



POLICY  
ON SOURCING PRACTICES

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## 1 OBJECTIVE

It is Esprit`s aim to work in accordance with the highest ethical standards. Esprit recognizes its corporate responsibility and takes the necessary steps to fulfil this obligation. As we do not own any production facilities, we take particular care to choose the right partners, and to ensure that our choices contribute to the fashion industry`s role as a powerful source of economic development and financial independence for workers. In support of this goal, we have taken concrete steps to build stronger relationships with our suppliers, and we have developed a more transparent way of working focused on creating a safer and more positive working environment within our supply chain. All factories producing Esprit garments must comply with our Supplier Code of Conduct as part of our basic supplier agreement that all of our suppliers must sign when they begin working with Esprit.

We have developed detailed guidelines to help our suppliers implement the Esprit Supplier Code of Conduct. These guidelines describe the internal processes that need to be set up by our suppliers to meet our social standards. The guidelines also include remedial measures that suppliers must implement without delay in the event of failure to meet our standards.

This Policy on Sourcing Practices has been approved by the Executive Management Committee, including the Group Chief Executive Officer, in October 2019.

## 2 SCOPE

At Esprit, we focus on long-term business partnerships with a small number of top performing suppliers. This allows us to build a community, and to support each of our supply chain partners to meet our standards. We have strict requirements that suppliers must fulfill before and during cooperation with us. We expect our suppliers to deliver products that meet our Minimum Requirements and to be willing to continuously work with us towards improvements. It is the supplier`s responsibility to achieve and maintain these minimum requirements and policies and to enforce them within those parts of their supply chain involved in producing or supplying Esprit products (e.g. raw materials suppliers, processing facilities, factories, and warehouses).

## 3 MINIMUM REQUIREMENTS AND POLICIES

All suppliers are committed to our Esprit Minimum Requirements, which are an integral part of our supplier contracts. The factories producing our finished products (Tier 1) are responsible for sourcing components such as fabrics, trims and accessories; all components of our products must meet our minimum requirements. Our Tier 1 partners must cascade our requirements through their own supply chains, they must ensure that their subcontractors (Tier 2, such as dyeing, printing, washing weaving, warping etc. and Tier 3, such as raw material suppliers, chemical suppliers) are aware of and in compliance with our standards and policies which are the following.

- Esprit Supplier Code of Conduct
- Esprit Material Quality Requirements
- Esprit Restricted Substances List (RSL) and Manufacturing Restricted Substances List (MRSL), including limits of hazardous substances in the wastewater
- Esprit Policy on Human Rights
- Esprit Policy on Sustainable Raw Materials



## 4 TRANSPARENCY

Ensuring that our products are made in a clean and responsible way requires that we know a lot about our supply chain partners. We have strict requirements that suppliers must fulfill before starting to work with us. An absolute prerequisite is the disclosure of our direct suppliers' supply chain, so that we can assess not only the suppliers we are directly working with (Tier 1), but also our suppliers' subcontractors (Tier 2) and, starting August 2018, our viscose producers (Tier 3). We publicly disclose our supply chain according to the Human Rights Watch Transparency Pledge requirements.

Our supplier list includes factory names, locations, types of goods produced, and numbers of workers, and covers our master vendors and points of fabrication (Tier 1), wet processors (Tier 2), and raw material producers (Tier 3). It is in alignment with the Human Rights Watch Transparency Pledge as well as our Greenpeace Detox and Changing Markets commitments.

## 5 LEGAL COMPLIANCE

Esprit requires its suppliers and subcontractors to comply with all applicable national and international laws and regulations, industry minimum standards, ILO and UN Conventions, OECD Conventions and any other relevant statutory requirements, whichever requirements are more stringent, even if they are not expressly referred to in this Policy on Sourcing Practices.

### 5.1 Compliance with national and international trade and customs laws

Esprit requires its suppliers to comply with all applicable local and international trade control and customs laws under which supplier is doing business. Esprit does not condone or permit any activities that are in violation of the Customs Laws, International Treaties or Foreign Laws, including, but not limited to, false declarations, counterfeit visas or illegal transshipment to evade trade restrictions and import quotas.

### 5.2 Compliance with REACH Requirements /Other quality and safety requirements

Esprit requires its suppliers explicitly to comply with the requirements under the laws and regulations of EU legislation on registration, evaluation, authorization and restriction of chemicals ("REACH"). Suppliers and subcontractors warrant that necessary steps for the registration and/or notification of chemicals in connection with the delivered products under the REACH legislation in the EU will be taken. The same does apply for other local or international laws, regulations or standards (even if they are only recommendations and no mandatory requirements) setting, improving, securing and upholding quality and safety standards.

## 6 WASTE

Esprit defines waste as material discharged to, deposited in, or emitted to the environment in such amount or manner that causes a harmful change. Waste can also harmful itself due to its nature, in cases where it consists of hazardous chemical waste or it can be harmful due to incorrect disposal. Our suppliers and subcontractors must prepare a proper plan for waste disposal according to local regulations and taking into account chemical hazards when local regulation fails to cover all potential risks related to chemical waste disposal. Suppliers and subcontractors are requested to establish a plan to check, control and monitor all wastes derived from suppliers activities. Besides, Esprit expects that a waste management SOP in written form is establishes. It must include that staff will be well educated about waste management, recycled and disposal of waste. Within the textile, footwear and garment production different types of waste in massive scales are generated and have to be disposed. Typical waste types (no guarantee of completeness):

- Textile residues, also contaminated
- Chemical residues
- Plastic packaging
- Cardboards and paper, e.g. dye cardboard boxes
- Chemical residues, e.g. printing paste residues
- Scrap metal



- Electronic & electrical wastages
- others

Esprit requires all waste to be reused, recycled, recovered and/or disposed of in an environmentally sustainable way.

## 7 GREENHOUSE GAS EMISSIONS

Esprit requires its suppliers to conduct all operations in full compliance with all applicable laws and regulations on air quality, air emissions and energy efficiency, including maintaining valid permits. Suppliers actively mitigate its impacts on climate change and air quality by and commits to continuous improvement in energy management and efficiency, as well as reduction or elimination of Greenhouse Gases (GHG) and other air emissions that pose a hazard to the environment, calculating emissions and setting targets according to the GHG Protocol<sup>1</sup>. Suppliers must select energy sources responsibly and taking a progressive approach towards adopting lower-carbon-intensity and renewable energy sources.

## 8 WATER

Esprit requires its suppliers to conduct all operations in full compliance with all applicable laws and regulations on water conservation and water quality, including maintaining valid permits. Facilities with internal wet processing shall measure water withdrawals and wastewater discharge by flow meters and facilities with full internal treatment (facility with own Effluent Treatment Plant; called direct discharger) of wastewater must adhere to legal requirements or the ZDHC Wastewater Guideline, whichever is stricter.

### 8.1 Water reduction

Suppliers shall reduce water use by showing continuous reduction of the facility's water withdrawals. For facilities using water only for domestic purposes (taps, toilets, cooling) it is sufficient to ensure implementation of water efficient equipment. Water saving techniques such as rain water harvesting shall be applied wherever feasible.

### 8.2 Wastewater testing

As a member of the Zero Discharge of Hazardous Chemicals (herein "ZDHC") Group, Esprit is committed to their Guidelines and Manufactured Restricted Substances List (herein "MRSL"). We require from all our suppliers with wet process, either direct or indirect discharger, to adopt the ZDHC MRSL and Wastewater Guidelines and conduct wastewater testing according to the ZDHC Wastewater Guidelines.

#### 8.2.1 Root cause analysis

Esprit requires suppliers, in case of a non-compliance within wastewater testing according to the ZDHC Wastewater Guidelines, a root cause analysis from our suppliers to identify the source of pollution.

#### 8.2.2 Corrective Action Plan

Esprit requires a Corrective Action Plan (CAP) from suppliers which failed in wastewater testing according to the ZDHC Wastewater Guidelines. The CAP must be shared with our Sustainability team members.

#### 8.2.3 Zero Liquid Discharge

Esprit promotes the use of Zero Liquid Discharge systems for suppliers with wet processes to prevent water pollution, in particular the cessation of release of any priority hazardous substances.

## 9 CHEMICAL MANAGEMENT

Closing the loop requires the responsible management and the safe use of all production inputs, such as chemicals, and the control of all production outputs and emissions, such as wastewater and – eventually – the product itself. In December of 2012, we signed the Greenpeace Detox Commitment, starting our effort to



phase out eleven groups of hazardous chemicals from our supply chain by 2020. Esprit is a member of the Zero Discharge of Hazardous Chemicals Group (ZDHC), working alongside leading brands from the industry to develop the tools and protocols to empower the entire supply chain.

### **9.1 Manufactured Restricted Substances List (MRSL)**

Esprit has adopted the most updated ZDHC MRSL. The MRSL is focusing hazardous chemicals that have to be phased out from chemical formulations used in production, including chemical restrictions and limits in the wastewater. All our suppliers and subcontractors have to comply with the ZDHC MRSL. Therefore, suppliers have to implement precautionary measures to reduce and eliminate release of toxic chemicals. This included accident-prevention measures as well as regular surveillance. Our suppliers and subcontractors must develop a plan for zero discharge of hazardous waste through leaks, spills, regular operations, uncontrolled discharges etc. Esprit requires from all suppliers and subcontractors transparent communication on environmental track record and making monitoring data available upon request. As Esprit conducts regular assessments in wet process mills, we require access and collaboration from our suppliers and subcontractors.

### **9.2 Monitoring**

Due diligence is important to guarantee compliance with Esprit's standards throughout our supply chain and to establish profound and long-term business relationships. Monitoring and verifying the implementation of the above measures related to environmental and social impacts in our suppliers' operations is vital to achieve progress and necessary to assess regularly and independently the sound implementation of our policies and how gaps are addressed.