

DETOX COMMITMENT

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

Jose Manuel Martínez - Esprit CEO¹

Considering the impact of how we make our products is part of Esprit's heritage. Back in the 80s, we were the first brand to introduce an eco-collection and we continue that work to protect our environment. In December 2012, Esprit made a commitment to work with its supply partners to eliminate potentially hazardous chemicals in the manufacture of our products. We have been working steadily toward this goal ever since.

In 2015, Esprit made considerable progress, but there is still much to do. To frame our work, and to leverage the knowledge of other companies that share the same goal, we have been part of the Roadmap to Zero Discharge of Hazardous Chemicals² since it was founded. The ZDHC is a group of 21 leading brands committed to working together to drive industry-wide change. Esprit continues to participate in and lead a number of important ZDHC initiatives.

MRSL and Methodology

Esprit formally adopted the ZDHC MRSL³ and required our suppliers to do the same. We opted to use the ZDHC MRSL for a number of reasons, not least of which is that a number of leading brands in our industry also use the standard. Having multiple customers share the same requirements encourages suppliers to comply, and avoids having them attempt to adhere to multiple complex standards. We incorporated the MRSL into all of our supplier agreements. Under our process, as less toxic or non-toxic substitutes for chemicals currently in use are found, our suppliers are contractually obligated to eliminate the more harmful chemicals. For a number of key chemicals, including phthalates and polycyclic aromatic hydrocarbons (PAHs), the Esprit RSL⁴ limits are low enough to effectively preclude use.

¹ Source: Esprit FY2014/15 Sustainability Report - p.12

<http://www.esprit.com/company/sustainability/report/>

² ZDHC - Zero Discharge of Hazardous Chemicals - www.roadmaptozero.com

³ MRSL - Manufacturing Restricted Substances List - the comprehensive list of chemicals that we are seeking to eliminate from all production processes - http://www.roadmaptozero.com/fileadmin/pdf/MRSL_v1_1.pdf

⁴ RSL - Restricted Substances List - <http://www.esprit.com/press/rsl.pdf>

PFC Elimination

PFCs are a group of chemicals that are used to make garments water and stain repellent. PFCs do not break down easily in the environment, and accumulate in the bodies of animals and people.

Esprit was able to eliminate PFCs from our products by the end of 2014, well ahead of the deadline we set for ourselves, but work on this issue has continued. Esprit's in-house laboratory is equipped to test for extensive PFC groups as part of our due diligence process to make sure that PFCs don't "creep back" into our processes after being removed. Esprit maintains a list of PFC-free alternative formulations. As new products become commercially available, Esprit has an in-house facility to apply the formulation to control fabrics and assess performance.

In our drive to eliminate PFCs, Esprit made the strategic decision not to offer certain higher performance products, but we hope to bring them back later, once we develop the technology to do so without resorting to PFCs. Among the more interesting alternatives is a promising chemical-free water-proofing process. The search for an ideal solution continues.

Like all efforts to make fundamental change, this one has not been without challenges. Although Esprit has successfully removed PFCs from our product specifications, we share supplier factories with companies that still use the chemicals, and our products are made on the same machines that also make products containing PFCs. As a result, our testing program revealed that trace amounts of PFCs occasionally rub off on our product. We reject product if even trace amounts are found in pretesting of fabric, and we continue to work with our suppliers to find ways to prevent trace amounts of PFCs from being picked up in the production process, but as long as the chemicals are present in the factories to meet the requirements of other customers, there will always be some risk. As more companies join us in eliminating PFCs, we expect such accidental contamination to happen less and less.

Focusing on the Front End

While testing factory effluent can be useful to show progress, the challenges of getting accurate test results have lead Esprit to focus on knowing what goes into our products and to work with our supply chain to substitute and promote better chemistry in order to make sure that chemicals are removed at the beginning of the process before they end up in the factory's waste water. This effort includes work through the ZDHC to develop a data platform that will allow us to monitor in real time the chemicals that a factory is using, as well as a leading role in developing the ZDHC public disclosure platform.

In addition to our work within the ZDHC, during the year Esprit conducted an intensive study in four of our supplier factories in Pakistan to thoroughly understand the chemicals that they are using and how they manage them. One direct outcome of the study was that the suppliers invested in improving their effluent treatment plants to meet our standards.

We also found a number of non-conforming chemicals and worked with the suppliers to develop a cost model that will allow them to keep harmful chemicals out of their factories and move toward a fully conforming chemical inventory. In addition to providing chemical management training to the factories, the project incorporated the ZDHC audit methodology and the Higg Index⁵ to report and aggregate progress in the future. Although small in scale, the program was successful, and in the coming year we will roll it out to a number of other key suppliers.

As facilities implement the MRSL effectively and move towards positive conforming chemistry, waste water tests will be used as due diligence to show progress towards our 2020 goals. Esprit has been active in the development of the ZDHC Wastewater Guidelines and the forthcoming reporting platform. Esprit recognizes the need for an international standard in order for these tests to be useful and to be able to share effectively with peers across the industry. We will therefore continue to support the ZDHC in the development and implementation of the Wastewater Guideline and data sharing platform.

Esprit's efforts toward fulfilling our commitments made important progress in 2015, but there is still much to do. Eliminating toxic chemicals from our supply chain by 2020 is a challenge, but Esprit is optimistic that we can do it.

⁵ The Higg Index - Sustainable Apparel Coalition - <http://apparelcoalition.org/the-higg-index/>