

ESPRIT

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT 2023

Hong Kong Stock Code 00330
Esprit Holdings Limited

Incorporated in Bermuda with limited liability

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1 ABOUT ESPRIT

Material topics addressed in this section:

- Business Ethics and Integrity
- Business Performance
- Data Privacy
- Responsible Marketing

LETTER FROM THE GROUP

Dear Readers,

We are pleased to present the environmental, social and governance report (the “ESG Report” or the “Report”) of Esprit Holdings Limited (the “Company”, “ESPRIT”, “our” or “we”) and share with you our latest progress on environmental and social responsibility.

Our vision is to create authentic fashion with mindfully designed and responsibly produced collections. ESPRIT was founded in California by environmentalists Susie and Doug Tompkins in 1968, and we have continuously strived to create authentic fashion with mindfully designed collections. One of the most important aspects of sustainability is the pursuit of positive change, to people and the planet. We believe that the future of sustainable fashion must be one of openness to innovative ideas, to ever-changing market conditions, and to consumer needs. We will continue to communicate with our employees, customers, suppliers, wholesale partners, and other business partners to limit and reduce our overall carbon emissions and energy consumption.

The brand's sustainability strategy regarding our products is based on circularity principles, factoring in variables such as how ESPRIT designs and manufactures, materials selection, and valuing resources along the supply chain. We aim to be part of a circular fashion system and to achieve this, we are transitioning towards sustainable materials and exploring innovative ways to reduce negative impacts to the environment in our production processes. Whenever possible, the Company chooses fibers and materials that are recyclable or regenerative to the environment.

In 2023, fabric material from sustainable sources accounted for approximately 55% and the Company aims to maintain a 60% usage of sustainable fibers by 2030.

ESPRIT also participates in various multi-stakeholder industry initiatives and organisations around the world that fosters closer dialogue with governments and civil society. Topics covered include due diligence, workers' participation, training and awareness, assessments, audits and verifications, and occupational health and safety.

We are proud to announce that in December 2023, ESPRIT agreed to support the Denim Deal 2.0, an initiative bringing together stakeholders from the garment industry, creating an exclusive network of denim specialists, aiming to share knowledge and be at the forefront of sustainable practices and innovation. Participating brands are able to produce their denim products more sustainably and circular, but also allows ESPRIT to better prepare for the upcoming EU Extended Producer Responsibility (ERP) legislation, which comes into effect in the Netherlands starting 2025 and is already effective in France.

Supply chain transparency is key to our business. ESPRIT has been publishing its supplier list since 2016 which includes factory names, locations, types of goods produced, and numbers of workers. In addition, it covers our place of fabrication and master suppliers (Tier 1), wet-processing facilities and other secondary processing facilities (Tier 2) and raw material providers (Tier 3). This is in alignment with the Human Rights Watch Transparency Pledge as well as our Greenpeace Detox and Changing Markets commitments. To uphold transparency, we update our supplier list every six months with the information received from our mapping process.

We recognise the importance of social responsibility and strive for open and transparent dialogue to explain challenges in our industry and to communicate how we are tackling them. By disclosing our factories, processing facilities and raw material suppliers, ESPRIT has been recognised as one of the leaders in supply chain traceability disclosure, ranking in the top 8% in overall supply chain traceability in the Fashion Revolution's Fashion Transparency Index 2023 among our peers. We strive for continuous improvement in our performance by investing in accredited tools and methodologies to prove accountability and improved circular fashion efforts.

As part of our commitment on living wage, ESPRIT is a signatory of ACT ("Action, Collaboration, Transformation"), which is a ground-breaking agreement between global brands, retailers, and trade unions to transform the garment and textile industry to achieve living wages for workers through industry-wide collective bargaining linked to purchasing practices. We have developed an interactive engagement tool to assess our own purchasing practices and for suppliers to assess our purchasing practices so that we can act for improvement.

To enhance access to remedies for more workers in the supply chain, ESPRIT has participated in a collaboration project between the Fair Wear Foundation and the German Partnership for Sustainable Textiles (PST) on a joint grievance mechanism and remedy approach in local factories. The project aims to work towards a jointly accessible grievance system in our factories and intended to enable workers to raise complaints and engage with local organizations through existing grievance channels. With the help of our sourcing agency, the project was implemented in five pilot factories that ESPRIT works with – three of them based in Bangladesh, and two in India, from June and October 2023.

With sustainability laws and regulations constantly changing around the world, and especially in Europe, ESPRIT will continue to collaborate closely with its suppliers and industry partners to meet environmental, social compliance and governance standards.

We believe that sustainability and social responsibility are integral to our business operations, and we are committed to doing our part to create a more sustainable future. Thank you for your continued support.

With Kind Regards,

The Board of Directors of Esprit Holdings Limited

April 2024

ABOUT THIS REPORT

How We Report

This report is the environmental, social and governance report (the “ESG Report” or the “Report”) of Esprit Holdings Limited (“ESPRIT”, the “Company”, “we” or “our”), prepared with reference to the Sustainability Accounting Standards Board (“SASB”) Apparel, Accessories & Footwear Sustainability and in accordance with the Environmental, Social and Governance Reporting Guide (the “HKEX ESG Reporting Guide”) contained in Appendix C2 of the Rules Governing the Listing of Securities on the Hong Kong Exchanges and Clearing Limited.

Our ESG Report is produced on an annual basis, together with our Annual Report covering our financial performance. This ESG Report covers our identified risks, focus areas and material topics (see “Materiality Assessment”) focusing on the environmental, social, and governance performance and related policies and management and gives an overview of our new strategy towards circularity, including tools, targets, and progress of ESPRIT and all its subsidiaries (the “Group”) covered in our 2023 Annual Report for the reporting period from 1 January 2023 to 31 December 2023 (the “Year”) and is published on 29 April 2024.

For any inquiries and feedback about this ESG Report, please contact us via email at sustainability@esprit.com.

Reporting Principles

To ensure the quality and presentation of the reported ESG disclosures, we follow the reporting principles as outlined in the HKEX ESG Reporting Guide, including:

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

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

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

Consistency: To ensure comparability over time, we maintain consistency in our reporting principles, scope and data disclosure and calculation methodologies. The reporting scope and statistical methodologies applied to this ESG Report were substantially consistent with previous years, and explanations would be provided if there is any change in the scope of disclosure of data or calculation methodologies.

Ongoing Dialogue

We greatly value ongoing stakeholder dialogue and have integrated this in our business processes, informing the priorities and the sustainability targets shared in this Report. As a foundation for dialogue, we have responded to our stakeholders’ desire for greater transparency. Participating in the Fashion Transparency Index by Fashion Revolution for 7 consecutive years, we disclose information on our factories, processing facilities and raw material suppliers. ESPRIT has been consistently recognised as one of the leaders in supply chain traceability disclosure, and ranked within the top 8% in the overall supply chain traceability in 2023 among our peers. This is emblematic of the way we work: we strive for open and transparent dialogue to explain challenges in our industry and to communicate how we are tackling them.

OUR BUSINESS AND PRODUCT

Our Culture and Brand Story

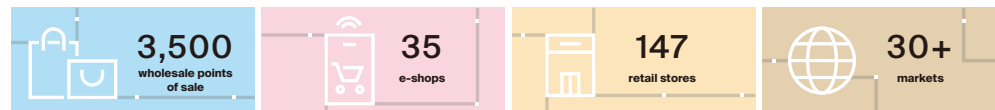
Clean. Ethical. Sustainable.

Fuelled by a vision of radical positivity, ESPRIT was founded in California by environmentalists Susie and Doug Tompkins in 1968. Since then, ESPRIT has always been more than just clothing. Today, we are on a mission to push the boundaries of authentic and intelligent fashion with mindfully designed collections. With a commitment to pioneering hyper-personalised consumer experiences, ESPRIT opened a global network of innovation headquarters. Design and creative is led out of the brand's Global Creative Hub in New York, with Amsterdam office focused on technology and denim innovation, while Hong Kong is the administrative headquarters office.

Tapping into its innovative brand origins rooted in creativity, community and playfulness, ESPRIT puts forward a confident and current aesthetic centred on its “rules don't apply” brand promise. ESPRIT comes to life through mischievous visual language, cutting-edge retail experiences and collections that confidently mix styles. This also involves setting new standards with a continuous focus on diversity, ethicality and sustainability. ESPRIT is reintroducing the brand's story in a modern context. We believe in a common spirit of a life inspired, thinking outside the box and championing innovative ideas as the catalyst for positive change in the world. It's been in our DNA from the very beginning.

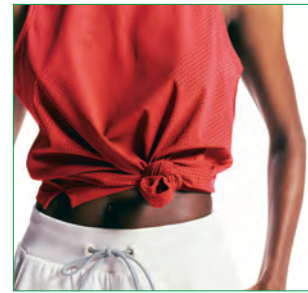
Our Business

ESPRIT is a global company principally engaged in the retail (including e-shops), wholesale distribution, and licensing of quality fashion and non-apparel products designed under its own internationally renowned ESPRIT brand name. The brand sells in more than 30 markets across Europe, Asia and North America as at 31 December 2023, with 147 retail stores, 35 e-shops, and over 3,500 wholesale points of sale. Our customers are mainly individuals and corporates.



Our Products

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



Womenswear



Menswear



Denim



Licence



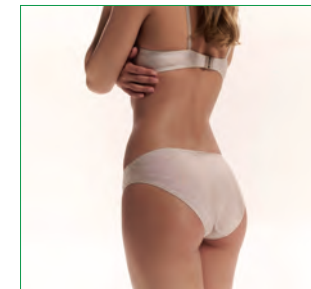
Shoes



Accessories



Sportswear

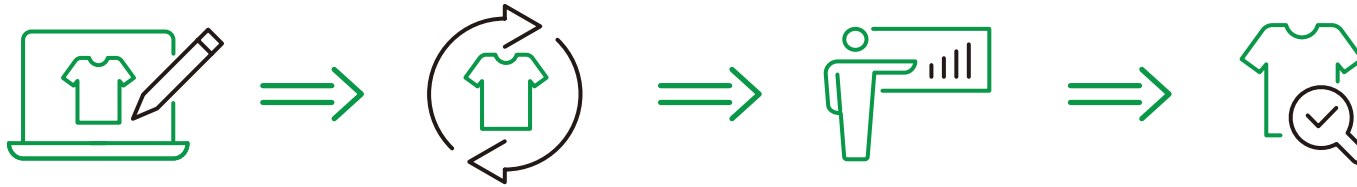


Bodywear



Kids

Production Process



01. Design Phase

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

02. Product Development

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

03. Risk Assessment

Prior to production, our Product Safety team conducts assessments based on internationally recognised norms and our own quality standards. We also evaluate chemicals used in manufacturing. To build their capacity, we help our suppliers establish their own in-house quality control systems, sharing best-practices, guidelines and supporting implementation on site.

04. Quality Assessment

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

Responsible Marketing Guideline

As a responsible company, we believe that our marketing materials reflect our values. To uphold our values of clean, ethical and sustainable, our policies have outlined guidelines and standards of the selection of claims and messages used in our advertisement campaigns. We also aim to celebrate diversity by selecting models who represent various body sizes, skin colours, cultures, ethnicities, and genders, and portraying them in a healthy and appropriate way. We prioritise the health and safety of all our models, adults or children during photo shoots by providing them with nourishing food and maintaining a healthy work / break balance. For our kids campaigns, we adhere to all international and local laws and requirements, ensuring at least one parent is present during shootings and that a representative from ESPRIT is on hand to monitor the process and ensure compliance. We seek expert guidance and rigorously adhere to all international and local regulations and standards for the use of animals in our photo shoots to guarantee proper animal handling and that no animals are harmed during production.

Policy Commitments

ESPRIT is dedicated to ensuring that its policy commitments related to responsible business practices and ESG are effectively communicated to our staff, business partners, and other relevant stakeholders. Staff are informed of the Company's policies through a variety of means, including regular training sessions, Employee Handbook, and other internal communication channels. To ensure all suppliers and business partners are acknowledged and willing to align with our commitments, ESPRIT requires all suppliers to agree to our policies through contractual agreements. In addition, ESPRIT regularly updates ESG-related information and publishes newsletters on our official website. To ensure that potential barriers to communication are identified and addressed, the Company conducts regular assessments of its communication channels and seeks feedback from different stakeholders on their effectiveness. ESPRIT makes every effort to ensure that our policies and communications are accessible and available in languages that are needed.



List of Sustainability Policies:

- Antitrust Policy
- Anti-Corruption Policy
- **Policy on Raw Materials and Animal Welfare**
- **Policy on Protecting Forests through Fabric Choices**
- **Policy on Human Rights**
- **Responsible Exit Policy**
- **Sourcing Policy**
- **Supplier Code of Conduct**
- **Sustainable Materials Policy**
- **Worker Code of Conduct**
- **Whistleblowing Policy**

OUR ESG APPROACH

Board Statement

Governance

The Board of Directors of the Company (the “Board”) oversees ESG strategies, goals and plans to ensure that ESG considerations and strategies, as well as climate-related risks and opportunities, are included in its business operation processes and investments. The Risk Management Committee of the Board and the Company’s internal ESG Taskforce are responsible for sustainability, environmental risks, climate-related risks and opportunities and governance. The Board has delegated day-to-day responsibilities for ESG-related matters to the Sustainability team. The team assists on all ESG related matters, such as but not limited to identifying potential risks on our business model, communicating with suppliers and resolve any issues, staying updated on regulatory requirements, monitoring legislations and due diligence standards, and supervising the Company’s assessment on being a responsible and transparent fashion brand throughout the value chain.

Stakeholder Engagement and Strategies

The Company’s strategy in ESG management is achieved by applying sustainable practices across various departments, making efficient use of resources, and promoting green awareness within the Group. Climate risks are also mitigated through implementing strategies for greenhouse gas reductions. As an international company, we believe in the development and maintenance of sustainable relationships with all stakeholders, internally and externally. We demonstrate this commitment through consistent outreach in the communities where our employees, business partners and customers live and work. Regarding the process, we have adopted to evaluate, prioritise, and manage material ESG-related issues. Please refer to the **“Ongoing Dialogue”** and **“Materiality Assessment”** sections in this Report.

Reviews

Over the years, we have continued to review our environmental performance and implement initiatives to reduce the ecological footprint of our business. In 2023, we pursued multiple environmentally and socially responsible measures to meet growing expectations of our stakeholders on environmental conservation and support towards our sustainability goals. We will continue to collaborate with our employees, customers, suppliers, other business partners to reach the goal of gradually reducing the carbon emissions and energy consumption of the Company. We are proud of the progress made so far but are committed to doing more to build a better and greener shopping experience for our customers. For more details about our governance structure and composition, please refer to the Corporate Information section in the Annual Report.

Transparency

A close relationship to our direct suppliers and sourcing agents is an important aspect to achieve greater supply chain transparency. We have defined the Tiers of our supply chain:



Before embarking on a relationship with any potential new suppliers, we require the disclosure of our direct suppliers' supply chain, going past our place of fabrication and master suppliers (Tier 1) to encompass our wet-processing facilities and other secondary processing facilities (Tier 2) and raw material providers (Tier 3). We map our supply chain and update our supplier list on our website. ESPRIT is also a partner of the Open Apparel Registry ("OAR"). OAR, the open-source map and database for the apparel industry, updates and standardises factory names and addresses against their database to increase transparency and clear identification of facilities.

In 2023, ESPRIT had 384 Tier 1 suppliers and 618 suppliers beyond Tier 1. For details on where our Tier 1 suppliers are located, please refer to the **"Where ESPRIT is Made"** section in this Report.

	FY2023	FY2022
Transparency		
Map and publish our Tier 1 and Tier 2 suppliers every six months (ongoing)	100%	100%
Map and publish key Tier 3 suppliers every six months	24%	33%

Stakeholder Engagement



Employees

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



Business Partners

We carefully select and support our business partners. Over the past several years, we have invested in expanding and improving our Vendor Portal, which is a direct line between ESPRIT and our business partners. This tool streamlines dialogue, allows real-time communication, and ensures that no important information is lost.



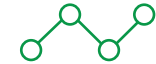
Shareholders

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



Customers

We always welcome our customers' feedback, which they can easily share through our Customer Service department. We also proactively reach out to invite our customers to share their thoughts through our customer surveys.



Civil Society and Industry Initiatives

Our active participation in various multi-stakeholder industry initiatives and organisations enables dialogue with governments and with civil society. Examples of these groups include IndustriALL, Social & Labor Convergence, and ACT on Living Wage.

Strategic Partnerships & Memberships

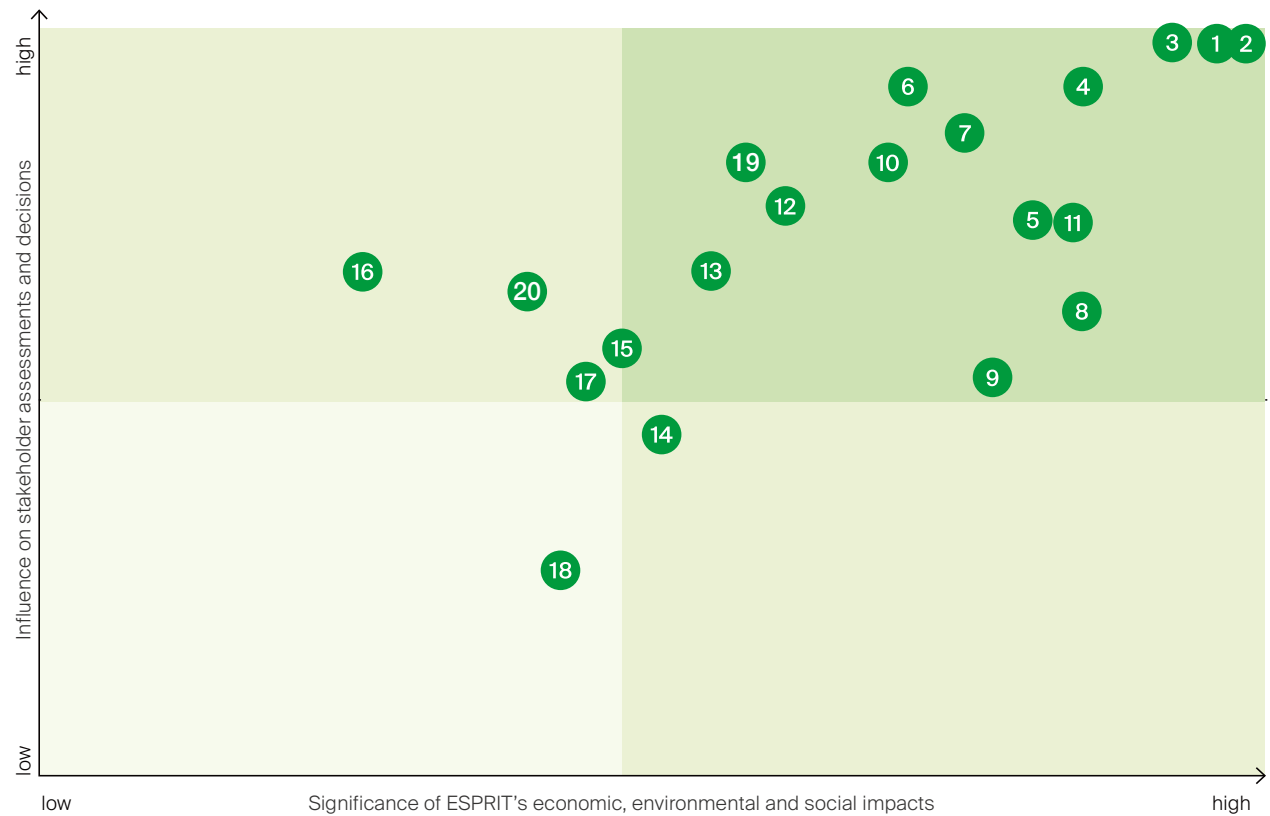


Materiality Assessment

During the Year, we have updated the material topics based on the result of the dialogue with all stakeholder groups from last year and desktop review on the latest ESG market trend. This materiality assessment plots our top priorities, mapping them in terms of our social, environmental, and economic impacts, as well as their relevance to our stakeholders. Based on the result of last year's stakeholder engagement and review from this year, a materiality matrix was plotted.

FY2023 Material Topics

- 1 Business Performance
- 2 Customer Satisfaction
- 3 Responsible Sourcing and Traceability
- 4 Product Safety and Quality#
- 5 Sustainable Materials
- 6 Water and Chemical Management
- 7 Human Rights#
- 8 Biodiversity and Deforestation*
- 9 Animal Welfare
- 10 Climate Change and Carbon Footprint#
- 11 Supplier and Vendor Management
- 12 Diversity, Equality and Inclusion
- 13 Business Ethics and Integrity#
- 14 Remuneration & Employee Benefits*
- 15 Occupational Health and Safety
- 16 Solid Waste
- 17 Responsible Marketing
- 18 Community and employee engagement
- 19 Circularity*
- 20 Data Privacy*



Topics marked with * are material topics newly added to the list this year.
 Topics marked with # are material topics amended or renamed from last year.

GOVERNANCE

Corporate Governance

Corporate governance is a crucial aspect of any company. Corruption and unfair competition are serious issues for any company, as these practices violate competition law. To address these risks, ESPRIT has stringent anti-corruption (“Anti-Corruption Policy”) and antitrust policies (“Antitrust Policy”) in place. To ensure that our employees fully understand our expectations and requirements, and to ensure that they comply with our Anti-Corruption Policy and Antitrust Policy, we conduct regular trainings in high-risk departments and regions on both policies.

ESPRIT recognizes the importance of corporate governance and provides anti-corruption trainings to directors and staff members, ensuring that all employees are aware of their responsibilities and obligations. All directors receive a comprehensive compliance booklet (that includes the Anti-Corruption Policy) and are required to sign an acknowledgement form to confirm their understanding and commitment to compliance. Similarly, staff members receive the ESPRIT code of conduct (“Code of Conduct”) which contains anti-corruption provisions as an attachment to their employment contract and are also required to sign the acknowledgement. In addition, ESPRIT offers compliance trainings are provided for new staff members through classroom sessions in classroom trainings and can also be accessed through the ESPRIT Intranet.

Antitrust

ESPRIT recognises that free and fair competition in the market is a fundamental aspect of commercial activity. We have implemented an Antitrust Policy, that aligns with local antitrust legislations where applicable, to ensure we are in compliance with competition laws. This policy helps us maintain effective competition in the market by prohibiting certain agreements, practices and conduct which could harm competition. Antitrust and competition laws have a significant impact on most aspects of ESPRIT’s everyday business activities, including pricing, promotion and sale of products and services, relationships with suppliers, distributors, dealers, franchisees and competitors. We are committed to the principle of free competition, which requires those in management positions within ESPRIT to be familiar with and compliant with the principles of both national and international competition laws.

Anti-corruption and Extortion

We disapprove of any kind of corruption and extortion and expect our employees and all business partners to clearly denounce corruption and unfair business practices. We have an Anti-Corruption Policy that outlines the expected behaviour of all employees related to integrity and fairness. This policy covers not only corrupt business practices, but also criminal offenses such as bribery, misappropriation, embezzlement, fraud, money laundering, and violations of tax and foreign exchange laws, as well as dealing with political parties, donations, monitoring of compliance and consequences resulting from compliance breaches. Through the combination of our Code of Conduct and the Anti-Corruption Policy, ESPRIT commits to a global anti-corruption programme (“Anti-Corruption Programme”). Its implementation and enforcement are risk-based and tailored to prevent corruption throughout ESPRIT’s business activities, applying to all persons working for or on behalf of ESPRIT. The Anti-Corruption Policy and the effectiveness of the Anti-Corruption Programme are assessed and revised by our Compliance team on a regular basis, suggesting a commitment to monitoring and improvement.

During the Year under review, we were not aware of any material breach of laws and regulations relating to bribery, extortion, fraud, and money laundering.

Grievance Process

We recognize the importance of having a robust grievance process in place to address any issues that may arise within our Company. If sensitive situations arise, we have a Whistleblowing Helpline in place. The Whistleblowing Helpline is available to all ESPRIT employees worldwide, as well as to the employees of our wholesale and franchise partners, suppliers, and other business partners. The Whistleblowing Helpline provides a direct contact with our Compliance department, which provides confidential guidance and help. We follow a strict zero-tolerance approach for non-compliance with our policies. The Whistleblowing Policy outlines the procedures for reporting grievance, preventive measures, and how these measures are implemented and monitored.

In 2023, there was no public legal allegation made against ESPRIT regarding compliance issues, such as corruption and unfair competition or breaches of antitrust law. There have not been any legal cases concluded regarding corrupt practices brought against ESPRIT or its employees during the year.

Protection of Personal Data

We attach great importance to the protection of data privacy of our employees and our customers and strictly observe compliance with the applicable laws and regulations relating to privacy matters, including but not limited to General Data Protection Regulation of European Union ("EU-GDPR").

The protection of personal data of any data subject, e.g. of customers, suppliers and employees is of particular importance to ESPRIT. We process personal data in a lawful, fair manner that is transparent to the data subject. Personal data may be collected or processed only where permitted by law for specific and explicit purposes. This could include obtaining consent from the data subject, fulfilling contractual obligations, serving legitimate interests, or complying with legal requirements. Data protection not only builds trust but also fosters long-lasting relationships. At ESPRIT, data protection is considered a core asset to us.

All newly hired employees at ESPRIT have undergone a general compliance training, which includes an overview of all high-risk policies within our company.

ESPRIT has a data protection management system in place which ensures that the records of processing activities are constantly monitored and updates regarding the privacy policies for our customers and consumers are promptly delivered. These activities are in compliance with the relevant data privacy laws across different jurisdictions. There are several processes implemented for example to detect and report a data protection breach, and to comply with the data subject rights of our customers, suppliers and employees.

Protection of Intellectual Property ("IP") Rights

During the Year, we maintained our trademark portfolio to protect our intellectual property ("IP") rights. Our approach includes monitoring new potentially infringing trademark applications globally through a professional trademark watching service. Upon identifying any potential conflicts, we promptly sent out warning letters and initiated opposition proceedings against such conflicting trademark applications. In addition to monitoring the potentially infringing trademarks application, we initiated court proceedings, including seeking preliminary injunctions and lawsuits against infringers. Further, we conducted trademark searches and filed applications for new trademarks before their actual use. We also offer IP training sessions for our employees.



2

ENVIRONMENT AND PRODUCT RESPONSIBILITY

Material topics addressed in this section:

- Animal Welfare
- Biodiversity and Deforestation
- Circularity
- Climate Change and Carbon Footprint
- Customer Satisfaction
- Product Safety and Quality
- Responsible Sourcing and Traceability
- Solid Waste
- Sustainable Materials
- Water and Chemical Management

OUR APPROACH

Our approach on environment and product responsibility is centred on reducing our carbon footprint and environmental impacts, as well as promoting sustainable practices throughout our supply chain. ESPRIT has implemented a number of initiatives to achieve these goals, such as using recycled materials in our products, reducing energy and water consumption, and promoting cleaner production. The Company also works with suppliers to ensure that they adhere to responsible sourcing practices and avoid using hazardous materials. We strictly comply with all relevant national and international standards, laws and regulations on environmental protection within each country where we operate. Our approach aims to proactively minimise the Company's impact on the environment and promote sustainability in the fashion industry.

Environmental Policies and Commitments

To make our management approach and environmental protection efforts more effective, we have implemented various environmental policies and commitments:



List of environmental policies and commitments

- **Supplier Code of Conduct**
- **Sourcing Policy**
- **Policy on Raw Materials and Animal Welfare**
- **Forest Protection Policy through Fabric Choice**

Environmental Assessment

Environmental Compliance Monitoring in Supply Chain

ESPRIT prioritises environmental compliance in our supply chain. Alongside regulatory requirements, we enforce our **Supplier Code of Conduct** for all suppliers. To monitor their environmental performance and compliance, regular environmental audits were conducted. This approach ensures that our suppliers align with our sustainability goals and promotes responsible practices throughout our supply chain.

Internal audits:

Our audit protocol involves visiting factories to review processes and documents, observe activities, and talk with workers. Since 2021, we have broadened our protocol to include more parameters, such as water use, energy use and carbon footprint.

Environmental Assessment for Leather Tanneries

We have developed special environmental assessments for leather tanneries so that we can be sure they understand how to conduct proper tanning. Our primary focus is to support our suppliers by providing them with best practices during production. In order to facilitate this, we have published a comprehensive guideline in our vendor portal, offering detailed explanations of root causes and preventive measures for potential environmental non-compliance. Additionally, we have developed an audit protocol for our leather suppliers to ensure compliance. It covers various aspects such as sustainability (including environmental management, wastewater and air emissions, and waste reduction), chemical management and production process control. Furthermore, we have introduced an adjusted tannery audit component that specifically examines raw materials, tanning processes, and finishing operations. The objective of these audits is twofold: firstly, to assess the current status of our suppliers, and secondly, to provide a tool for implementing improvement measures through corrective actions.

External audits:

ESPRIT requires our suppliers to demonstrate their environmental compliance and satisfactory environmental performance by completing self-assessments using third-party tools and obtain third-party verification through external audits. Such self-assessments include the Higg Facility Environmental Module (FEM) developed by Sustainable Apparel Coalition (SAC) and the Business Environmental Performance Initiative (BEPI) developed by amfori. These tools standardise how the suppliers can measure and evaluate their environmental performance, and assist them to create a structured pathway to monitor and enhance their performance.

In 2023, 15% of our Tier 1 supplier facilities have completed the Higg FEM assessment; 36% of our key wet-processing mills have been audited based on ESPRIT technical audit protocol.



CLIMATE CHANGE AND CARBON FOOTPRINT

ESPRIT, as an international fashion brand, is acutely aware of the adverse impacts posed by climate change on the environment and society. In line with our commitment to sustainability and long-term success, we are dedicated to mitigating climate-related risks. We recognise the significance of transparent and comprehensive reporting, which is why we are disclosing our climate-related risks and opportunities with reference to the recommendations set forth by the Task Force on Climate-Related Financial Disclosure (“TCFD”). By referencing the TCFD Recommendations for our climate disclosures, ESPRIT aims to provide stakeholders with valuable insights into our climate risk management strategies and demonstrate our proactive approach to addressing the challenges posed by climate change.

Governance

By linking the responsibilities of the Risk Management Committee, the ESG Taskforce, and the Sustainability team, ESPRIT establishes a comprehensive framework for managing climate-related risks. This framework ensures that climate risk, being one of the most significant risks faced by the Company, receives yearly review by the Board. The active monitoring of sustainability strategies and the implementation of necessary changes and updates demonstrate the Board's commitment to addressing these risks effectively. Moreover, the involvement of the Sustainability team in daily ESG-related matters ensures that the Company remains proactive in identifying and managing risks, communicating with stakeholders, and upholding responsible and transparent practices throughout the value chain.

Strategy

As a preliminary assessment, a list of potential climate-related risks and opportunities pertinent to our business operations in Hong Kong, Germany, France, Japan, and the United States, where our headquarters, large warehouse and retail store, and servers for e-commerce are located, has been identified based on desktop research. These climate-related risks and opportunities include:

Risks	Potential impacts
Acute physical risks such as extreme weather events	<ul style="list-style-type: none"> ■ Extreme weather events, such as flooding and storms, may damage stores, equipment, and inventory. Operations may be disrupted, leading to loss of revenue and increase cost for repairs and insurance premiums ■ Extreme weather events can also disrupt supply chains, leading to production delays
Chronic physical risks such as rising temperatures and water stress	<ul style="list-style-type: none"> ■ Water stress could affect the availability, quality, and price of agricultural raw materials such as cotton, which makes up more than 50% of ESPRIT's fibre usage ■ As temperatures rise, higher demand for cooling systems in our operating locations (e.g., offices, stores, and warehouses) will increase operating costs
Transition risks such as policies, legal and market risks	<ul style="list-style-type: none"> ■ Increased costs from more stringent carbon pricing mechanisms. For example: the implementation of Carbon Border Adjustment Mechanism (“CBAM”) for EU countries could lead to an increase in cost when importing products from other countries ■ Consumers are becoming more aware of the impact of their purchases on the environment and are increasing demanding sustainable and ethical products (e.g., sustainable fashion). ESPRIT runs the risk of losing market share and revenue if it fails to meet customer expectations

Opportunities

Possible impacts

Use of low carbon energy sources

- Investment in renewable energy, which is energy derived from natural sources that are replenished at a higher rate than they are consumed, is critical to lowering greenhouse gas (“GHG”) emissions in our value chain, which ultimately reduces our operating cost

Implementing circular business models

- Circular business models create opportunities for ESPRIT to generate new revenue streams while reducing its environmental impact

Risk Management

To enhance our climate resilience, we have developed comprehensive sustainability strategies that encompass different aspects of our value chain, from sourcing and production to retailing. This includes investing in sustainable products and production materials, reducing waste and emissions, and improving supply chain transparency.

ESPRIT effectively manages climate-related risks by implementing mitigation measures such as transitioning to low-carbon shipping and adopting energy management practices, resulting in a reduction of its GHG emissions.

Shipments

As a supply-chain activity, GHG emissions originated from ESPRIT’s shipments fall under our scope 3 emissions. ESPRIT is indirectly responsible for the emissions arising from transportation from suppliers to our warehouse. The global nature of the fashion industry means that some of our products may have journeyed around the world before reaching the hands of our customers. The impact of this global travel includes GHG emissions, but the picture is broader than just this. We aim to understand and reduce the impact of supplier transportation, which may be by sea, truck, air, rail, or combined sea/air, as we weigh different risks, benefits, business needs, and impacts on the environment for each mode of transportation. Trains are our first choice since they are the most efficient way to move large quantities of product for the lowest carbon impact.

By implementing better planning and benefiting from improved global supply chain conditions, we have successfully reduced our reliance on air freight shipments compared to the previous year. Regardless of the transportation mode selected, we make our best efforts to ensure cartons and containers are full, space is efficiently used, and orders are combined wherever possible. This goes a long way to maximise our load efficiency and reduce the carbon footprint of every transport method.

Outbound Shipments

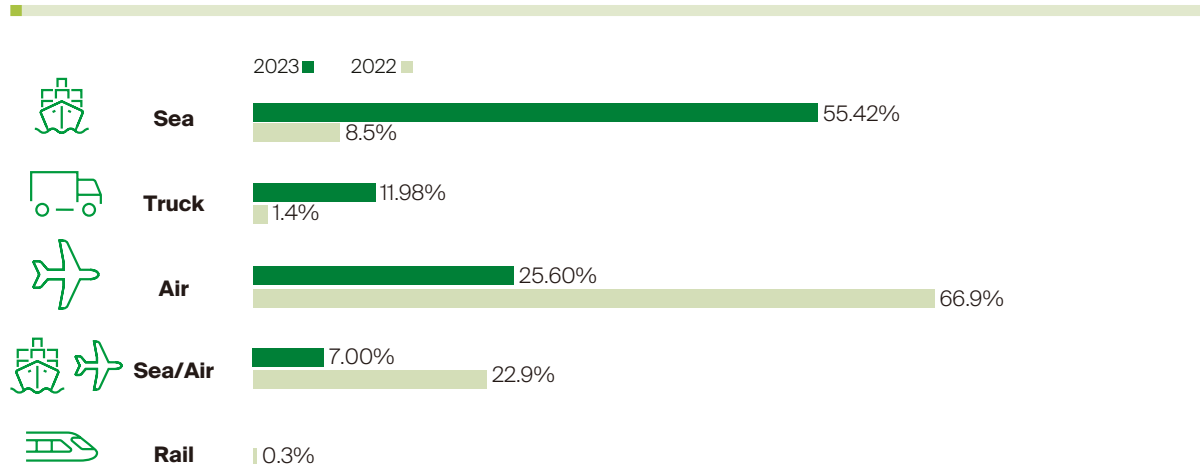
Outbound shipments from ESPRIT’s warehouse to retailers and wholesalers, which account for a small percentage of our emissions, are the second wave of transportation that originates at our distribution centres and ends with our goods arriving at our retail stores or with our wholesale partners. In 2023, we continued to increase the use consolidated truck delivery to our stores and wholesale partners within Europe.

With our significant increase of ocean services in 2023, we continue to benefit through the use of our service providers in the Clean Cargo Working Group (“CCWG”). CCWG is a business-to-business leadership initiative that involves major brands, cargo carriers, and freight forwarders dedicated to reducing the environmental impacts of global goods transportation and promoting responsible shipping.

E-shop Shipments

E-shop shipments involve transporting our products from our warehouse to e-shop customers. We actively seek and prioritise partnerships with providers who are investing in low-carbon delivery.

How We Ship FY2023



Metrics & Target

To manage our carbon footprint, we promote energy efficiency and reduce GHG emissions through different enhancement initiatives, such as the replacement of coal boilers (which generally have high emissions intensities) with more efficient equipment in close collaboration with our suppliers.

Our German warehouse has been certified according to the Building Research Establishment Environmental Assessment Method (BREEAM) standard, which evaluates and scores parameters such as energy and water use, health and well-being, pollution, transport, materials, waste, land use and ecology, management and innovation. We will continue to explore obtaining green building certification for our assets.

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

Energy Consumption

The Company recognises that energy consumption plays a critical role in reducing carbon and air emissions. We continuously monitor our energy consumption and improve our overall energy efficiency. Meanwhile, we will explore opportunity to set quantitative targets in the near future.

Our energy consumption by type are as follows:

Energy consumption from ESPRIT's business operation ¹	'000 kWh
Direct	5,732
Diesel	991
Petrol	707
Piped natural gas ("PNG")	4,034
Indirect	22,537
Purchased electricity	22,265
Purchased steam	272 ²
Intensity	'000 kWh/\$USD million revenue
Energy consumption Intensity	37

¹ The calculation methodology for 2023 has been updated based on the latest available information.

² Data on purchased steam is not yet available for 2023. The purchased steam consumption in 2023 is assumed to be the same as that in 2022.

Carbon Emissions

Scope 1 and 2

We have set the goal of achieving a 30% greenhouse gas ("GHG") emissions reduction by 2030, using FY17/18 as baseline.

Scope 3

A large part of our emissions emerges during the production of our products. In order to find the right answers to defend the climate change, we have worked closely with our suppliers to gather data on the emissions in our supply chain. Having a precise database is important to identify the largest problems and emissions and work directly with suppliers to find sustainable alternatives and work on reductions. During the Year, we have managed to expand the scope for mapping the emissions in the facilities where our products are made.

Target: Reduce greenhouse gas emissions (GHG) by 30%

- **Baseline FY17/18: 40,803 t CO₂e**
- **Progress calculation only takes into account by the scope considered in FY17/18**

To calculate our scope 3 emission in ESPRIT, we have obtained information from our garment vendors on their energy usage, water & wastewater consumption, and the amount of waste. Our target is to further enlarge the mapping scope and cover the full range of facilities. Regarding data quality, we plan to refine the mapping process in order to get a clearer picture of the portions of renewable energy (such as, e.g. biomass or solar power) that is used in our supply chain.

Carbon Footprint of Our Garment Vendors by Sources



SCOPE 1

Covers all direct GHG emissions originated from ESPRIT's own operations, such as gas combustion for heating or fuel consumption of vehicles.

ESPRIT's Sources of Scope 1 Emissions

- Retail stores
- Local offices/showrooms
- Fleet vehicles



SCOPE 2

Covers all indirect GHG emissions from the generation of purchased electricity consumed by ESPRIT.

ESPRIT's Sources of Scope 2 Emissions

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



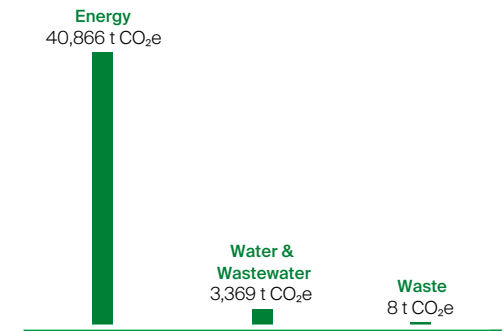
SCOPE 3

Covers all other indirect GHG emissions from ESPRIT's value chain.

ESPRIT's Sources of Scope 3 Emissions

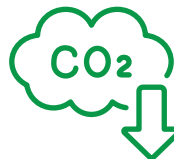
- Vendors' energy consumption
- Vendors' water and wastewater
- Vendors' waste generation

Carbon Footprint of Our Garment Vendors by Sources⁴



GHG Emissions Performance Data

	2023 ¹	2022
Total Emissions	50,910	321,732
Scope 1 Emissions (t CO ₂ e)	1,286 ²	1,323
Scope 2 Emissions (t CO ₂ e)	5,382 ³	2,806
Scope 3 Emissions (t CO ₂ e)	44,242 ⁴	317,603



¹ The GHG calculation methodology for 2023 has been updated based on the latest available information.

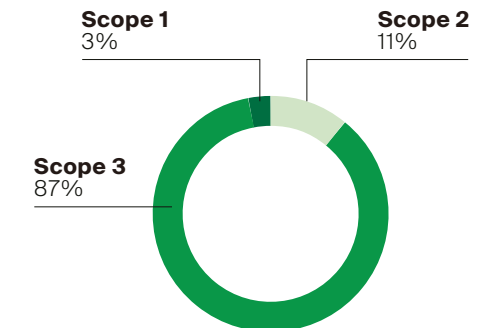
² Emission factors for scope 1 emissions have been made reference to *2006 IPCC Guidelines for National Greenhouse Gas (2019 Refinement)*.

³ Emission factors for scope 2 emissions have been made reference to the *Association of Issuing Bodies (AIB) 2022 and HK Electric Investments Sustainability Report 2023*.

⁴ The scope 3 emission data were based on data collected from 36 Tier 1 garment vendors and places of production, which contributed to 80.35% of our total business volume. The significant decrease in scope 3 emissions in 2023 compared to 2022 is due to:

- a decrease in production volume by 40% in 2023 compared to 2022;
- decreased vendor data coverage due a limited data availability on vendors with energy-intensive manufacturing processes; and
- changes in calculation methodology.

2023 GHG Emissions by Scope



EMBRACING CIRCULARITY

Embracing Circularity

Since 2018, circularity has been the guiding principle behind ESPRIT's strategy. We continuously make progress every year, striving to provide all employees with proper trainings on a regular basis.

Design Smart

Looking beyond the current “take, make and dispose” extractive industrial model, ESPRIT aligns our environmental management approach with the circularity concept. This encompasses several key aspects. These include how the Company designs and creates products, the choice of materials and the reasons behind those choice, the management of natural resources, the value placed on human resources, the education and empowerment of consumers, and the responsible and effective use of ESPRIT products for as long as possible in their most valuable form. Ultimately, the goal is for the products to return safely to the biosphere.

For more details on our use of sustainable raw material, please refer to the “Sustainable Materials” section in this Report.

Product Responsibility

For ESPRIT to achieve circularity, it is essential to responsibly manage and ensure the safe utilisation of all production inputs, including chemicals, while also exercising control over all production outputs and emissions, such as GHG emissions, wastewater and waste, and eventually, the final product itself.

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

For more details on use of raw material, water and chemicals, and outputs of GHG emissions, wastewater and waste, please refer to the “Sustainable Materials”, “Water and Chemical Management”, “Carbon Emissions” and “Waste Management” sections in this Report.



Ship and Sell Sustainably

In our efforts to achieve circularity, we are actively exploring ways to minimise and effectively manage the waste generated within our own operations. We operate warehouses in Europe and the Asia-Pacific region, which have a direct impact on our carbon footprint due to their role in supporting sales and distribution of our products. Logistic services for our outbound and e-shop shipments are provided by external parties, thus contributes to our Scope 3 GHG emissions.

For more details on our strategies on shipment and packaging to reduce our own environmental impacts, please refer to the “Shipments” and “Packaging Materials” sections in this Report.

Extend Product Life

Living our circular fashion philosophy means continuously thinking about ways to extend the useful life of each product and approaching that question from multiple angles. One example is our work to identify and optimise the quality of over 70 of our core, high-volume fabrics. While designing with quality and durability in mind is certainly part of this process, another equally important aspect is engaging and educating our customers on their role in taking care of their garments.

Care

To adhere to our circular fashion philosophy, we consistently explore various approaches to prolong the lifetime of our products. This involves not just designing with high quality and durability in mind, but also educating our customers about garment care. We are committed to providing our customers with support services for garment care and repair, as well as educating them on their responsibility in preserving their clothes. Our shops are dedicated to offering these services to ensure that our customers can enjoy their purchases for as long as possible.

Our Care Guidelines

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

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

Clevercare

We align our care labels with Clevercare to provide sustainable washing instructions. Links are available on each garment. This has been in place since 2016 and is part of our strategy to educate our customers on their role in supporting a more sustainable fashion system. Clevercare provides information about more sustainable washing, drying and ironing of garments. Small actions, such as reducing washing temperature to minimise on overall energy consumption, can have a positive impact on the environment.

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



Repair

We aim to inspire our customers to extend the life of their garments, and part of our approach has been simplifying the process of garment repairs.

Reuse and Recycle

Our commitment to a circular fashion economy has inspired an intense focus on reuse and recycling. Our 2023 goals range from educating our product and design teams to incorporating post-consumer recycled material into our products whenever possible.

Outlet and Resale

Any garments that are not sold through our retail and e-commerce channels within the expected timeframe are moved to one of our 10 outlets across Europe, where they are usually sold out completely.

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

Closing the Production Loop

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

What We Do with Unsold Garments

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

Do We Destroy Garments?

Customer safety is our highest priority. A garment is only destroyed if customer safety cannot be guaranteed; for example, a supplier has applied a restricted chemical that we do not permit. These situations occur very rarely since we work closely with our suppliers to monitor and manage chemical use. If destruction must occur, products are destroyed under strict third-party supervision and in accordance with ESPRIT environmental directives.

WASTE MANAGEMENT

It is our goal to have a positive impact on our planet by closing the loop, which includes responsible selection and safe use of all production inputs, we work to diminish the waste generated by our products including chemicals and packaging material.

Chemical Waste

We continue to apply our learnings to the broader goal of eliminating the discharge of hazardous chemicals, and we will continue monitoring our suppliers with our audit protocol. During textile production, especially in the dyeing and printing process, hazardous waste as sludge is generated. As ESPRIT does not have its own production, the hazardous waste is often generated by our suppliers. This year, we generated 54.8 tonnes of hazardous waste. Meanwhile, we also recorded the amount of general waste, and we produced 2,226.1 tonnes of general waste. We currently do not have a quantitative emission target or reduction target for hazardous consumption. However, we will continue to apply our best efforts to minimise the discharge of hazardous chemicals as much as possible.

Packaging Materials

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

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

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

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

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

During the Year, we sold 21 million pieces of garments, shoes, accessories and licensed products to our consumers via our 4 channels: wholesale, e-commerce, own retail stores and licensing.

In order to protect the goods from damage or dirt during transportation, we used 654 tonnes of paper and cardboard, and 128 tonnes of polybag and hanger material for product packaging. The total packaging material used for finished products is 782 tonnes per unit produced during the Year.

Green Canteen

Our corporate approach to sustainability is mirrored in our canteen. Our commitment to circularity is demonstrated in our zero-food-waste approach to menu planning: leftovers are incorporated into new recipes.

We are proud of our efforts over the years to become a plastic-free canteen. We have prioritised family-style serving to minimise both food waste and plastic waste. Food waste that is not eaten enters a composting stream.

WATER AND CHEMICAL MANAGEMENT

Water

Challenges posed by climate change are placing ever-increasing stress on water resources globally, which places our business and value chain at significant risk of water scarcity. In light of this, we are constantly in search for opportunities to enhance water management and conservation.

In 2023, a total of 1.03 billion litres of water were used in our supply chain, with a corresponding water intensity of 1.37 litres/\$USD revenue. To reduce our freshwater demand, we use reclaimed and recycled water in our product production processes. Our aim is to intensify the usage of reclaimed and recycled water in order to protect the natural resources of ground and surface water, whereas not overuses the available municipal water and freshwater, which are very valuable to the local population.

ESPRIT currently does not have an efficiency target for water consumption. Due to changing supply chain partners, especially on Tier 2 level (fabric) and a lower visibility, it is very challenging to set targets. However, we acknowledge the responsibility and will explore opportunity to set clear targets in the near future.

Wastewater

Wastewater testing is a critical part of our process for supporting the health and safety of workers and community members in and around our wet processing facilities. We provide clear expectations on chemical use and wastewater treatment, as well as tools to help our partners meet our expectations on this complex topic.

We have adopted the Zero Discharge of Hazardous Chemicals (ZDHC) Wastewater Guidelines since February 2016. Working in tandem with the **ZDHC Manufacturing Restricted Substances List**, the ZDHC Wastewater Guidelines and testing protocols are in place to ensure the water leaving each wet processing factory meets our requirements and is safe for the environment and the community. Key wet-processing facilities producing ESPRIT garments must have their wastewater tested according to the ZDHC Wastewater Guidelines, and they must upload their results to the publicly available **Institute of Public & Environmental Affairs (IPE) website**.

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

100% of our Tier 1 supplier facilities have complied with wastewater discharge permits and requirements under local regulation and our Supplier Code of Conduct.

Chemical Management

Our customers appreciate the attention that goes into designing and selecting our rich and beautiful colour palettes and prints. Unfortunately, dyeing and finishing processes can be resource intensive. Therefore, our Environmental Sustainability team works with our supply chain partners to measure and improve chemical management for processes, such as dyeing and leather tanning.

Sustainable Dyes

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

- Dyes derived from non-petroleum based materials, but from sustainable alternatives, such as waste or leftover food
- Less water and less energy use during dyeing process, due to improved recipes, allowing less washing and dyeing at lower temperatures
- Conformance with ZDHC Manufacturing Restricted Substances List (MRSL)



We are PFC-free

In 2014 ESPRIT eliminated the use of poly- and perfluorinated carbons (PFCs) from the manufacturing process of our water-repellent products.

PFC-chemistry is hazardous for the environment, animals, and humans. Instead, we now use PFC-free alternatives that allow our water-repellent products to meet the high-quality expectations of our customers while also respecting the environment and the health of workers.

Detox

In 2012, we signed the **Greenpeace Detox Commitment**, starting our effort to phase out 11 groups of hazardous chemicals from our supply chain by 2020. To achieve “zero discharge of hazardous chemicals by 2020” we launched a major Detox programme within our supply chain. The programme is based on building awareness and knowledge among our wet processing suppliers about chemical and environmental management, process control and wastewater testing.

Clean Production

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

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

We also monitor the findings, recommendations, and demands of other stakeholders including civil society and research institutes, as well as our customers. We are also active members of several collaborative industries and multi-stakeholder initiatives that address issues related to chemical management and best practices, including the ZDHC Group, and the German Partnership for Sustainable Textiles.



RSLs and MRSLs

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

1. RSL

Our RSL covers the international chemical requirements (and, where applicable, our own stricter standards) that all final ESPRIT products and packaging must meet. This list intends to protect the health and safety of our customers.

2. MRSL

Our MRSL identifies hazardous chemicals or formulations that must not be used during the manufacture of ESPRIT products, regardless of whether these chemicals can be detected in the final garments. This list addresses the workers in our supply chain, and their local environment.

BIODIVERSITY AND FOREST PROTECTION

ESPRIT places a strong emphasis on biodiversity and forest protection, recognising the critical role we play in maintaining ecological balance and supporting sustainable practices. We are dedicated to safeguarding natural ecosystems and preserving the planet's rich biodiversity for future generations. Since 2016, ESPRIT has implemented the **Policy on Forest Protection through Fabric Choice**, aiming at protecting forests, which are essential habitats for wildlife, through mindful fabric choices. We have been implementing initiatives to address the nature-related challenges throughout our procurement process and our supply chain.

Biodiversity Protection Our Commitment

ESPRIT recognises the vital importance of protecting biodiversity. As a fashion brand, we acknowledge the strong reliance of our industry on biodiversity for sourcing natural raw materials used in fabrics and packaging. However, we are also aware that the fashion industry's activities can have a significant impact on ecosystems, often resulting in direct or indirect harm. With this understanding, we are deeply committed to taking proactive measures to safeguard biodiversity and minimise our ecological footprint.

Conservation of Endangered Wildlife Species in Leather Sourcing

At our Company, we prioritise the conservation of endangered wildlife species. To uphold this commitment, we have specific requirements regarding the sourcing of our leather. We require our leather to be a by-product of the food industry and we do not source leather from endangered or threatened species that appear on lists from the International Union for the Conservation of Nature or the Convention of International Trade in Endangered Species of Wild Fauna and Flora.

Member of Responsible Leather Initiative

ESPRIT has demonstrated its commitment to protecting biodiversity by actively participating in initiatives that promote responsible practices within the leather industry. Since its founding in 2017 by Textile Exchange, we have been proud members of the Responsible Leather Initiative. Through this platform, we address a range of critical issues prevalent in the global leather supply chain, including animal welfare, social and labour concerns, and deforestation. Additionally, as of August 2021, ESPRIT has become a member of the Leather Working Group (LWG). This membership ensures that our leather products support responsible manufacturing practices as defined by the LWG. By actively engaging in these initiatives, we strive to contribute to the preservation of biodiversity and the sustainable development of the leather industry.

Biodiversity Protection through Organic Cotton Cultivation Practices

ESPRIT's active participation in the Organic Cotton Accelerator (OCA) initiative demonstrates its commitment to supporting biodiversity. By promoting organic cotton cultivation, ESPRIT contributes to preserving soil health, ecosystems, and the overall well-being of individuals involved in cotton production. Organic farming methods, free from synthetic chemical pesticides and fertilisers, minimise the negative impact on biodiversity by allowing natural systems and cycles to thrive.

Through prioritising in-conversion projects, ESPRIT assists conventional cotton farmers in transitioning to certified organic cotton production. This approach encourages sustainable farming practices that are beneficial for biodiversity. As farmers adopt organic methods, they reduce their reliance on harmful chemicals and embrace environmentally friendly approaches that protect ecosystems and wildlife habitats.

The partnership between ESPRIT and OCA is instrumental in driving positive change within the cotton industry. ESPRIT's support goes beyond financial contributions, as they provide farmers with procurement support, premium payments, and valuable training and development opportunities. These initiatives empower farmers to adopt best practices in organic farming, further enhancing biodiversity conservation efforts.

By actively engaging in the OCA initiative, ESPRIT sets an example for the fashion industry, highlighting the importance of biodiversity preservation and sustainable practices. Through their collective efforts, ESPRIT and OCA contribute to fostering a more environmentally conscious and biodiversity-friendly cotton industry.

Biodiversity Protection in Food Sourcing for our Canteen

At ESPRIT, we extend our commitment to sustainability beyond our core operations. Our canteen plays a crucial role in promoting responsible choices and supporting biodiversity protection. In alignment with our sustainability principles, our canteen offers a range of options that prioritise biodiversity protection. This includes transparently presenting our employees with healthy choices, locally produced and seasonal dishes, and sustainable sourcing practices. 85% of our products is certified organic and 90% of our products are sourced locally.

To further support biodiversity protection and promote sustainable diets, we introduced new menu lines in early 2020, including vegan, vegetarian, and meat options. Whenever possible, we prioritise organic food. Our meat is sourced from animals raised according to best practices in animal husbandry, ensuring their well-being and the preservation of species-specific requirements. When it comes to seafood, we are committed to sustainable fishing practices. Our fish is either wild-caught or certified by the Marine Stewardship Council (MSC), guaranteeing that it meets rigorous standards for sustainable fishing.

In addition to promoting biodiversity through our food choices, we also prioritise organic fruit, vegetables, and dairy products. Furthermore, we proudly serve Fairtrade Certified items, contributing to the protection of ecosystems and the well-being of local communities involved in the production process.

Forest Protection Our commitment

ESPRIT is deeply committed to avoiding deforestation and addressing the significant impact it has on the fashion industry. Deforestation, which involves the widespread clearing of forests due to human activities, is a critical concern for us, particularly because it directly affects the sourcing of materials such as wood-based fibres and leather. As essential components in the production of clothing and accessories, these materials play a crucial role in our industry. Recognising the environmental consequences and social implications of deforestation, we strive to take proactive measures to ensure that our sourcing practices align with responsible and sustainable principles. By actively seeking alternatives, supporting initiatives that promote responsible forestry practices, and engaging with suppliers who share our commitment to avoiding deforestation, ESPRIT aims to contribute to the preservation of forests, thus promoting a more sustainable future for the fashion industry.

Protecting Ancient Forests and Endangered Species Habitat

To protect the world's remaining ancient and endangered forests, ESPRIT has:

- Collaborated with Canopy and our suppliers to protect ancient and endangered forests in North America's Vancouver Island and Great Bear Rainforest, Canada's Boreal Forests, and Indonesia's Rainforests.
- Worked with our suppliers to change practices to avoid any of fibres sourcing from endangered species habitats.
- Assessed our existing use of cellulose-sourced fabrics and worked with our suppliers to eliminate sourcing fabrics made of dissolving pulp from endangered species habitat and ancient and endangered forests areas such as the Canadian and Russian Boreal Forests; Coastal Temperate Rainforests; tropical forests and peatlands of Indonesia, the Amazon and West Africa.
- Eliminated sourcing fabric made with dissolving pulp from suppliers engaged in illegal logging, tree plantations established after 1994 through the conversion or simplification of natural forests, areas in violation of indigenous people's rights, or other controversial sources.

Forest Certification for Fabrics

Acknowledging the need for a transition period to fully implement our commitments, ESPRIT will, in the meantime, request that all fabric sourced from forests be obtained from responsibly managed forests. These forests should be certified under the Forest Stewardship Council (FSC) certification system. Additionally, ESPRIT recognises the importance of FSC certified plantations as a part of the solution and encourages their inclusion in the sourcing process.

SUSTAINABLE MATERIALS

ESPRIT holds a long-standing commitment to sustainability and is working to develop cutting-edge materials that set new standards in terms of environmental practices.

- Journey: We recently cut down its calendar from 13 to 4-in-season drops per year and committed to exploring new materials to create a less environmentally impactful production process for all mainline products from 2024.
- Future: We are exploring bio-based materials and R&D workstreams to ultimately improve the quality of products on offer and reduce waste to the planet.



Our Commitments

The fashion industry is dependent on materials for product creation and we recognise the corporate responsibility to ensuring that sourcing of raw materials used in our products is obtained in the most responsible way, always considering social and environmental impacts during the sourcing process. We are committed to using more sustainable materials in a manner that has positive environmental and social impacts, improves animal welfare, and enhancing the traceability of our raw materials. To reduce our environmental impact, we aim for fibres and materials that are recyclable or regenerative to the environment. In 2023, fabric material from sustainable sources accounted for approximately 55% and the Company is aiming to maintain usage of sustainable fibres of 60% by 2030. Read more about how we define more sustainably sourced for different materials in our Policy on Raw Materials and Animal Welfare.

We prioritise work on the materials we use the most or that have the greatest potential environmental or social impact. For all materials, our Sourcing Policy guides our approach, with which all of our suppliers are expected to align. We also work with supply chain partners to improve traceability and transparency.

Sourcing Policy

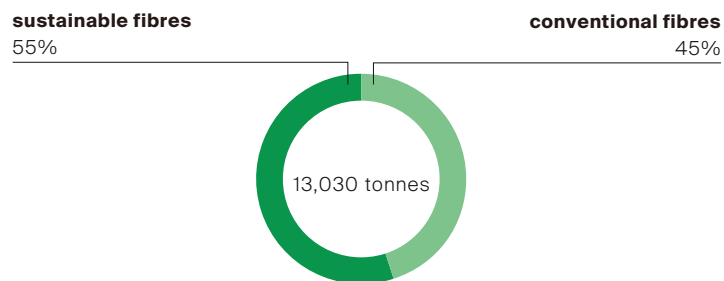
As we do not own any production facilities, we take particular care to choose the right partners, and to ensure that our choices contribute to the fashion industry's role as a powerful source of economic development and financial independence for workers. In support of this goal, our **Sourcing Policy** sets forth our expectations of suppliers related to transparency, legal compliance, waste, greenhouse gas emissions, water, and chemical management, as well as our minimum requirements.

Sustainable Products

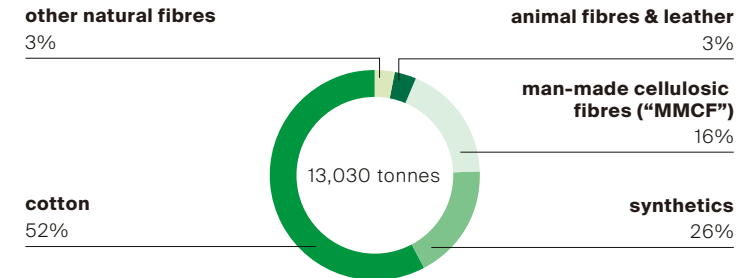
Our products are the centre of our business. Consequently, smart design is crucial as we shift towards a circular model. This includes material selection, where we aim for fibres and materials that are recyclable or regenerative to the environment. It also means designing products that are durable in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

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

Share of Fibres in Our Products in FY2023



Fibre Share



Better Processes

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

Chemical Risk Management System

ESPRIT has a comprehensive list of forbidden chemicals in its vendor portal which is accessible by its partnering suppliers. During the onboarding process of new suppliers, they are required to study the vendor portal including the list of forbidden chemicals and to follow general risk management processes.

ESPRIT’s **RSL** is constantly updated according to new legislations from various market around the world. Any new chemical bans will be communicated via the news section within the vendor portal therefore all suppliers are informed simultaneously. ESPRIT’s nominated test laboratories are also aware of our **RSL**.

ESPRIT's Critical Raw Materials

ESPRIT's priority and critical raw materials include cotton, synthetics, MMCF, animal fibres and leather. These materials are carefully selected and sourced to ensure that they meet relevant laws and regulations related to raw materials.

Amount of each priority raw material that is certified to a third party environmental or social standard

Fibre Share	Purchased	Certified
cotton	6,763 tonnes	5,078 tonnes
other natural fibres	381 tonnes	0 tonnes
synthetics	3,388 tonnes	1,299 tonnes
MMCF	2,111 tonnes	668 tonnes
animal fibres & leather	373 tonnes	50 tonnes

Cotton

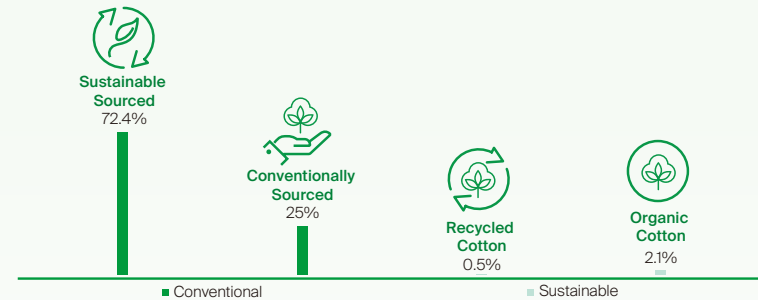
Cotton makes up more than half of the Company's total fibre usage. Of this cotton, 2.1% is organically grown. Another 73% is sourced through programs aiming for more sustainability in the cotton farming. ESPRIT also aims to fulfil its circularity commitment by incorporating and increasing the use of recycled cotton. The biggest challenge for recycled cotton is the limited availability and the lower level of quality due to a shorter staple fibre. Although the Company foresees quality improvement of recycled cotton in the future, the percentage of recycled cotton available in the market is still comparatively low.

Facts

Organic Cotton

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

Cotton Share



Recycled Cotton

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

Cotton in Conversion

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



Esprit Joins OCA

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

Man-made Cellulosic Fibres

In May 2018, we committed to the Roadmap Towards Responsible Viscose as outlined by the Changing Markets Foundation. We defined steps to further promote and improve the sustainable production of viscose and modal fibres. Our goal with this commitment is two-fold. First, we want to push the wider industry to adopt a closed-loop manufacturing process to

minimise the use of harmful chemicals. Second, we want to promote transparency by mapping the viscose and modal supply chain down to the raw material level. In order to responsibly source cellulosic fabrics, the cellulose needs to come from properly managed forests, as opposed to endangered or old-growth forests. In September of 2015, we first partnered with the environmental non-profit organisation Canopy through the CanopyStyle initiative to ensure that our cellulose fibres are not sourced from at-risk or old-growth forests. Our goal is to only use preferred man-made cellulosic from 2023, such as those profiled here.

Facts

TENCEL™ Lyocell

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

LENZING™ ECOVERO™

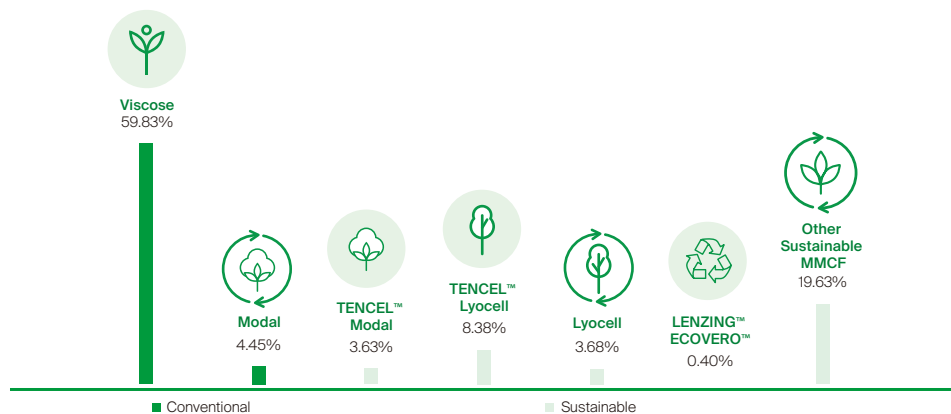
- LENZING™ ECOVERO™ viscose has up to a 50% smaller footprint in terms of emissions and water use compared to generic viscose
- Cellulose feedstock is sourced from trees that were grown in certified, responsibly managed forests
- LENZING™ ECOVERO™ fibres are certified with the EU Ecolabel
- LENZING™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



LYOCELL

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

Man-made Cellulosic Fibre Share



Synthetics

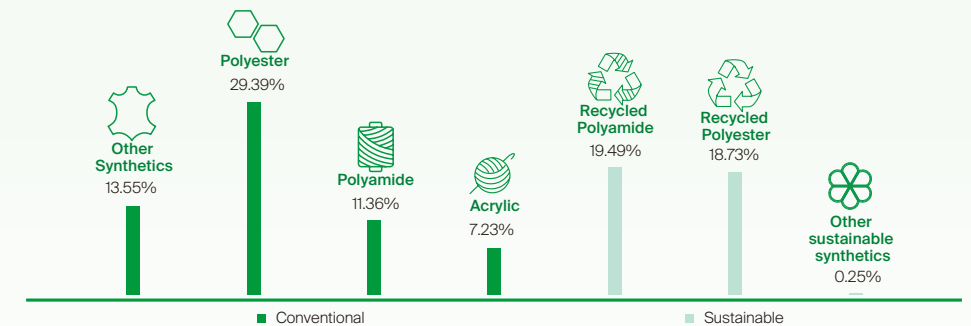
Polyester, polyamide and acrylic are the most commonly used synthetic fibres in ESPRIT products. Synthetic fibres have the advantages of being quick drying, and ideal for very cold and for very warm conditions. However, these fibres are usually derived from petroleum, which is not a renewable resource.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

Facts

Recycled Synthetics

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

Synthetic Fibre Share



Linen & Hemp

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

Facts

Linen

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

Hemp

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

Animal-derived Fibres and Animal Welfare

ESPRIT cares about treating animals the right way. Therefore, we have developed our **Policy on Raw materials and Animal Welfare**: All products derived from animals must be produced in accordance with our Code of Conduct and the Five Freedoms of the Farm Animal Welfare Committees (FAWC).



Five Freedoms

1. Freedom from Hunger and Thirst
2. Freedom from Discomfort
3. Freedom from Pain, Injury or Disease
4. Freedom to Express Normal Behaviour
5. Freedom from Fear and Distress

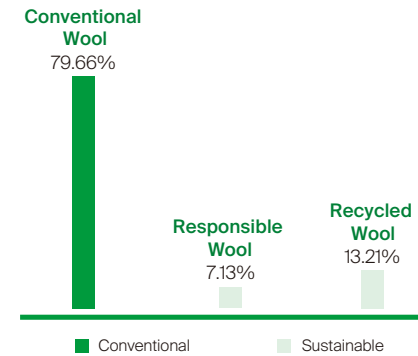


Fibre Bans

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

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

Wool



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

The welfare of the sheep that provides the wool for our products is something we take seriously, so we worked with Textile Exchange to help create the Responsible Wool Standard. This industry standard seeks to ensure that the sheep in our supply chain are treated in accordance with the Five Freedoms of the Farm Animal Welfare Committee, and it safeguards grazing land. In 2017, we funded the Responsible Wool Standard Kickstarter programme to speed implementation of this standard.

Facts

Responsible Wool

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

Recycled Wool

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

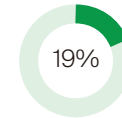


No Mulesing

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



Leather



19% of our leather is chrome-free tanned

For any leather we use for our products, each hide or skin must be traceable to its country of origin. We have been a member of the Responsible Leather Initiative since its 2017 founded by Textile Exchange, and we use this platform to address the issues found within the global leather supply chain, including animal welfare concerns, social and labour issues, and deforestation. Esprit is a member of the Leather Working Group (LWG) since August 2021. Therefore, our leather products support responsible manufacturing via the LWG.

Leather Tanning

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

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

Leather-free and Down-free Vegan Options

While the percentage of animal-derived materials we use throughout our collections is quite small, we recognise that some of our customers are intentionally seeking products that align with a vegan perspective. We have responded with a collection of vegan shoes, and we are offering vegan jackets, without feather and down fillers, in Europe.

PRODUCT SAFETY AND QUALITY

Product Safety and Quality

Safe Products

Our **RSL** is the backbone of our product safety process. To monitor compliance with our **RSL**, we employ a testing process based on REACH Regulation, which is the European Union regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals, as well as applicable national legislation in ESPRIT's sales markets. We are a member of Apparel and Footwear International RSL Management (AFIRM) Group, an industry body dedicated to maintaining the highest standards for implementing chemical restrictions. Members exchange on the latest testing methods and, by involving the chemical industry, work together to increase the demand for more sustainable chemical alternatives. As we comply with the AFIRM RSL, we can ensure that we are following the regulations in different chemical limits.

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

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

ESPRIT complies with all the laws and regulations relating to health and safety matters relating to our products.

How We Ensure Safe Products and Quality

Our goal is to create safe, long-lasting and high-quality products that our customers will love for years to come. Each item must pass through multiple chemical and mechanical tests by independent and certified testing institutes, as well as internal reviews to ensure it meets our safety and quality requirements. ESPRIT has a Product Safety department which takes care of the fabric quality in terms of physical and chemical parameters. Especially on the chemical parameters we follow all the legislation requirements, such as REACH. All our products are tested before sales on risky chemical parameters. With this precautionary approach, we want to ensure our products are safe and high-quality.

How we handle Complaint and Recall

Our customers' feedback is the most important feedback we get. We take our customer requests seriously, and follow-up on every comment we receive, whether it is feedback on our quality, or opinions we receive via our e-shop. In FY2023, we shipped more than 21 million pieces of products, while not a single product sold, has been recalled for safety and health reasons. 45,511 products and 68,267 logistics- and delivery- related complaints have been recorded. All complaints have been solved by product inspection, product exchange or communication. There were no further complaints leading to a product recall.

To ensure customer complaints are responded and handled rapidly and appropriately, we have developed procedures and guidelines. Our Complaint Manager and textile expert review the customers' feedback and follow up on every request during the weekly meeting. We will analyse data and compile feedback into a report which is then sent to our Product Safety Management and Quality Assurance teams. Besides, the Customer Service department will review the customer service ratings and feedback from the previous weeks. This information enables us to see where we can improve our products in the future and helps us ensure high quality as we create new items our customers will love.

Furthermore, our customer service tool recognises written escalations and automatically forwards them to the Complaint Management. Investigation of complaints are completed by dedicated staff directly or in cooperation with the stores/wholesale or the responsible manager at ESPRIT within a reasonable timescale, and they will ensure customer engagement throughout the whole process.

In case of a recall, our Customer Service department would request product samples from our logistic centre. The product samples are sent to a laboratory for examination. If the suspicion is confirmed, a recall is initiated. In terms of a licensed article, the respective license partner is

consolidated and a test report is requested. Besides, the stock of that product is immediately taken offline and any potential open order is cancelled. Customers who have bought the affected product will also be identified via the ESPRIT E-commerce team. Those who have purchased directly from ESPRIT will be asked to return the item free of charge for a full refund. In case of marketplace purchase, the marketplace will receive all necessary information to contact the customers themselves. Our customers grant full transparency about the reason of order cancellation and associated risks. Prior to that step, an appropriate reply is formulated in collaboration with the Customer Service, Legal, Product and Sales departments at ESPRIT.



On-site Check

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

Testing Integrated with Manufacturing

Throughout product Development, Sampling, and Production, our Product Safety Management and Local Quality Assurance teams are working with our suppliers and overseeing quality and testing. All ESPRIT products are tested by independent and certified laboratories before leaving the factory as described before.



HQ review

Our Sustainability & Product Safety Managers review the test reports and advise our suppliers about improvements if they are needed.

Distribution

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

Incoming Goods Quality Check

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



Customer Feedback

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

3

SUPPLIER AND VENDOR MANAGEMENT

Material topics addressed in this section:

- Human Rights
- Occupational Health and Safety
- Supplier and Vendor Management



OUR APPROACH

At ESPRIT, responsible production encompasses a number of behaviours, processes, and policies that govern how we select and work with our partners. We build up long-term and close relationships with a stable portfolio of suppliers so that we can grow and work together towards a more environmentally friendly, sustainable and circular fashion industry. This relationship also helps us to get support when needed, and allows us access to our partners' operations, understand their philosophy, and assess their ability to meet our strict requirements.

Supply chain management is crucial to our industry. To effectively and efficiently manage our supply chain, we have established various policies. Our **Policy on Human Rights** and **Supplier Code of Conduct** outline all our social standards and commitments such as employment practices and health and safety practices. We require all our suppliers to be aware of and expect their compliance with our expectations through appropriate contractual arrangements. Our contractual workers are mainly responsible for garment production. To protect their rights, we also issued the **Worker Code of Conduct**, which is specific to ensuring human rights, worker's employment rights, and environmental sustainability.

We are proud to announce our membership in the Partnership for Sustainable Textiles (PST), a multi-stakeholder initiative committed to driving sustainable practices in the textile industry. By joining this esteemed partnership, we are demonstrating our dedication to fostering supply chain transparency, social and human rights, and environmental stewardship throughout our supply chain. Our contribution to the PST and our measures undertaken to achieve PST's objectives are reviewed and published by PST on a regularly basis. Through collaboration and shared knowledge, we aim to contribute to the collective efforts in creating a more sustainable and ethical future for the textile sector.

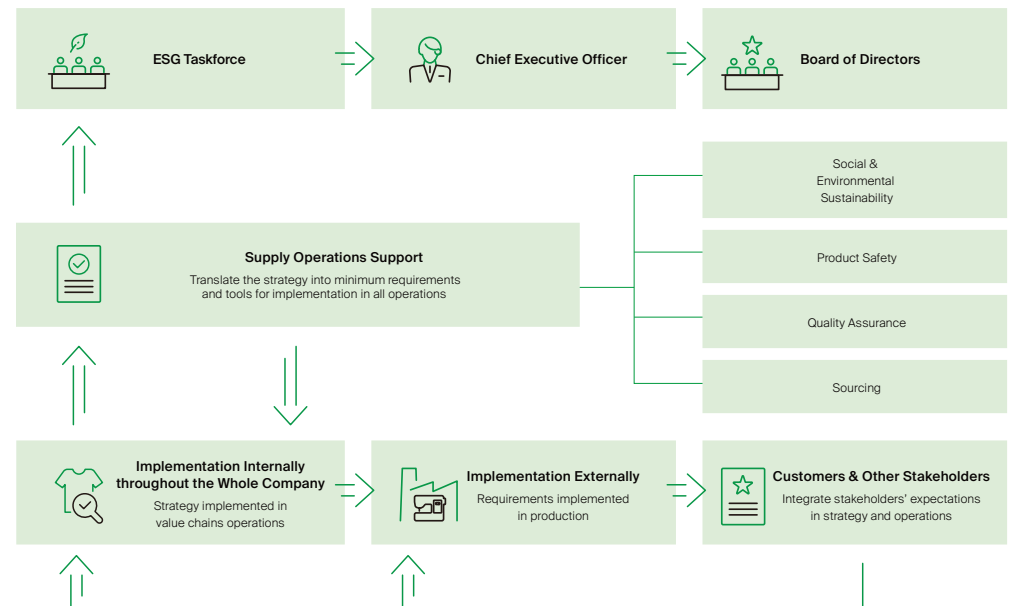
Managing Our Supply Chain

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

ESPRIT team members who work closely with our supply chain partners, including our designers, product safety teams, technicians, quality assurance teams, and buying teams, take on the role of ambassadors by communicating our goals and our expectations to our partners.

Our network of support teams facilitates suppliers to improve their ESG performance to align with our expectations and build a more sustainable industry together.

How Sustainability Is Embedded



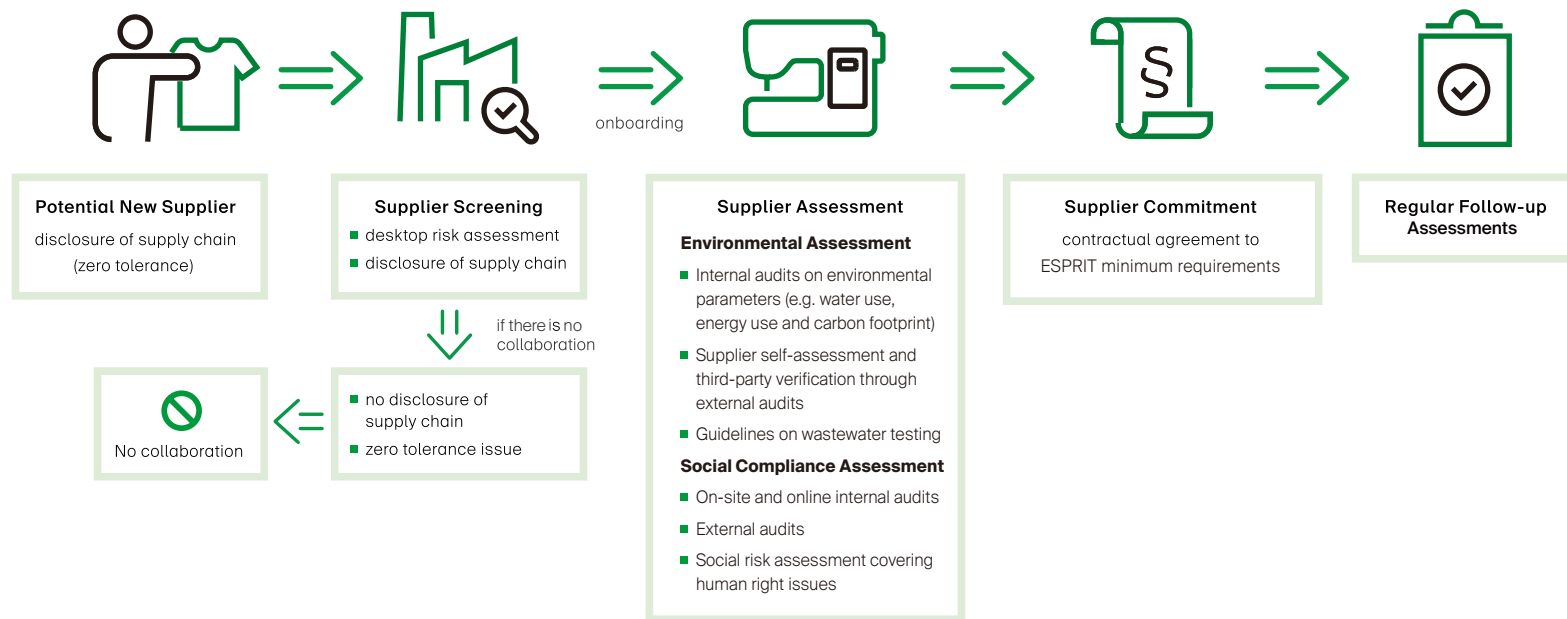
OUR SUPPLIER

Supplier Selection

We have precise definitions of suppliers at different levels of the supply chain. Based on our classification of the supply chain, we regularly update the list of suppliers. For more information, please refer to the “About ESPRIT” section in this Report.

Onboarding Process

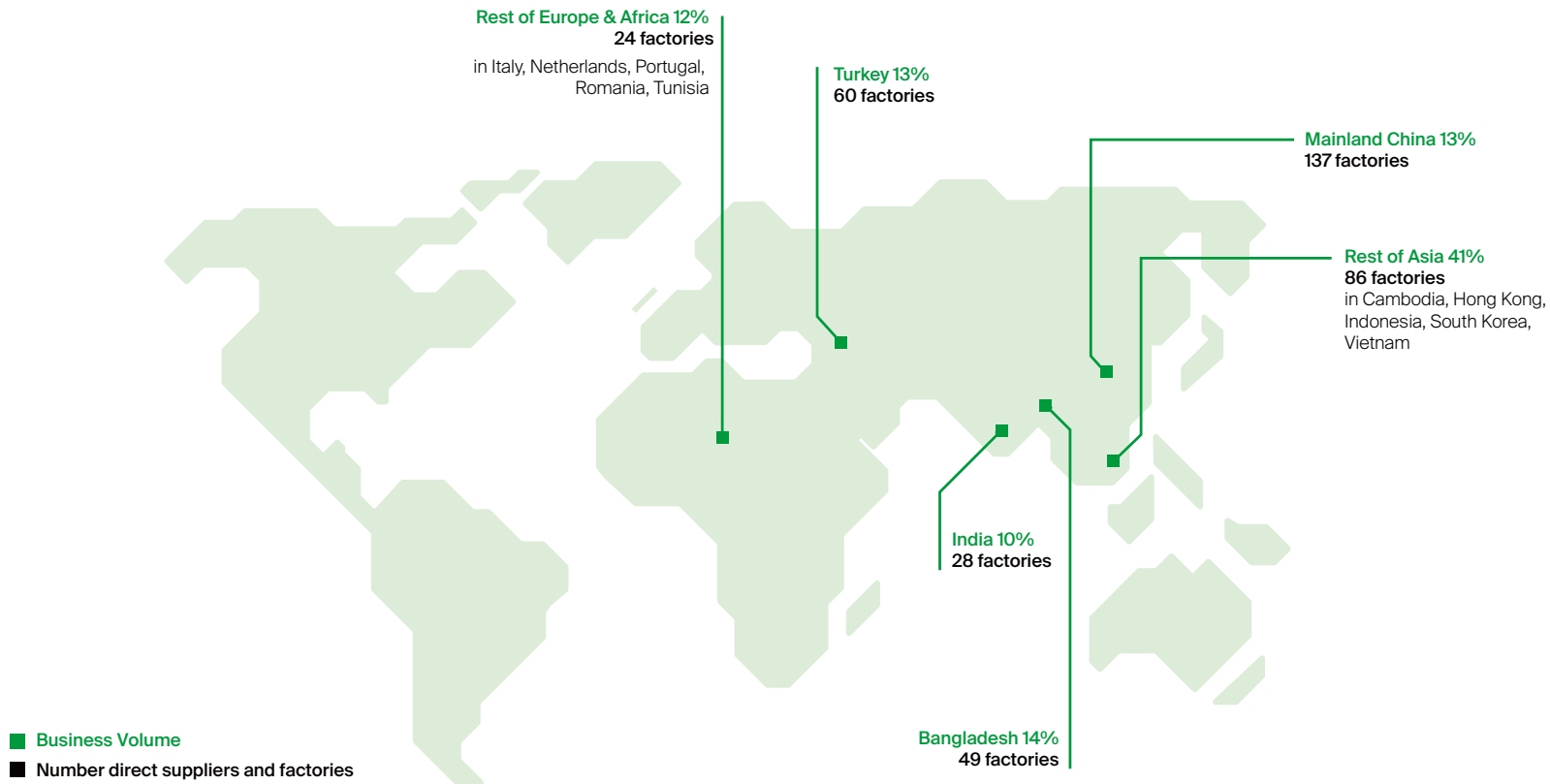
In our onboarding procedure, we check our potential new suppliers on their social compliance, safety and quality performance. During the Year, we have rejected 2 suppliers and 5 units before they are onboarded due to their poor social compliance, demonstrating our commitment to maintaining an ethically sound and socially responsible supply chain through proactive measures. In 2023, we had a total of 14 new master supplier onboardings.



Where ESPRIT is Made

OVERVIEW OF OUR TIER 1 SUPPLIERS

ESPRIT's supply chain* for direct suppliers and factories covers 14 markets in 2023.



* Includes apparel, accessories & shoes (excludes bodywear & license products)

RESPONSIBLE PURCHASING PRACTICES

Purchasing Practices Survey

To better evaluate the purchasing practices of individual brands that our suppliers supply products to, we asked our suppliers to complete the Purchasing Practices Survey held by ACT (“Action, Collaboration, Transformation”), where ESPRIT is one of the signatory members. The surveys were implemented across all key garment manufacturing countries including the three countries where ACT directly operates in: Bangladesh, Cambodia and Turkey.

With 1,831 responses in the brand survey and 2,268 in the supplier survey, the ACT Purchasing Practices Survey in 2021 was the largest survey ever undertaken by both suppliers and brand employees on purchasing practices. The Purchasing Practices Survey gives suppliers the opportunity to give direct and anonymous feedback to the Company’s purchasing practices and the results provide important insights to complex business relationships between ACT brand members and their suppliers.

Purchasing Practices Self-Assessment

The Purchasing Practices Self-Assessment asked employees from all ACT brand members to assess the purchasing practices of their organization. Respondents came from key product supply chain functions, from designers to merchandisers to buyers.

ESPRIT’s Participation

In 2021, 74 of ESPRIT’s suppliers responded to the Purchasing Practices Survey, and 27 employees from ESPRIT took part in the Purchasing Practices Self-Assessment. In 2023, we participated in the Purchasing Practices Survey and Purchasing Practices Self-Assessment again. We have invited our employees who are involved in supplier engagement, including employees from the department of sourcing, buying, quality and designing, and all our suppliers to respond to the assessments. The assessment is still in progress and the 2023 results are not yet available.

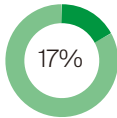
SOCIAL COMPLIANCE MONITORING IN SUPPLY CHAIN

Social Compliance Audit



100%

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



17%

17% of the production units achieved A & B-rating

ESPRIT actively upholds our commitment to fostering a safe, equitable, and inclusive working environment across our entire supply chain by conducting social compliance audits to ensure that our suppliers meet and adhere to stringent social compliance standards. Our social compliance audits assess our suppliers' compliance with international and national standards, laws and regulations related to protecting the health, rights and safety of their workers, including the prevention of forced and child labour. Adhering to the standards and guidelines issued by the International Labour Organisation ("ILO") and Fair Labour Association, we also audit our suppliers to avoid improper labour practices, including working hours in excess of 60 hours per week, failure to provide one day off over a seven-day period, and inconsistencies between payroll, attendance and production records. Our **Supplier Code of Conduct** outlines our ethical, social and environmental standards that we request all our suppliers to adhere to. In our social compliance audits, we assess our suppliers' working conditions in accordance with our **Supplier Code of Conduct**, including but not limited to work hours, payroll, safety working conditions and the prohibition of child and forced labour.

What Our Social Compliance Audit Look Like

The ESPRIT Social Sustainability team and external auditors regularly conducts both announced and unannounced social compliance audits. It is a complex process that includes gathering and verifying feedback and information from multiple stakeholders at the ESPRIT manufacturing facilities to ensure that all these production lines operate in accordance with the ESPRIT **Supplier Code of Conduct**. We audit our suppliers' factories at least once per year in high-risk regions. The findings of each audit are used to create a time-bound corrective action plan so that the factory knows the steps they must take to address any problems that may have been found.



Below shows the major elements in a social compliance audit.

Time Records

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

Stakeholder Interviews

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

Walkthrough

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

Management Interview

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

Payroll Check

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

Worker Interview

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

Production Records Check

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

Following the resumption of normal business operations after the pandemic, ESPRIT swiftly adapted to the evolving business environment by establishing a new roadmap for audits. We have incorporated online audits and grievance mechanisms into our auditing system. In 2023, we have conducted 39 online audits. Online audits have streamlined our auditing processes with an efficient approach, while the grievance mechanisms provide a platform for our suppliers and vendors to voice out their concerns, complaints or suggestions, ensuring transparency, accountability and trust in our auditing system. These changes have provided an opportunity for ESPRIT to reduce audit fatigue and work more on collaborative audit methodologies, such as the incorporation of Social and Labour Convergence Programme (SLCP) into our auditing system. SLCP is a multistakeholder initiative that provides tools to capture accurate data about working conditions in global supply chains and replace the need for repetitive social audits by facilitating data sharing.

We use both internal and external audits to help build an accurate picture of factory performance.

Internal Audits:

We have conducted internal social compliance audits on factories within our key sourcing countries. Follow-up visits were conducted as needed to ensure that factories make progress toward aligning with the ESPRIT’s **Supplier Code of Conduct**. During the Year, we have conducted 45 internal audits.

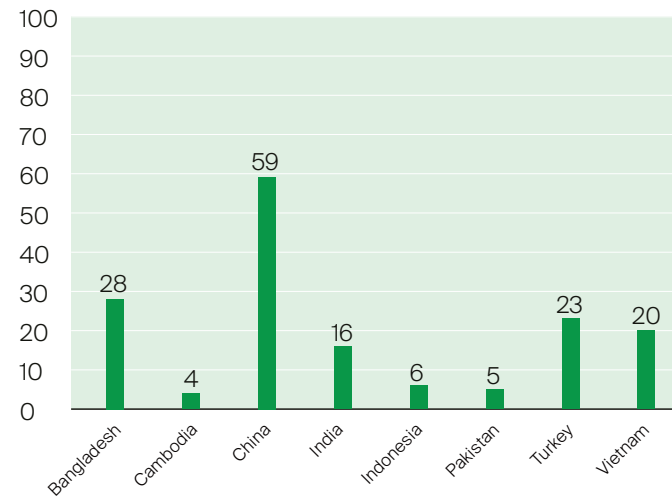
External Audits:

We also work with third party auditing firms who conduct audits on our behalf. In 2023, 97% of total audits were conducted by third-party auditors.

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

Overview of Social Compliance Audits in 2023

Number of operations that have completed social compliance audits that include risk assessment covering human right issues:



We have conducted 161 social compliance audits that include risk assessment covering human right issues in 8 countries.



100% **Tier 1**

Supplier facilities audited to **Supplier Code of Conduct**

20% **Beyond Tier 1**

Supplier facilities audited to **Supplier Code of Conduct**

100% **Suppliers**

Non-conformance with **Supplier Code of Conduct**

Non-compliance and Corrective Actions

Common Non-compliance Issues identified in 2023 Within the Supply Chain

Through auditing of our suppliers in the Year, some of the most common non-compliance issues we identified were the following:

Bangladesh, Pakistan

- Excessive overtime hours over the monthly legal limit.
- Lack of robust health and safety management systems. This issue is being tackled especially for building, electrical and fire safety by the ACCORD.
- Lack of robust subcontractor management systems in suppliers.

Mainland China

- Excessive overtime hours over the monthly legal limit.
- Social insurances not covering all employees.
- Insufficient safety and health related trainings to employees and the training effectiveness was not monitored.
- Lack of robust subcontractor management systems in suppliers.

Turkey

- Social insurances only covering the minimum wage part of earnings.
- Lack of robust health and safety management systems.
- Insufficient training programs and effective grievance mechanisms.

Monitoring compliance with these standards is a constant challenge in our industry. We use auditing to ensure that factories meet and maintain our requirements, and to detect violations and make plans to improve factories. When challenges arise, we do not believe that pulling orders from suppliers is the right course of action. In case of any major non-conformance discovered, ESPRIT will investigate and establish Corrective Action Plans (“CAP”) together with those suppliers, detailing improvement expectation. We will diligently monitor and assess the progress made to ensure effective implementation of the corrective measures. We only terminate a cooperation if improvements are not made, or if there is a lack of willingness to address the issues.

If an issue is exceptionally severe, however, it may be necessary to take immediate action, which could include suspending orders and shifting cut pieces or materials to other factories to be completed. Examples of zero-tolerance issues include child labour, refusing audits, producing falsified records, illegal activities, attempting bribery or corruption, posing imminent physical danger to workers and other serious violations of human rights.

In ESPRIT, we handle issues relating to child labour and forced labour according to our Social Compliance Standards Manual. The use of forced or compulsory labour in all forms is prohibited, and the freedom of movement of workers shall not be unreasonably restricted. In cases where child labour and/or forced labour is discovered, production can continue only if management immediately implements the remediation plan outlined in ESPRIT’s Social Compliance Standards Manual.

We classify non-compliance issues into major and minor non-compliance based on their frequency and prevalence. During the Year, there was no major non-conformance with the **Supplier Code of Conduct** and no supplier was dropped because of poor or non-compliant social performance. Upon identifying minor non-compliance with our **Supplier Code of Conduct** during the Year, appropriate measures were taken to address the issue, including providing guidance and support to the supplier to rectify the non-compliant practices and ensure adherence going forward. By strictly adhering to our robust processes, we actively safeguard our commitment to upholding exemplary social compliance standards.

Beyond Auditing

In addition to ensuring the social compliance of suppliers through auditing, we also support our suppliers to move beyond the minimum standards, focusing on helping them to enhance their internal management systems so that they can be better equipped to maintain their progress on sustainable growth. In the spirit of partnership, we make every reasonable effort to support our suppliers to improve.

Rewarding Sustainable Suppliers

An incentive and reward mechanism is in place to reflect and support supplier performance in achieving our sustainability goals. The Vendor Score Card is an essential tool for constantly measuring and evaluating our supplier base. It was initially introduced in January 2017 to provide a tool for measuring each supplier's performance on an objective basis. Every six months we evaluate our suppliers' sustainability performance based on social and environmental criteria, alongside business criteria such as on-time delivery and quality. Together, the facility's performance in these areas is used to assign them a score in the Vendor Score Card.

We selected our partners based on these scores so that they will benefit from improvements in sustainability and are incentivised to ensure fair and safe working conditions or to scale up their efforts to offer sustainable materials.



HUMAN RIGHTS IN SUPPLY CHAIN

To safeguard human rights in our supply chain, we outlined our expectations and standards in our **Policy on Human Rights**. To specifically protecting the rights of workers, we began to implement our **Worker Code of Conduct** at the beginning of 2020. Currently, the **Worker Code of Conduct** are available in Bengali, Chinese (Simplified and Traditional), English, Khmer, Punjabi, Tamil, Turkish, Urdu, and Vietnamese.

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

Besides, to avoid the risks on human rights, worker health and safety, environmental protection and animal rights, ESPRIT joined the Partnership for Sustainable Textile with the core elements of due diligence, supply chain transparency and effective work on living wages and purchasing practices, gender equality, and grievance mechanisms and remedy. ESPRIT is committed to improve the working conditions and wages, as well as animal welfare and environmental protection. We conduct annual assessments to evaluate our progress on improving human rights.

Empowering Women

Given that the apparel supply chain often relies more on a female workforce, gender equity is integrated into our strategy, and we work to remove barriers to advancement and create opportunities and pathways to independence for women.

Since early 2018, it is a priority for us to better understand, and then address, the issue of women's underrepresentation in leadership positions, despite being the overwhelming majority of the garment industry workforce. Our goal has been to work with our Tier 1 suppliers in both India and Bangladesh to achieve the target of 15% of supervisory roles being held by women. In the future, we look forward to continuing this work with our partners and to reaffirming our belief that business with women in leadership roles are businesses that thrives.



Freedom of Association and Collective Bargaining Agreements

Freedom of association is a fundamental right and the basis for employees to participate in shaping their working conditions. While most companies include respect for workers' freedom of association as a key part of their codes of conduct, brands often lack the tools to uphold this commitment in a meaningful way.

In order to support this important work, ESPRIT signed a Global Framework Agreement with IndustriALL Global Union ("IndustriALL"). Under this agreement, IndustriALL and its affiliates in apparel producing countries will work with ESPRIT to support workers' freedom of association in countries where such rights are all too often ignored. Currently, ESPRIT is one of five global apparel brands to have signed such an agreement.

Communication Channel

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

WAGES

Living Wages

A living wage should cover a decent standard of living for the worker and their family. Thus, we treat the wage levels and conditions of the workers as one of the highly concerned topics. It is ESPRIT's minimum requirement that workers in its partner factories are paid according to the law with regards to minimum wage, overtime payment and statutory benefits.

The Company is aware that those wages are often not enough to afford a decent standard of living. As part of the Company's living wage efforts, ESPRIT is a signatory of ACT, which is a ground-breaking agreement among global brands, retailers and trade unions to transform the garment and textile industry and achieve living wages for workers through industrywide collective bargaining linked to purchasing practices. ACT members developed an interactive engagement tool with the aim to assess their own purchasing practices internally and for suppliers to assess brands' purchasing practices so ACT members can take action for improvement. Responses were collected from February to May 2021.

SUPPLIER HEALTH AND SAFETY

Fair and Safe Working Conditions

We commit to producing our garments ethically and according to national and international legislation. Specific to ESPRIT, there are strict requirements that suppliers and subcontractors must fulfil before starting to work with us.

Besides, we also seek international recognition to safeguard the health and safety of our workers. Our health and safety practices in the supply chain are also aligned with associated requirements, and all relevant local laws and regulations.

Supply Chain Health and Safety

To be able to prevent occupational accidents before they occur and to protect the safety of workers, the Company signed the International Accord for Health and Safety in the Textile and Garment Industry, the expansion of the former ACCORD on Fire and Building Safety in Bangladesh. The renewed legally binding framework agreement is a broad coalition of companies and trade unions. It addresses the safety in the Ready-Made-Garment (RMG) and textile factories and reaffirms the commitment to enhancing health and safety throughout the supply chains of the brand signatories, whose binding powers continue until 31 December 2026. As a signatory of the agreement, ESPRIT commits on ensuring workplace health and safety through factory inspections and remediation, safety training, worker awareness programs, a credible independent worker complaints mechanism, respect for freedom of association, independent administration and implementation, a high level of transparency, and provisions ensuring financially feasible remediation.

Following the restoration of normalcy after the pandemic, the Company has successfully resumed conducting in-person third-party audits in our factories. In 2023, all of our Tier 1 factories were audited. The remediation efforts currently stand at 99%.

4 OUR EMPLOYEES

Material topics addressed in this section:

- Community and Employee Engagement
- Diversity, Equality and Inclusion
- Human Rights
- Occupational Health and Safety
- Remuneration and Employee Benefits



OUR APPROACH

By embracing diversity and prioritising wellness and safety, the Company seeks to establish a people-focused working environment. We invest in our employees and provide them with support and equal opportunities to succeed as a high-performing team.

ESPRIT is dedicated to maintaining high standards and clear expectations for our staff, which are communicated and documented in our policies and guidelines. Our **Worker Code of Conduct** serves as the Company's foundational policy, establishing the core framework that formalises our expectations towards our employees and provides clarity on our culture, values, and ways of working. Violations of our **Worker Code of Conduct** are rigorously investigated to protect our employees and we have established a grievance mechanism for use in critical situations. Our **Policy on Human Rights** also ensures our business is not complicit in human rights abuses.

Our Fair Recruitment and Promotion Policy prohibits unfair treatment or any other behaviour contrary to the provision of equal opportunity. All decisions regarding recruitment, promotion, and dismissal are made solely based on the experience, ability, and capacity of candidates and employees, regardless of their background and social identity.

We comply strictly with or exceed all applicable laws and regulations in respective jurisdictions of the Company's operations, including the Employment Ordinance in Hong Kong.

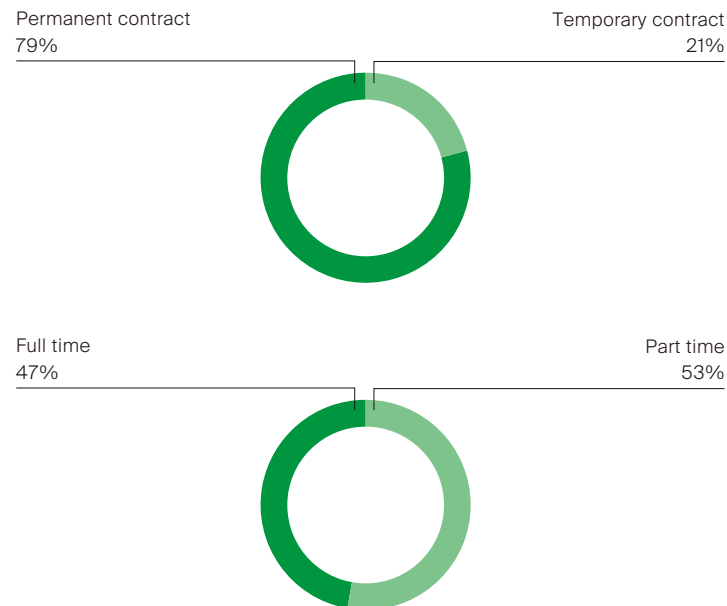
OUR EMPLOYEES

Workforce

Our employees are our most valuable resource, and we look for ways to support them in their individual career goals, and in building work-life balance. We have a total of 2,335 full time equivalent (“FTE”) employees as of 31 December 2023. The number of employees in North America had a significant increase due to business expansion in the region.

Region/Country	Total Staff			
	FTE	Heads	Male	Female
Europe	2,010	2,706	16%	84%
North America	122	125	29%	71%
Asia	203	204	49%	51%
Total	2,335	3,035	19%	81%

Our Workforce by Employment Type



Retaining and Attracting Talent

We provide training and career development opportunities, flexible working conditions, as well as competitive compensation and benefits to attract and retain talent. Flexible work schedules and working from home options are offered to employees with special requirements such as fulfilling familial responsibilities. The Company evaluates employee performance objectively on the basis of merit, ability, and proficiency. Annual salary review is conducted in Hong Kong to benchmark ESPRIT’s salary competitiveness in the market. The Company has implemented annual bonuses, time-based/performance-based incentives, and other incentive programmes to encourage employee retention. The Employee Experience Team piloted a talent management program in Germany and the Netherlands, consisting of feedback reviews, formulation of action plans and succession planning. This promotes feedback culture, increases efficiency and retention rates. It is expected to be rolled out across Europe in 2024.

Turnover Rate

Turnover Rate ¹ by Geographical Region	Europe	North America	Asia
	40.5%	0%	36.4%

Turnover Rate by Gender in Asia	Male	Female
	15%	22%

Turnover Rate by Age Group in Asia	Under 30	30-50	Over 50
	7%	20%	9%

¹ The turnover rates by geographical region, gender and age group were calculated as: Turnover rate (per category) = Employees in the specified category leaving employment/Number of employees in the specified category * 100%.

DIVERSITY EQUALITY AND INCLUSION

Inclusion and Diversity Commitments

Diversity is a strength at ESPRIT, and we are proud that the makeup of our team reflects this belief. ESPRIT alone brings together people from 91 different nations. This diversity in life experience and perspectives enhances our work and our relationships with one another.

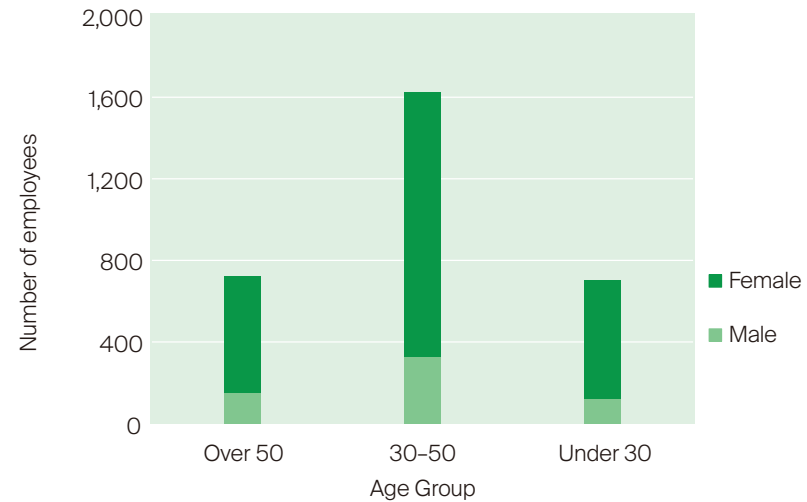
We value diversity in our workforce and are committed to protecting the rights and interests of employees, fostering an environment free from discrimination, harassment and abuse. Employees shall not be discriminated against or treated unfairly because of their social identity differences such as nationality, religious belief, age, marital status, etc.

Gender Diversity

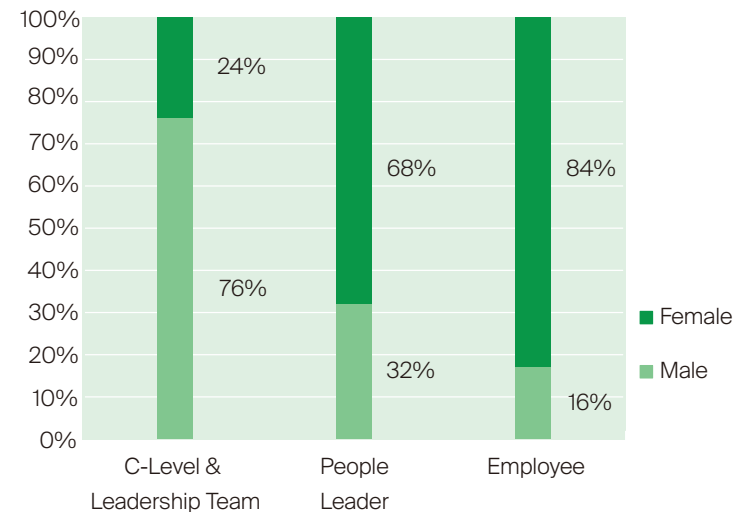
We aim to create a gender diverse balance within our leadership that is reflective of our company as a whole. We want to build greater female representation even at the highest management levels, which means building a culture and system across the company that supports this goal.

During the Year, ESPRIT complies with all relevant national and international standards, laws, and regulations on employment within each country where we operate, such as the General Act on Equal Treatment in Germany (“Allgemeines Gleichbehandlungsgesetz”). No cases were reported regarding non-compliance to the employment and labour practice.

Age Structure – Our Team by Age Group and Gender



Gender Structure per Employee Group



TALENT DEVELOPMENT

Learning

We help our employees identify and reach their professional goals by providing them with skills and knowledge for executing their duties at work through technical and soft skills training programmes. These programmes are available to our team members regardless of job seniority and tenure of employment. We want to give everyone the opportunity to continuously grow and develop their skills. The Company developed 15 training and workshop series, with topics including leadership and management, digital and technological skills, personal skills and development, health and wellbeing, communication skills and problem solving. Employees in Europe, including those who work in our retail stores, were offered face-to-face, remote and video-based sessions of the trainings and workshops. ESPRIT also offered several programmes to our gifted employees, such as Lead into the Future, Train-the-Trainer (for retail staff), and Young Leaders Programme. We are preparing a comprehensive employee handbook which incorporates training programs for our employees.

Percentage of Employees Trained and Average Training Hours in EU

	Percentage of employees trained	Average Training Hours
C-Level & Leadership Teams	6.25%	2.42
People Leaders	56.00%	3.72
Employees	37.75%	3.43

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

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

Employees: Employees without leadership responsibility

	Percentage of Employees Trained	Average Training Hours
Male	30.65%	3.40
Female	69.35%	3.68



HUMAN RIGHTS

Prevention of Child Labour and Forced Labour

In accordance with human rights principles, we strictly prohibit child labour and forced labour in our operations. During our recruiting process, the candidate's identity is verified through a legal identification and background check. If the identity information is found to be untrue or the candidate is found to be underage, the recruitment process will not proceed.

ESPRIT has complied with all relevant national and international standards, laws and regulations relating to preventing child and forced labour within each country where we operate during the Year. Our **Policy on Human Rights** demonstrates our efforts and commitment on respecting internationally recognized human rights and prevention on child and forced labour.

If such cases are found and confirmed after an investigation, the Company will take appropriate action, which may include, but is not limited to, initiating disciplinary actions, initiating legal proceedings, and/or reporting to relevant governmental/regulatory authorities.

Collective Bargaining Agreements

Freedom of association is a fundamental right and the basis for all employees to participate in shaping their working conditions. In ESPRIT, all of our employees are covered by freedom of association.

67%

of our employees globally, and



75%

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

* Employees in Hong Kong are not covered by collective bargaining agreements, as there is no collective bargaining legislation in Hong Kong. Collective agreement of employment terms and conditions are also rare in Hong Kong.

HEALTH AND SAFETY

Safe Working Conditions

We secure safe working environments and protect our employees from occupational hazards. We comply strictly with or exceed all applicable occupational health and safety-related laws and regulations in respective jurisdictions of the Company's operations, including the Occupational Health and Safety Ordinance in Hong Kong, the Occupational Safety Act ("Arbeitssicherheitsgesetz") and the Act on the Implementation of Measures of Occupational Safety and Health to Encourage Improvements in the Safety and Health Protection of Workers at Work ("Arbeitsschutzgesetz") in Germany.

We believe that policies and procedures play a crucial role in building a safe working environment. We provide clear and concise safety policies, guidelines and procedures to employees. For example, in Nordics and the United Kingdom, we have published a staff handbook on health and safety regulations; our operations in Belgium and Luxembourg have implemented health, safety and environment policies which are applicable to all the employees. Regular safety meetings are conducted in Belgium, Nordics and the United Kingdom to ensure health and safety-related information are communicated throughout the Company.

In terms of emergency preparedness, we have established emergency plans and guidelines to ensure proper response in case of any emergencies. We set up the Emergency Intervention Plan (PAA) and General Protection Plan (PGP) in Belgium and Luxembourg, which are regularly reviewed and monitored to ensure their effectiveness. Annual emergency evacuation drills are conducted in our stores and offices as well.

We provide occupational health and safety trainings on various aspects to our employees, including first aid, fire safety and electrical safety, to ensure their awareness on occupational health and safety. In general, all new employees are instructed by their supervisors, around relevant occupational health and safety topics. In addition, comprehensive information around health and safety can be found on the ESPRIT intranet and is therefore accessible for all employees at any time.

To monitor our progress on maintaining a safe working environment, regular inspections and assessments on health and safety are conducted to identify safety hazards, non-compliance and areas for improvement. In Italy, a Prevention and Protection Service Manager is appointed to assist in the assessment and management of occupational health and safety risks, drafting of the Risk Assessment Document and defining the preventive measures on the identified risks. In Finland, we appointed an occupational health and safety representative to conduct on-site inspections and assessment against safety regulations, as well as to convey employee-level information on occupational safety and health issues to the management, ensuring the feedbacks and comments from employees are handled.

We provide on-site support to our employees. Personal protective equipment (PPE) and safety equipment such as masks and first aid boxes are provided for personal protection. At ESPRIT, we have more than 40 first aid responders and evacuation assistants who are ready to help should the need arise. These first aid responders and evacuation assistants have all passed an initial training, and they must maintain current knowledge through ongoing training sessions as well.

In 2023, there were no work-related fatalities in Hong Kong, while there was one work-related fatality in Netherlands in 2021, but the number was zero in 2022. Globally, we lost 320 working days due to work injury during the Year. A working accident in Germany caused the extended period of absence of an employee, while the change in business environment in France resulted in more working accidents and injuries. To address the problem, safety instructions were re-issued and in-store sensitisation talks were held to increase the safety awareness of employees.

Ensuring the health and safety of our workforce is of paramount importance to our Company, and we have extended our health and safety practice and requirements to encompass our entire supply chain. For more details on health and safety in our supply chain, please refer to the “**Supplier Health and Safety**” section of this Report.

EMPLOYEE ENGAGEMENT

We seek to provide long-term support for our employees, helping them to build their experience and develop their careers. An employee feedback mechanism is in place to collect feedbacks and conduct follow-up measures to address the concerns from employees. We favour permanent contracts as a way to demonstrate our commitment to our employees. We recognize that work is only one component of a balanced life. We support our employees who prefer to work part-time, and over 58.8% of our team in Europe takes advantage of that flexibility. We work with trust-based working hours and offer flexible working hours to our employees to allow a high degree of flexibility.

Employee Benefits

At ESPRIT, we take care of our employees and strive to provide a high quality of life at the office and beyond. We provide each employee with a global insurance plan, employee benefits, and employee discounts of up to 70% at our store and online shops. Medical and dental benefits are provided to employees in Hong Kong. Retirement saving plans are provided in France. We also offer referral bonuses of up to €1,000 for new employee.

Financial Support to Working Parents

In addition to parental leave as required by law, we support our working parents through granting them a monthly allowance of €200 per month. The allowance is paid after the end of maternity protection until the child reaches the age of 3. To be qualified for the allowance, the employee must be in regular part-time employment for at least 15.4 hours per week (40% of a full-time job) during the parental leave. We have provided financial support of a total of €43,638 to 36 working parents during the Year.

5 COMMUNITY

Material topics addressed in this section:

- Community and Employee Engagement



OUR APPROACH

The origins of ESPRIT are steeped in social impact, which includes doing business responsibly and leaving a positive legacy through our actions. Through our Global ESPRIT Cares Programme, we have built a culture of philanthropy and taken action towards the betterment of society.

As a global company, ESPRIT believes in developing and maintaining sustainable relationships with all stakeholders. We demonstrate this commitment by acting imaginatively and consistently in the communities where our employees, business partners and customers live and work. We organise different programmes to cater to the needs of communities.

As disclosed in the annual report of the Company, the Group made charitable donations totalling approximately HK\$562,000 during the Year.

Community Outreach

In Hong Kong, ESPRIT donated coloring pens, drawing booklets, and approximately 55,000 pieces of surgical masks to the Hong Kong Children's Hospital (HKCH). HKCH is the first children's hospital in Hong Kong's public healthcare system that specializes in complex, serious and uncommon paediatric cases requiring multidisciplinary care, providing diagnosis, treatment, and rehabilitation for patients with relevant clinical needs from birth to 18 years of age. HKCH also collaborates with universities for pursuing research on paediatric and genetic diseases.

Christmas Initiative

Also in Germany, ESPRIT continued our partnership with Knackpunkt. We contributed money to support Knackpunkt, which is a shelter where teenage girls and women can safely stay overnight, with basic needs such as meals and showers. Our employees donated packages with items that girls and young women would generally use, for example books or cosmetic products.

Sustainable Community Culture

In Germany, a sustainable community was set up to encourage people to connect, learn and share sustainable topics that affect their personal lives. The community has an online library where sustainable resources such as book, film and podcast recommendations among other things are shared. The sustainable community organizes monthly clothing repair cafes to teach practical mending skills and the value of clothing longevity and personalization. It also hosts online sustainable film screenings during lunch breaks to encourage further learning and awareness around sustainable topics. Online activities and resources are available globally to all offices within ESPRIT.

APPENDIX I: HKEX ESG REPORTING GUIDE CONTENT INDEX

The ESG Report 2023 was in compliance with the mandatory disclosure requirements and “comply or explain” provisions of the ESG Reporting Guide of The Stock Exchange of Hong Kong Limited.

Subject Areas, Aspects, General Disclosures and KPIs	Reporting Location	Remarks
A. Environmental		
A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment and Product Responsibility, p. 16
KPI A1.1	The types of emissions and respective emissions data.	Environment and Product Responsibility, p. 23 Air emissions from ESPRIT's vehicle fleet: Air emissions kg NO _x 3,252 kg SO _x 38 kg Particulate matters (PM) 241 kg
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Environment and Product Responsibility, p. 23
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Environment and Product Responsibility, p. 27
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility).	Environment and Product Responsibility, p. 27
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Environment and Product Responsibility, p. 22
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environment and Product Responsibility, p. 27

Subject Areas, Aspects, General Disclosures and KPIs	Reporting Location	Remarks
A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environment and Product Responsibility, p. 17; Policy on Raw Materials and Animal Welfare
KPI A2.1	Direct and/or indirect energy consumption by type (e.g., electricity, gas or oil) in total (kWh in '000s) and intensity (e.g., per unit of production volume, per facility).	Environment and Product Responsibility, p. 22
KPI A2.2	Water consumption in total and intensity (e.g., per unit of production volume, per facility).	Environment and Product Responsibility, p. 28
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environment and Product Responsibility, p. 22
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environment and Product Responsibility, p. 28 During the Year, we did not encounter any issue in sourcing water that is fit for purpose.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environment and Product Responsibility, p. 27
A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environment and Product Responsibility, p. 17;
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment and Product Responsibility, p. 17;

Subject Areas, Aspects, General Disclosures and KPIs		Reporting Location	Remarks
A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environment and Product Responsibility, p. 20	
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environment and Product Responsibility, p. 19–20	
B. Social			
B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our Employees, p. 53 Policy on Human Rights	
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Our Employees, p. 53;	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Our Employees, p. 54	
B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our Employees, p. 57	
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Our Employees, p. 58	
KPI B2.2	Lost days due to work injury.	Our Employees, p. 58	
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Our Employees, p. 58	

Subject Areas, Aspects, General Disclosures and KPIs		Reporting Location	Remarks
B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our Employees, p. 56	
KPI B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management).	Our Employees, p. 56	
KPI B3.2	The average training hours completed per employee by gender and employee category.	Our Employees, p. 56	
B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Policy on Human Rights Worker Code of Conduct Supplier Code of Conduct	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our Employees, p. 57	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Our Employees, p. 57; Supplier and Vendor Management, p. 48	
B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Environment and Product Responsibility, p. 17 Supplier and Vendor Management, p. 35	
KPI B5.1	Number of suppliers by geographical region.	Supplier and Vendor Management, p. 44	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Environment and Product Responsibility, p. 18 Supplier and Vendor Management, p. 45	

Subject Areas, Aspects, General Disclosures and KPIs	Reporting Location	Remarks
KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Environment and Product Responsibility, p. 17 Supplier and Vendor Management, p. 35	
KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	About ESPRIT, p. 7 Environment and Product Responsibility, p. 17-18	
B6: Product Responsibility		
General Information on: Disclosure (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	About ESPRIT, p. 9; Environment and Product Responsibility, p. 39	
KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Environment and Product Responsibility, p. 39	

Subject Areas, Aspects, General Disclosures and KPIs	Reporting Location	Remarks
KPI B6.2 Number of products and service-related complaints received and how they are dealt with.	Environment and Product Responsibility, p. 39	Products-related complaints: 45,511 Service-related complaints: 68,267
KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.	About ESPRIT, p. 15	
KPI B6.4 Description of quality assurance process and recall procedures.	Environment and Product Responsibility, p. 40	
KPI B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.	About ESPRIT, p. 15	
B7: Anti-corruption		
General Information on: Disclosure (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Code of Conduct About ESPRIT, p. 14	
KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	About ESPRIT, p. 15	
KPI B7.2 Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	About ESPRIT, p. 14	
KPI B7.3 Description of anti-corruption training provided to directors and staff.	Global Whistleblowing Policy About ESPRIT, p. 14	
B8: Community Investment		
General Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. Disclosure	Community, p. 60	
KPI B8.1 Focus areas of contribution (e.g., education, environmental concerns, labour needs, health, culture, sport).	Community, p. 60	
KPI B8.2 Resources contributed (e.g., money or time) to the focus area.	Community, p. 60	

APPENDIX II: SASB CONTENT INDEX

SASB Topic	Response/ Location	SASB Topic	Response/ Location
Management of Chemicals in Products			
Discussion of processes to maintain compliance with restricted substances regulations CG-AA-250a.1.	<p>(1)(2)(4) ESPRIT has two important documents setting boundaries for the use of chemicals: the Restricted Substances List (RSL) and the Manufacturing Restricted Substances List (MRSL). The two lists address distinctly different, but equally important, aspects of chemical use. Our RSL covers the international chemical requirements (and, where applicable, our own stricter standards) that all final ESPRIT products and packaging must meet. This list intends to protect the health and safety of our customers. Our MRSL identifies hazardous chemicals or formulations that must not be used during the manufacture of ESPRIT products, regardless of whether these chemicals can be detected in the final garments. This list addresses the workers in our supply chain, and their local environment.</p> <p>Our goal in developing this harmonised MRSL is to simplify the compliance process for our partners and support them in meeting stricter MRSL requirements.</p> <p>(2) Our RSL and MRSL serve as a practical tool that sets forth specific chemical substance bans, restriction levels and test methods, as specified by government or regulatory agencies.</p> <p>Our Supplier Code of Conduct requires our suppliers to comply with the requirements under the laws and regulations of EU legislation on REACH. Suppliers warrants that he will take all necessary steps for the registration and/or notification of chemicals in connection with the delivered products under the REACH legislation in the US. 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.</p> <p>Our suppliers must also ensure that no chemical or formulation listed on the ESPRIT/Zero ZDHC MRSL or any other substance which is subject to an effective ban or expressively prohibited by ESPRIT is used or in connection with the manufacturing process.</p>	<p>(3) To monitor compliance with our RSL, we employ a testing process based on REACH Regulation, which is the European Union regulation concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals, as well as applicable national legislation in ESPRIT's sales markets. We are a member of Apparel and Footwear International RSL Management (AFIRM) Group, an industry body dedicated to maintaining the highest standards for implementing chemical restrictions. Members exchange on the latest testing methods and, by involving the chemical industry, work together to increase the demand for more sustainable chemical alternatives. As we comply with the AFIRM Packaging RSL, we can ensure that we are following the regulations in different chemical limits.</p> <p>Besides, each finished product must pass through multiple chemical and tests by independent and certified testing institutes, as well as internal reviews to ensure it meets our safety requirements.</p> <p>(6) Our Supplier Code of Conduct requires our supplier to obtain and keep on file, preferably in a file established for this specific purpose, up-to-date copies of all applicable local laws and regulations. Besides, they must maintain all required permits and necessary records related to environmental concerns. They also need to ensure that senior management and other personnel are thoroughly familiar with all relevant laws and responsible for addressing and overseeing compliance with environmental regulations.</p> <p>Location: Environment and Product Responsibility, p. 28–29, 39–40; Supplier Code of Conduct, RSL and MRSL for Apparel, Footwear and Accessories</p>	

SASB Topic	Response/ Location
Discussion of processes to assess and manage risks or hazards associated with chemicals in products CG-AA-250a.2.	<p>(1) Our method for assessing and managing risks and/or hazards associated with chemicals in products is outlined in the preceding section. Our policies and procedures are uniform across all of our brands and products. As described previously, all basic materials and finished products are tested to ensure that they comply with regulations. We take a combination of hazard- and risk-based approaches to chemical management. For example, we tested and nominated sustainable dye alternatives and listed them in a comprehensive booklet assess and manage potential risks and hazards associated with dyes.</p> <p>(4)(6) We aim to eliminate the use of hazardous chemicals in our production. We fully adopt the ZDHC MRSL and have communicated expectations to our supply chain through our Supplier Code of Conduct.</p> <p>Chemicals with high toxicity are excluded in our production. For example, PFC-chemistry, which is hazardous for the environment, animals and humans, is replaced by PFC-free alternatives.</p> <p>As a member of the AFIRM, we also dedicated to implementing the AFIRM Packaging RSL to consider the safety of our packaging materials.</p> <p>(8) ESPRIT works with the third-party auditing firms to help conduct the social compliance audits, which is a complex process that includes gathering and verifying feedback and information from multiple stakeholders, at the ESPRIT manufacturing facilities to ensure that all these production lines operate in accordance with the ESPRIT Supplier Code of Conduct. For example, all suppliers must ensure that no chemical or formulation listed on the ESPRIT and ZDHC MRSL or any other substance which is subject to an effective ban or expressively prohibited by ESPRIT is used during the manufacturing process.</p> <p>(9) Our Sourcing Policy guides us to work with our suppliers, with which all of our suppliers are expected to align. We also work with supply chain partners to improve traceability and transparency. Our Open Apparel Registry (OAR) maps our supply chain and updates our public supplier list to increase transparency and clear identification of facilities.</p>

SASB Topic	Response/ Location
	<p>(1) We proactively eliminate the use of the priority chemicals in current and future design and production.</p> <p>In 2014, we eliminated the use of poly- and perfluorinated carbons (PFCs) from the manufacturing process of our water-repellent products. PFC-chemistry is hazardous for the environment, animals and humans. Instead, we now use PFC-free alternatives that allow our water- repellent products to meet the high-quality expectations of our customers while also respecting the environment and the health of workers.</p> <p>Location: Environment and Product Responsibility, p. 17, 28-29, 39-40; Supplier and Vendor Management, p. 45-46; Supplier Code of Conduct</p>
Environmental Impacts in the Supply Chain	
Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits or contractual agreements CG-AA-430a.1.	<p>(1) We adopted the ZDHC Wastewater Guidelines in February 2016. Working in tandem with the ZDHC MRSL, the ZDHC Wastewater Guidelines and testing protocols are in place to ensure the water leaving each wet processing factory meets our requirements and is safe for the environment and the community. Key wet-processing facilities producing ESPRIT garments must have their wastewater tested according to the ZDHC Wastewater Guidelines, and they must upload their results to the publicly available Institute of Public & Environmental Affairs (IPE) website, or the ZDHC platform.”</p> <p>(2) <ul style="list-style-type: none"> 100% of our Tier 1 supplier facilities have complied with wastewater discharge permits and requirements under local regulations and our Supplier Code of Conduct. 15% of (1) Tier 1 supplier facilities have completed the Sustainable Apparel Coalition’s Higg Facility Environmental Module (Higg FEM) assessment </p> <p>Location: Environment and Product Responsibility, p. 28-29</p>

SASB Topic	Response/ Location
Labour Conditions in the Supply Chain	
Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to a labour code of conduct, (3) percentage of total audits conducted by a third-party auditor CG-AA-430b.1.	(1)(3) The ESPRIT social sustainability team regularly conducts both unannounced and announced social compliance audits conducted by either internal or external auditors. It is a complex process that includes gathering and verifying feedback and information from multiple stakeholders, at the ESPRIT manufacturing facilities to ensure that all these production lines operate in accordance with the ESPRIT Supplier Code of Conduct . In 2023, 100% of our Tier 1 direct supplier factories were audited to Supplier Code of Conduct .
	(4) We also work with third party auditing firms who conduct audits on our behalf. In 2023, 97% of total audits were conducted by third-party auditors.
	(5) Auditing will be executed with or without prior notice at the sole cost of vendor throughout the whole supply chain to assess in particular the compliance with (a) Supplier Code of Conduct, (b) other Code of Conducts of associations, we may be a member of and (c) further terms of conditions of the General Terms and Conditions of Purchase and Delivery and the local laws that apply to them.
	Both internal and external auditing processes involve spending a lot of time cross-checking the data that is shared (for example payroll, production, quality or even energy consumption records) and verifying multiple data sources to make sure nothing has been manipulated and to confirm consistency. Auditors also discuss records and factory practices with workers and with management to confirm accuracy and spend considerable time observing first-hand the way people interact and the way they perform their duties.
	For additional information on our supply chain auditing, please refer to our Supplier Code of Conduct .

SASB Topic	Response/ Location
	(6) We have precise definitions of suppliers at different levels of the supply chain. Based on our classification of the supply chain, we regularly map our supply chain and update our public supplier list on our website. ESPRIT is also a partner of the Open Apparel Registry (OAR). OAR, the open-source map and database for the apparel industry, updates and standardizes factory names and addresses against their database to increase transparency and clear identification of facilities.
	Location: About ESPRIT, p. 11; Supplier and Vendor Management, p. 45-50; Supplier Code of Conduct
(1) Priority non-conformance rate and (2) associated corrective action rate for suppliers' labour code of conduct audits CG-AA-430b.2.	(1) In 2023, ESPRIT did not drop any supplier for poor social compliance performance.
	(2) There is no non-conformance with Supplier Code of Conduct during the reporting period. In case of non-compliance discovered, ESPRIT will investigate and issue a corrective plan for those suppliers, and monitoring and assessment shall be conducted.
	We review all nonconformance issues with the supplier and demand that can be resolved promptly. Each audit has a Corrective Action Plan that is subsequently verified. We then conduct regular re-audits to verify the improvements. We only terminate a cooperation if improvements are not made, or if there is a lack of willingness to address the issues.
	Location: Supplier and Vendor Management, p. 45-50
Description of the greatest (1) labour and (2) environmental, health, and safety risks in the supply chain CG-AA-430b.3.	Labour risk: <ul style="list-style-type: none"> • Total overtime hours exceeding legal limit of operating regions • Inadequate coverage of social insurances on all employees • Lack of robust subcontractor management systems in suppliers Environmental, health and safety risk: <ul style="list-style-type: none"> • Inadequate health and safety trainings to employees and effectiveness of training is not monitored • Non-compliance with Supplier Code of Conduct and environmental permits • Improper management of hazardous chemicals in manufacturing processes

SASB Topic	Response/ Location
Raw Materials Sourcing	
(1) List of priority raw materials; for each priority raw material: (2) environmental or social factor(s) most likely to threaten sourcing, (3) discussion on business risks or opportunities associated with environmental or social factors, and (4) management strategy for addressing business risks and opportunities CG-AA-440a.3.	<p>(1) ESPRIT's priority and critical raw materials include cotton, synthetics, MMCF, animal fibres and leather. These materials are carefully selected and sourced to ensure that they meet relevant laws and regulations related raw materials.</p> <p>(2) The environmental risks associated with these raw materials include water scarcity and stress, climate change, chemical management, animal welfare and implementation of Carbon Border Adjustment Mechanism (CBAM) while the social risks include unsafe workplace conditions and exposure to toxic chemicals.</p> <p>(3) A list of potential risks and opportunities pertinent to our business operations in Hong Kong, Germany, France, Japan, and the United States, where our headquarters, large warehouse and store, and servers for e-commerce are located, has been identified. These include acute physical risks such as extreme weather events, chronic physical risks such as rising temperatures and water stress, and transition risks such as policies, legal and market risks.</p> <p>To manage our risk associated with environmental factors, we are committed to using more sustainable materials in a manner that has less negative environmental and social impacts, improves animal welfare, and enhances the traceability of our raw materials. We also aim for fibres and materials that are recyclable or regenerative to the environment. In 2023, fabric material from sustainable sources accounted for approximately 55% and the Company is aiming to maintain usage of sustainable fibres of 60% by 2030. Besides, we will increase the investment in renewable energy, which is critical to lowering GHG emissions in our value chain and ultimately reducing our operating cost. Circular business models will also be adopted to create opportunities for ESPRIT to generate new revenue streams while reducing its environmental impact.</p>

SASB Topic	Response/ Location												
(1) Amount of priority raw materials purchased, by material, and	<p>(4) We also continued to advance our conservation work and set a comprehensive strategy for water stewardship and water use reductions in our value chain, including the risk associated with cotton growing. We joined the Organic Cotton Accelerator (OCA), which unites the sector worldwide to unleash the potential of organic cotton. OCA and its Contributors believe that by working together we can realize the positive impact of organic cotton on people, planet and prosperity. To secure future supply of cotton, ESPRIT will put more focus into in-conversion projects that support conventional cotton farmers' transition to certified organic cotton. Working with OCA, we aim to ensure farmers have committed procurement and receive premium payments as well as participation in training and development using best practice methods across organic farming.</p> <p>Location: Environment and Product Responsibility, p. 17, 30-38</p> <p>(1) ESPRIT's priority and critical raw materials include cotton, synthetics, MMCF, animal fibres and leather. These materials are carefully selected and sourced to ensure that they meet relevant laws and regulations related to raw materials.</p> <table border="1"> <thead> <tr> <th>Priority raw material were purchased in 2023 Fibre Share</th> <th>Certified</th> </tr> </thead> <tbody> <tr> <td>cotton</td> <td>6,763 tonnes</td> </tr> <tr> <td>other natural fibres</td> <td>381 tonnes</td> </tr> <tr> <td>synthetics</td> <td>3,388 tonnes</td> </tr> <tr> <td>MMCF</td> <td>2,111 tonnes</td> </tr> <tr> <td>animal fibres & leather</td> <td>373 tonnes</td> </tr> </tbody> </table>	Priority raw material were purchased in 2023 Fibre Share	Certified	cotton	6,763 tonnes	other natural fibres	381 tonnes	synthetics	3,388 tonnes	MMCF	2,111 tonnes	animal fibres & leather	373 tonnes
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