlungsgesetz.html

[44] Full Time Equivalent

"In terms of personal development, sustainability for Esprit means providing long-term career prospects for our employees."

Angel Kwok, Vice President – Head of HR Markets

06.2 Personal development – growth from within

The dynamic and ever-changing environment of our company requires a high competency level from our employees. To cope with these changes and demands, it is important to support our employees with inspiring development paths and activities, and to enable them to develop their strengths and skills in a professional way. Our internal e-campus offers a variety of courses and training sessions regarding leadership development, communication and working methodologies.

We continuously seek to identify and meet the needs of our business and employees, analyzing the requirements and applying adequate measures to further develop our business and the individual employee. Our focus on growth from within covers a broad spectrum of programs from apprenticeship, trainee programs and professional training sessions to consulting or individual coaching of individuals, and a Europe-wide implementation of development programs.

It is our job to provide long-term career perspective for our employees. Where possible, we recruit people within the company for new job roles and are committed to ensuring that our employees grow with Esprit. As a responsible employer, we understand the need to react in a flexible manner to changes in our employees' lives. In FY14/15 we were able to offer 45% of our employees globally flexible part-time work arrangements.

Esprit offers apprenticeships at its headquarters in Ratingen, Germany and in our retail stores all over Germany. The aim is to train young professionals as well as individuals without tertiary education to engage with the next generation of consumers and leaders. Our training concepts are updated on an ongoing basis; we appoint qualified instructors to coach and prepare our apprentices for the corporate world.

Our apprenticeship programs include three different retail programs:

- Wholesale and Export Merchant
- Retail Management Assistant
- Visual Merchandiser

In the wholesale area, we offer two apprenticeships as

- Management Assistant in Wholesale and Trade
- A dual education program combined with Business Informatics studies, in cooperation with FOM University of Applied Sciences

In FY14/15, 32 apprentices successfully completed their final exams, and more than 80% decided to stay with Esprit after graduation.

Esprit's Trainee Programs are diverse and challenging opportunities for graduates and young professionals an opportunity to start a career at Esprit. At our headquarters in Ratingen, Germany, we offer trainee programs in the areas of buying/sourcing, design, technical design and product development. In addition, Esprit offers special on-the-job training programs in our retail stores. During these programs, store employees are trained to become Floor Manager and Store Manager. Our graduates and young professionals can also participate in traineeships as Area Manager, where they learn more about operations and interfaces in the Wholesale business. In FY14/15, 52 trainees were recruited for this program.

06.3 Volunteer engagement

Social engagement is part of Esprit's heritage, not only as a company, but on the employee level as well. A group of colleagues teamed up to form "Esprit Cares" – a volunteer program, dedicated to local community service and social engagement. The Esprit Cares group unites employees from all levels, from higher management to apprentices. Esprit Cares endeavors to provide a platform for all Esprit staff around the globe, to engage with and help others in need and to participate in social activities beyond departmental or work-related matters. After the foundation of the Esprit Cares team in our German headquarters in the Autumn 2014, the Hong Kong head office also started an Esprit Cares Hong Kong subsidiary in Spring 2015. All Esprit markets are connected out of the German Headquarters hub to share and learn best practice in the area of responsible social engagement.

Over the course of the last financial year, Esprit Cares has built on existing projects and initiatives and supported a variety of good causes. Some of the main projects of Esprit Cares in Germany were the organization of events such as fund-raising lotteries, donations in kind or monetary donations. This resulted in a donation of €26,968.50 to a children's hospice in Düsseldorf, as well as gifts sent to a local young women's homeless and emergency shelter, and a home for people suffering from dementia. In Spring 2015, Esprit Cares collected donations of clothes and furniture for a local refugee home and their residents.







Esprit's employees in the Asian markets are also very active in their communities. In August 2014, employees donated garments to underpriviliged children in several schools in the Yunnan Province in China, to ensure that they had new clothes and supplies for school. The children of the San Tai Middle School in Yunnan were provided with books through employee donations at the Esprit China Christmas party.

Overall, the Esprit Cares initiative complements the inherent Esprit culture of "Be Informed - Be Involved - Make a Difference." Through initiatives such as Esprit Cares, we intend to act responsibly in local communities and to give back to society in order to ensure a more sustainable business practice, while staying aware of – and responsive to – the social impacts our business operations may have worldwide.

Be informed - Be involved - make a difference









07
PERFORMANCE DATA

General standard disclosures

		Page	Notes and Omissions
Strategy and analysis			
G4-1	CEO statement	12-13	
Organizational profile			
G4-3	Name of organization	11	
G4-4	Primary brands, products, and services	14	
G4-5	Location of the organization's headquarters	14	
G4-6	Number of countries where the organization operates, and names of countries where the organization has significant operations	14	
G4-7	Nature of ownership and legal form	14	
G4-8	Served markets	14	
G4-9	Scale of organization	14	
G4-10	General employee-related disclosures	49	
G4-11	Percentage of total employees covered by collective bargaining agreements	49	Esprit has no global collective bargaining agreements. Therefore this data cannot be provided.
G4-12	Organization's supply chain	27–28	
G4-13	Significant changes during the reporting period	16	
G4-14	Precautionary approach	11; 14; 33; 39; 50	Regular performance and career development review; Product and service information labeling; Reporting Period; Spill; Significant operational changes
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	20; 29; 31; 32; 35; 39	
G4-16	Memberships of associations and national or international advocacy organizations	31; 48	
Identified material aspects and boundaries			
G4-17	List of all entities	11	This report covers all organization's entities as the Annual Report
G4-18	Process for defining the report content	16–18	
G4-19	Identified material aspects	18	
G4-20	Material aspects and aspect boundaries within the organization	16–19	
G4-21	Material aspects and aspect boundaries outside the organization	16–19	
G4-22	Effect of any restatements of information provided in previous reports	-	Not applicable
G4-23	Significant changes from reporting periods in the scope and aspect boundaries	-	Not applicable
Stakeholder engagement			
G4-24	List of stakeholder groups engaged by the organization	17	
G4-25	Basis for identification and selection of stakeholders	16–17	
G4-26	Organization's approach to stakeholder engagement	16–17	
G4-27	Key topics and concerns raised through stakeholder engagement	17	
Report profile			
G4-28	Reporting period	11	
G4-29	Date of most recent previous report	-	Not applicable
G4-30	Reporting cycle	11	
G4-31	Contact point for questions	11	
G4-32	Chosen 'in accordance' option	11	
G4-33	External assurance	-	This report has not been externally d.
G4-34	Governance structure	14	
Governance			
G4-56	Organization's values, principles, standards and norms of behavior	20; 29	

Specific standard disclosures

Material aspect		GRI G4 material aspect	DMA and indicators	Page	Notes and omissions
1	Sustainable business	Economic performance	G4-EC1: Direct economic value generated and distributed	-	Please find the disclosure on page 42–55, 76 and 95–101 of our Annual Report.
		Own aspect	The New Engine – Esprit's vertically integrated management system	16	
2	Anti-corruption	Anti-Corruption	G4-SO3: a. Global anti-corruption assessment	20	Reason for omission: Confidential information.
			G4-SO4: a. Anti-corruption policy and its communication within the organization	20	Reason for omission: Confidential information. Reason for omission: Numbers are not available because there are currently no data collection systems in place.
3	Sustainable materials	Own aspect	Sustainable fabrics - Esprit Decision Tree	23	
4	Supply chain management	Own aspect	Buying strategy with focus key suppliers and a smaller supplier base	27–28	
5	Supply chain working conditions	Social	G4-LA14: Percentage of new suppliers that were screened using labor practices criteria.	29	
			G4-LA15: Significant actual and potential negative impacts for labor practices in the supply chain and actions taken (social compliance assessment)	30	
			G4-HR1: Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	29	
			G4-HR9: Total number and percentage of social compliance assessment audits, by country.	30	
			G4-HR10: New suppliers that were screened using human rights criteria (social compliance assessment)	30	
			G4-HR11: Significant actual and potential negative impacts for human rights impacts in the supply chain and actions taken (social compliance assessment)	30	
6	Environmental management	Own aspect	ZDHC-Group: Elimination of all hazardous chemicals in the supply chain until 2020	32	
		Own aspect	Reset carbon project to reduce Water and energy reduction project in the denim production	33–34	
7	Animal welfare	Own aspect	Implementation of the Responsible Down Standard	35	
		Marketing	G4-PR6: Respond of company in regards to these products (ban of Angora hair, fur and rare animal skins)	35	
8	Product confidence	Social	G4-PR3: Type of product and service information required by the organization's procedures for product and service information and labeling	39	
		Social	G4-PR4: The company has not identified any non-compliance with regulations and voluntary codes.	-	
		Own aspect	Implementation of Risk management department	39	
9	Customer loyalty program	Own aspect	'Esprit Friends' customer loyalty program and its impact on organization's turnover	43	
10	Customer service	Social	G4-PR5: results of consumer surveys in regards to the organization, products and stores/ e-commerce	43	Reason for omission: Confidential information.
11	Packaging	Own aspect	Savings of plastic bags due to exchange to recycled paper bags	44	
		Own aspect	Save of cartons due to usage of reusable boxes in logistics	44	
12	Carbon footprint	Environmental	G4-EN15: Direct greenhouse gas emissions in our headquarters, own retail stores, showrooms and European Distribution Center	45–46	
13	Diversity & equality	Own aspect	Implementation of Esprit's Code of Conduct	49	
14	Personal development	Own aspect	Implementation of employee development program e-campus	50	
15	Volunteer engagement	Own aspect	Implementation and projects of the Esprit Cares group	50–51	

