



ESPRIT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2020

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WELCOME



Letter from Our CEO

Dear Reader,

I joined Esprit at the end of 2020 with a feeling of great pride and a true sense of honour to be a member of the team working at such an iconic brand. I was immediately struck with the significance of managing Esprit's deep heritage as a sustainable and ethical business pioneer and so immersed myself in the brands rich and groundbreaking history; taking stock of all that the brand has accomplished and achieved over the years as a champion for positivity, diversity and sustainable operations.

We recently decided to align our financial cadence with that of our operational flow. It is our resolve as a management team to intently focus on the consumer, and so we took the decision to ensure our financial reporting mirrors our annual trading. This is reflected in a rebasing of the fiscal year to align with the calendar year. Consequentially this edition of our Environmental and Social Governance Report covers a 6 month period from the 1st of July to the 31st of December 2020. Ongoing reports will return to reflect on a 12 month period beginning January 2021.

It is important as your new President and CEO to express my deep motivation and enthusiasm about the journey

we as an 'Esprit de Corps' are undertaking. Whilst my appointment indicates a new era for Esprit as a company, it also cements a commitment to upholding the time-honoured values of Esprit as a brand. As so, it is with excitement that I share with you the improvements we have made. There is no question in my mind that we, as a committed and dedicated team, will accomplish even more over the years to come, acting on our founders' vision to always uphold a commitment to the environment, our communities and each and every employee.

Of course from a social, cultural and economical perspective 2020 will be remembered as a transformational and critical year. Not only for Esprit as a company, but more so across the entire world. Bringing the first full year of the COVID-19 global-pandemic to an end, we find a world facing severe challenges across all aspects of everyday society, ranging from the economy to the environment, from our health to our daily livelihood. However in the wake of this vast diversity and challenge we will see the chance for innovation as an opportunity, and it is with this resolve that we move forward; together, committed and aligned in our mission. Guiding the future of Esprit as the newest member of the Esprit

team is truly a privilege. I know I speak on behalf of the collective organisation when I say that we all, employees and partners alike, greatly appreciate the opportunity that has been created by the Board of Directors and the Shareholders in allowing us the stewardship of this unique, iconic and much needed brand.

Over the past 12 months the company has been through numerous transformational changes including global restructuring as well as instigating and managing the Protective Shield Proceedings. These actions were undertaken with a strategic eye on the future. A future for the brand, the business, the customer, and, of course, our own Esprit team members. The need to implement long-term sustainable strategies that continue to develop contemporary organisations and capture consumer opportunities in the post-pandemic world is a must across all industries.

The company's ability to design, develop and deliver outstanding products which offer exceptional value to our customers certainly is a core competency, and on this note, we all look forward to what lies ahead.

Even during the challenging conditions of 2020, we did not lose focus on our sustainability mission. We made significant progress with the integration of sustainable fibres across our value chain with over 60% already being supplied from sustainable sources. We implemented a grievance mechanism for workers in Bangladesh, China and Turkey in order to ensure we are always listening to, hearing and acting on the needs of the skilled teams of workers who make our products and to ensure our strict compliance framework is duly followed.

We continue to monitor the development process of supply chain law in Germany ensuring all obligations to legislative updates are planned and actioned for implementation. Further, in each sourcing country, all product categories as well as raw materials were taken through risk assessment protocols aimed at identifying potential issues that may occur within our supply chain, with a focus on the most salient risks to workers, suppliers, producers and other key stakeholders.

Being born in Japan, raised in Hong Kong, educated in the US and having worked across all major continents, I am confident that I can bring a global perspective to our brand. The relocation of our global administrative headquarters to Hong Kong, a key international finance centre, is one example of our ambitions for global expansion. The new management team will strategically drive and execute a growth plan with a global perspective at its core. This, will enable the company to reclaim its rightful position in the fashion industry in the months that lie ahead. There

remains ample opportunity for expansion in the EU and the company has begun an evaluation process of other markets in the territory. While Hong Kong will set the strategic future and tone of the brand, operations in Germany and Europe are core to the company's business. The management's knowledge of the industry and understanding of the Asian and German working cultures are crucial to the success of the company's European business, and for the wider brand as a whole.

Looking at our collections, I share a strong belief in the philosophy that 'If it's not inspiring, it's not Esprit'. This is one of the key's to the brands tradition of innovative and unconventional collaboration that established its heritage of contemporary and exciting fashion and lifestyle products. Going forward our ethos is clear, powerful and aligned to the filter for all we do:

"We Dare to Create Joy"

I am convinced that the future for the fashion industry has to be one of openness to new ideas and constant change, while ensuring high quality and innovative product offering and exceptional value for money.

This must be achieved with a focus on respect for the worlds resources, both in terms of materials, the environment and the people who interact with our company. We must always conduct ourselves with ethicality and sustainability at the very core of our daily operations; ensuring that we embody the Esprit philosophy of, 'waste is no longer an

option'. As a result, we'll find this creates a much needed dynamic of inquisitiveness as we continuously challenge ourselves to rethink our actions, re-model our supply chain and integrate these values into every single step of the production lifecycle.

Whilst it is true that Esprit was created to be an ethical and sustainable brand from its inception, it is also fact that it was born to be alternative and unique! The brand has never been one to accept the role of a follower of trend, it is in our nature to disrupt and innovate. This is a culture that we are proud to uphold, and so will continue to focus on perfecting comfortable and versatile wardrobe pieces that inspire our customers. Ours is a brand that strives to achieve a feeling of happiness and joy, updating classics and creating must-have items with bold seasonal colours and graphics that bring a burst of energy to timeless style.

All while caring, as we always have, about the world we live in.



Mark Daley

President and Group CEO

May 2021

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ABOUT ESPRIT



Our Culture and Brand Story

Diversity, Equity, and Inclusion

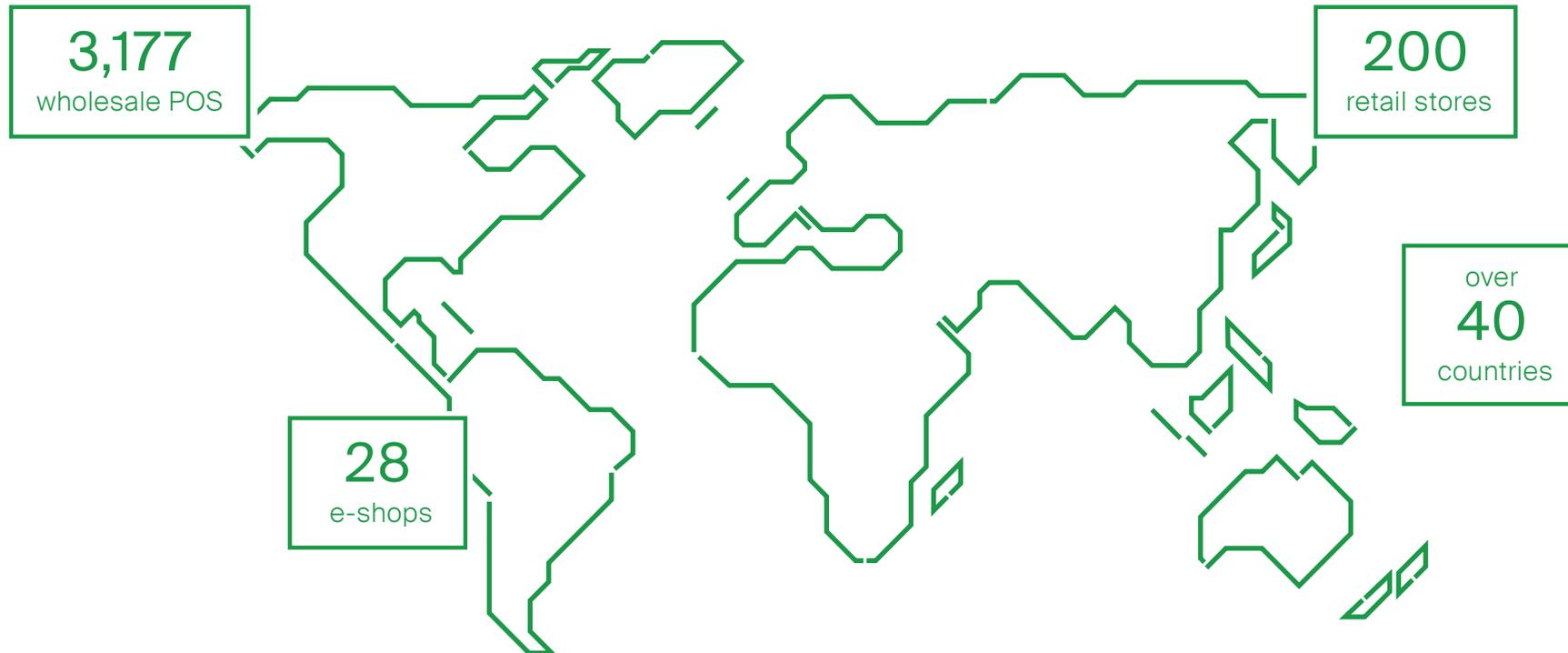
The Company recently performed an extensive analysis and overview of its 50-year strong brand. The entrepreneurial drive and trendsetting spirit that was once synonymous with the brand has been lost over the years. In the 1970s and 1980s, the brand's earlier years, the Company was open to be daring, risk taking, and pushing ideas forward that were controversial even during its time. With the new management team in Europe and Hong Kong, the Company has already begun the process of revitalizing the brand and recommitting to its core ethos. This also involves setting new standards with a continuous focus on diversity, equity, and inclusion. The Company believes it is time to reintroduce the brand's story in a modern context and put the brand and consumer at the forefront.





Our Business

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





Our Products

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

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



Casual



edc



Collection



Licence



Shoes



Accessories



Sports



Bodywear



Kids



Our People

We are committed to adopting a fair recruitment and promotion policy that prohibits unfair treatment or any other behaviour contrary to the provision of equal opportunity. All decisions in relation to recruitment, promotion, and dismissal are concluded based on the experience, ability, and capacity of candidates/employees, irrespective of factors such as their age, race, gender, religious belief and marital status, etc.

Diversity is a strength here at Esprit, and we are proud that the makeup of our team reflects this belief. Our global headquarters alone brings together people from 37 different nations. Globally, our team includes over 3,400 team members representing 79 different nationalities. This diversity of life experience and perspective enhances our work, and our relationships with one another.

Learning

We help our employees identify and reach their professional goals through our technical and soft skills training programs. These programs are available to our team members regardless of where they are on their professional journey, whether they are in the early days of a first job, or established professionals. We want to give everyone the opportunity to continuously grow and develop their skills. Due to the Pandemic and company restructuring activities, Esprit held no employee trainings in FY2020, but is confident to resume in FY2021.

75%
of our people globally, and



74%
of our European employees,
are covered by collective
bargaining agreements.



Safe Working Conditions

We take safe and healthy working condition very seriously, and each of our German locations has a team of trained first aid responders and evacuation assistants who are ready to help should the need arise. Only in our Headquarters we have 35 first aid responders and 50 evacuation assistants. 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. Unfortunately, no trainings were implemented in the 2nd half year of 2020 due to the COVID-19 pandemic (“the Pandemic”), but we are confident to train more employees whenever possible.

We have never had any work-related fatalities. One employee had a commuting accident and was sick at home for four weeks, during the reported period. The following occupational health and safety measures have been implemented in the respective period: there have been six instructions to all employees about diverse topics, such as COVID-19 via email, sheets or Excel file. Eye examinations takes place at regular intervals for all employees. As a matter of course, we ask all HQ employees to work from home, wherever possible, during the pandemic. In general, all new employees are being 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.

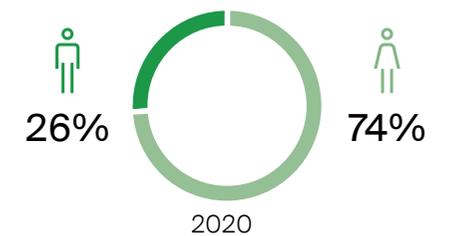
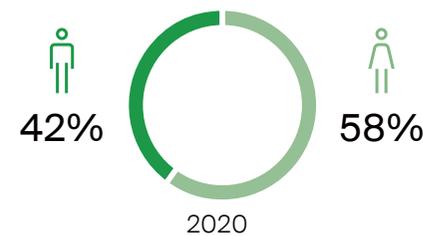
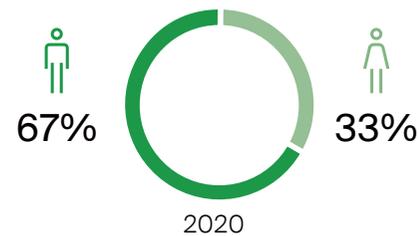
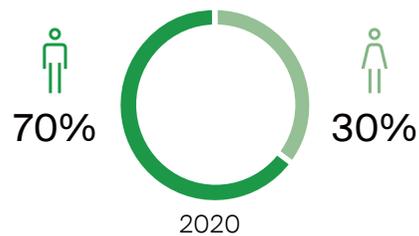
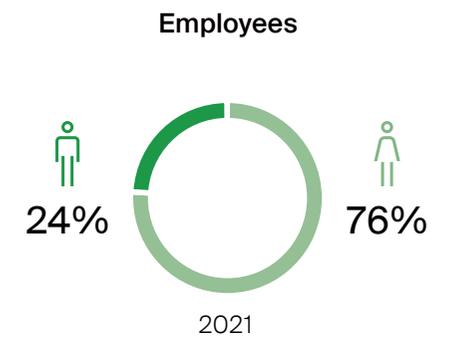
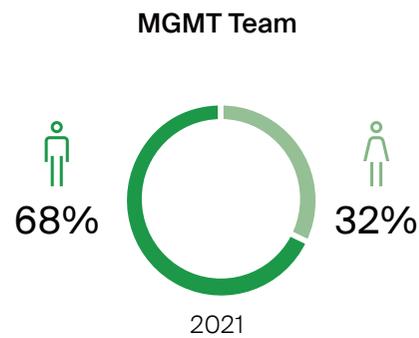
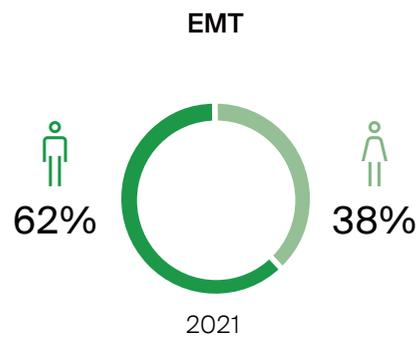




We aim to create a gender diverse balance within our leadership that is reflective of our company as a whole. We want to build greater female representation at the highest levels, which means building a culture and system that supports this goal.

Following a significant jump in female representation amongst the Executive Management Team from 2018 to 2019, we have largely maintained our gender balance over the past year.

Our Team



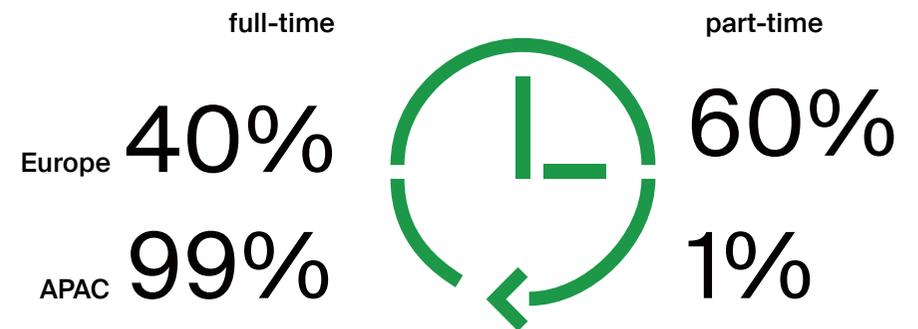


Our people are our most valuable resource, and we look for ways to support them in their individual career goals, and in building the work-life balance they each seek.



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

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





Where We Are

FTE/Headcount by Region & Country as at 31 December 2020

Region/Country	Total Staff				Heads											
	FTE*	Heads	Male	Female	Permanent Contract			Temporary Contract			Full Time			Part Time		
					Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
Europe/NA	2,379	3,320	14%	86%	79%	14%	86%	21%	14%	86%	40%	27%	73%	60%	6%	94%
Austria	152	234	11%	89%	100%	0%	100%	0%	0%	0%	28%	23%	77%	72%	4%	68%
Belgium	141	181	6%	94%	63%	13%	87%	37%	13%	87%	24%	12%	88%	76%	3%	73%
Denmark	13	13	0%	100%	100%	10%	90%	0%	0%	0%	85%	0%	100%	15%	0%	15%
Finland	20	29	7%	93%	84%	8%	92%	16%	17%	83%	17%	0%	100%	83%	7%	76%
France	150	173	19%	81%	88%	7%	93%	12%	11%	89%	68%	22%	78%	32%	4%	28%
Germany	1,427	2,022	17%	83%	100%	74%	26%	0%	0%	0%	45%	29%	71%	55%	7%	93%
Italy	10	11	27%	73%	0%	0%	0%	100%	20%	80%	73%	38%	63%	27%	0%	27%
Luxembourg	26	30	7%	93%	80%	25%	75%	20%	0%	100%	23%	29%	71%	77%	0%	77%
Netherlands	142	216	14%	86%	82%	17%	83%	18%	11%	89%	24%	37%	63%	76%	5%	71%
Poland	37	52	10%	90%	100%	27%	73%	0%	0%	0%	42%	23%	77%	58%	0%	58%
Spain	96	109	4%	96%	65%	43%	57%	35%	21%	79%	16%	18%	82%	84%	1%	83%
Sweden	13	20	15%	85%	75%	11%	89%	25%	0%	100%	30%	50%	50%	70%	0%	70%
Switzerland	147	225	6%	94%	100%	38%	63%	0%	0%	0%	32%	14%	86%	68%	2%	67%
USA	4	5	20%	80%	92%	3%	97%	8%	11%	89%	60%	33%	67%	40%	0%	40%
APAC incl. Group	112	112	35%	65%	93%	67%	33%	7%	63%	38%	99%	66%	34%	1%	100%	0%
China	15	15	60%	40%	98%	15%	85%	2%	0%	100%	100%	60%	40%	0%	0%	0%
Hong Kong**	83	83	68%	32%	98%	49%	51%	2%	100%	0%	99%	67%	33%	1%	1%	0%
India	14	14	70%	30%	100%	53%	47%	0%	0%	0%	96%	69%	31%	4%	4%	0%
Total	2,490	3,432	17%	83%	79%	17%	83%	21%	14%	86%	42%	30%	70%	58%	6%	94%

* Full-time equivalent

** Includes the Sourcing offices in Bangladesh, Indonesia, Pakistan and Vietnam



Esprit Cares

To be future-focused, we must also remember our roots. The origins of Esprit are steeped in social impact, doing good through doing business, and leaving a positive legacy through all our actions. Through our Global Esprit Cares program, we have built a culture of volunteerism, raised our voices on social topics, and taken actions towards the betterment of society: It's how we do business.

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

Christmas Initiative

Through our Global Esprit Cares network, Esprit partners with local organizations to offer opportunities to give back to the community through in-kind and monetary donations. In Germany, we continued our partnership with Knackpunkt, a shelter where teenage girls and women can safely stay overnight, with basic needs such as meals and showers. We donated packages with things that girls and young women could use, for example books or cosmetic products. In addition, we collected and donated some packages of Esprit accessories to Haus Bethesda in Ratingen Lintorf.

Community Outreach

Our global administrative headquarters in Hong Kong donated HK\$400,000 to Po Leung Kuk (PLK), a renowned charitable organization in Hong Kong that believes in the protection of the young and innocent. PLK provides social, educational, recreational and cultural services to all ages in the community, including care and support for orphaned children and health services for the elderly.

Looking back, Esprit has always been about doing good through doing business. We volunteered, we raised our voice on important topics, and we took actions as a company. We've done it from the beginning, and we continue to do it today: social impact is in our DNA. Our company origins inform our future: as we march forward, we honor the legacy created by our founders, Doug and Susie Tompkins, by turning around and taking a step forward.

“Turn around and take a step forward.”

Doug Tompkins



Yes Center

Feature: YES Center in Multan, Pakistan

Education can be transformative, bringing young people hope, opportunities, new skills, and confidence. This is why we work to expand access to education to young people around the world who may otherwise miss out. Together with the YOU Foundation, we have opened vocational training centers in Bangladesh, Vietnam, Pakistan, and India. Each YES Center (standing for Youth Empowerment through Skills) provides tailored curriculum that is aligned with the local culture and the needs of local industries, meaning each is unique and created for the community, by the community.

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

Context

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

Goal

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

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



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



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



Outcome and Impact

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

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

Of the Participants

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



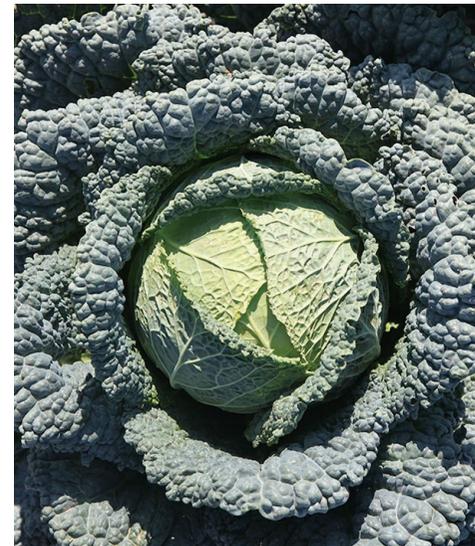


Green Canteen

Our corporate approach to sustainability is mirrored in our company Canteen. The Canteen seeks to present our employees with responsible choices, in a transparent way, offering healthy, plant-based, locally produced, seasonal, and sustainably-sourced dishes.

Early in 2020 we have introduced new menu lines: Vegan, vegetarian, and meat or fish. Serving organic food is our goal wherever possible; currently about 95% of our offerings are organic. The remaining 5% is composed of items such as wild-caught fish that cannot be certified as organic. Meat must come from animals that are raised according to best practices in animal husbandry, based on the species. Fish will be either wild-caught or MSC (Marine Stewardship Council) certified to ensure sustainable fishing practices. In addition to serving organic fruit, vegetables, and dairy, we serve Fairtrade Certified items as well. Our commitment to circularity is also demonstrated in our zero-food-waste approach to menu planning: leftovers are incorporated into new recipes.

Due to the fact that majority of employees work from home during the Pandemic, our canteen offers a reduced variety of “take-away” meals only.



Stautenhof: one of our regional and organic food suppliers



We are proud of our efforts over the years to become a plastic-free canteen. We have prioritized family-style serving to minimize both food waste and plastic waste. However, due to the Pandemic and the need to safeguard the health and hygiene of our people, we have temporarily switched to providing some pre-portioned items, such as condiments. Food waste that is not eaten enters a composting stream.

Our canteen team takes the education component as seriously as the cooking. Our head chef is a member of the “BioMentoren” Network, a group of leaders who intentionally find ways to engage with their workplace community around health, environmental protection, and building a positive social culture, while also creating opportunities for young people through internships.

3



TOWARDS
CIRCULARITY

Closing the Loop

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

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



Design Smart

Smart design is crucial as we shift toward a circular model. Our “Design Smart” approach emphasizes material selection, where we aim for fibers and materials that are recyclable or regenerative to the environment. We have now successfully transitioned 60% of our conventional materials into more sustainable options. But “Design Smart” also means designing products that are durable in terms of construction, and timeless in terms of style. We support our design teams to continually learn new techniques and apply innovative tools to ensure we are designing in the smartest way for our goals. One example of this in action is our design tool to enable all divisions to have a full overview of all products alongside sustainable material options. Not only does this lead to greater transparency and the ability to learn from one another’s challenges and successes, but each division can see where they stand in terms of sustainable material use in relation to the other divisions. We use the tool to monitor progress, encourage innovation, and it has been instrumental to our significant growth in sustainable materials usage.

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

Share of Fibers in Our Products in FY2020 Based on Shell Fabric

Share of Sustainable Fibers



As the below reviews the winter season only, there is a slight shift to less cotton and more synthetic fibers since more technical outerwear is sold in the winter months.

Fiber Share



Design for Long Lasting Products

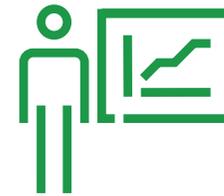
A product that is created through our Design Smart approach is a product that should last: it should be well made, and it should inspire our customers to love and care for it for many years. This means we need to understand what our customers are looking for, so we evaluate returns and solicit our customers' thoughts to make sure we are meeting their expectations. The information we gather then flows back into our product development process. After several years of having this process in place, we can see that our customers notice and appreciate the way we listen to and incorporate their feedback.

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



Library of Core Fabrics

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



01. Design Phase

Our design teams must balance beauty and trends with functionality and durability. True durability comes from a series of thoughtful choices on style and construction on through to materials, and processes. Our aim is timeless style, flawless and reinforced construction, and easy-care materials from sustainable sources. In addition, we need to understand what our customers are looking for, so we evaluate returns and solicit our customers' thoughts to make sure we are meeting their expectations. The information we gather then flows back into our product development process. After several years of having this process in place, we can see that our customers notice and appreciate the way we listen to and incorporate their feedback.

02. Product Development

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

03. Risk Assessment

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

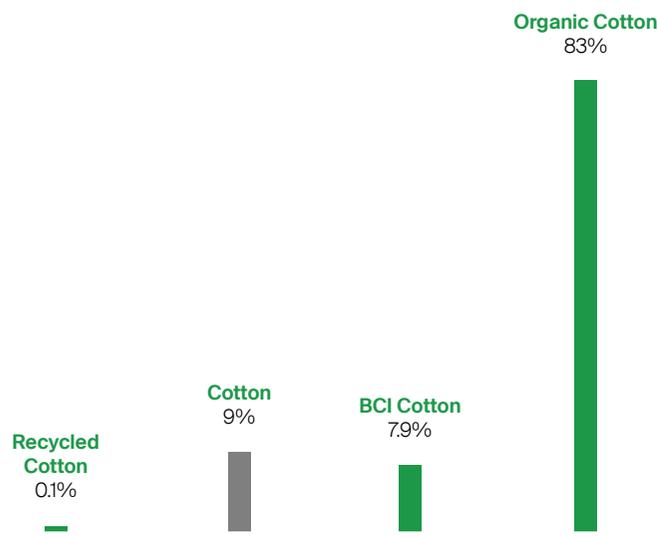
04. Quality Assessment

Esprit has a series of quality-control systems running alongside our products every step of the way from sketch to fit prototype to final garment. Our Quality Assurance team works with our direct suppliers to ensure they meet our technical standards, and we use technical workmanship audits to make sure complicated pieces can meet our durability requirements. Quality checks are performed onsite, then prior to shipping, at our Headquarters, and finally at our distribution centers. Despite the Pandemic, we have maintained our emphasis on quality through a Digital Vendor Summit as well as digital communication with factories during production.

Cotton

Cotton makes up more than half of the Company's total fiber usage. Of this cotton, 83% is organically grown. Another 7.9% is sourced through the Better Cotton Initiative (BCI). The Company also incorporates recycled cotton which sets a higher focus in the future due to improved availability.

Sustainable Cotton Options



FACTS

Organic Cotton

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

Better Cotton (BCI)

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

Recycled Cotton

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



Soil Health

Healthy soil is an important consideration for both a circular economy and a protected environment. Organic cotton farming is one approach that supports soil health, which in turn enables plants to reach optimal productivity without artificial supplementation. But it is not the only way. "Soil Health" is one of the seven "Better Cotton Principles and Criteria" behind the Better Cotton Initiative. Farming that takes into account soil health becomes an art that balances considerations like erosion, nutrient cycling and fertility, the use of cover crops, and integrated pest management to encourage beneficial insect populations.





Man-made Cellulosics

At the end of May 2018, we committed to the Roadmap Towards Responsible Viscose as outlined by the Changing Markets Foundation. We defined steps we will take to further promote and improve the sustainable production of viscose and modal fibers. Our goal with this commitment is two-fold. First, we want to push the wider industry to adopt a closed-loop manufacturing process to minimize the use of harmful chemicals. Second, we want to promote transparency by mapping the viscose and modal supply chain down to the raw material level. In order to responsibly source cellulosic fabrics, the cellulose needs to come from properly managed forests, as opposed to endangered or old-growth forests. In September of 2015, we first partnered with the environmental non-profit organization Canopy through the CanopyStyle initiative to ensure that our cellulose fibers are not sourced from at-risk or old-growth forests. Our goal is to only use preferred man-made cellulosics from 2023, such as those profiled here.

FACTS

TENCEL™ Lyocell

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

TENCEL™ x REFIBRA™

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

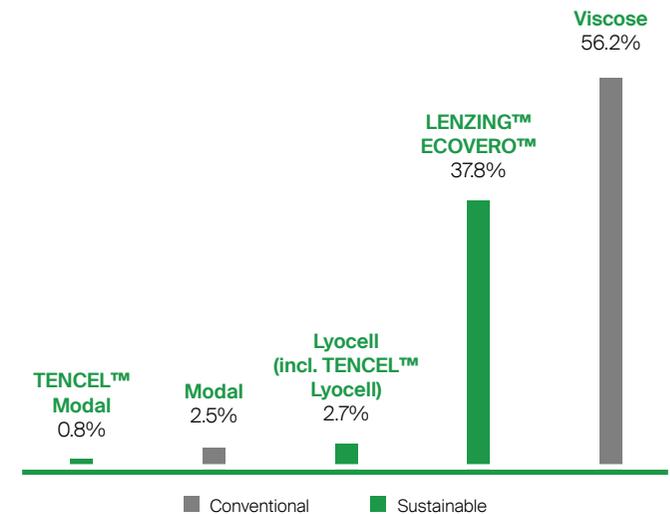
LENZING™ ECOVERO™

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

LYOCELL

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

Man-made Cellulose Fiber Share



Synthetics

30% more sustainable synthetic fibers by July 2021

Polyester, polyamide and acrylic are the most commonly used synthetic fibers in Esprit products. Synthetic fibers have the advantages of being quick drying, and ideal for very cold and for very warm conditions. However, these fibers are usually derived from petroleum, which is not a renewable resource. Additionally, synthetic fibers do not decompose like natural fibers do. Therefore, the Company wants to keep the consumption of synthetic fibers at the lowest possible level – and why the goal is to select more sustainable options such as recycled polyester and recycled polyamide. In FY2020, the Company overachieved its milestone of 30% sustainable synthetics by 2021 by 3%.

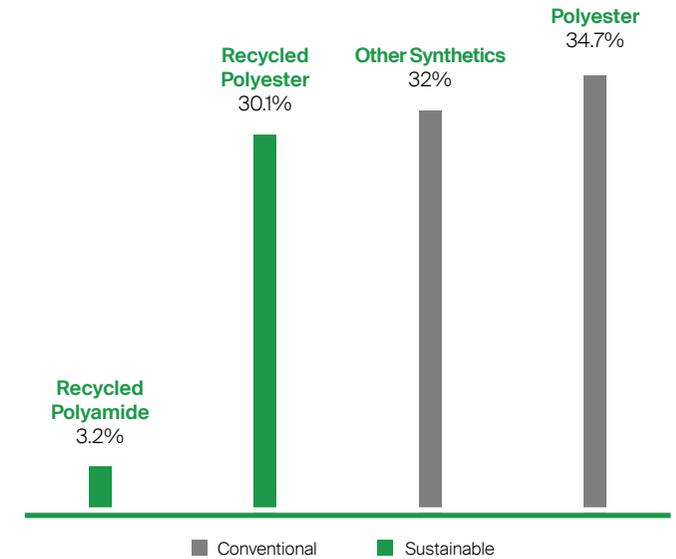


FACTS

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 fibers to either the Global Recycling Standard (GRS) or Recycled Claim Standard (RCS)

Synthetic Fiber Share



WE USED 27 MILLION OLD PET BOTTLES
IN AUTUMN/WINTER SEASON 2020.



Linen & Hemp

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

FACTS

Linen

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

Hemp

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



Animal-derived Fibers and Animal Welfare

Esprit cares about treating animals the right way. This is why we have developed our animal welfare policy: All products derived from animals must be produced in accordance with our Code of Conduct and the Five Freedoms of the Farm Animal Welfare Committees (FAWC).

Five Freedoms

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

Fiber Bans

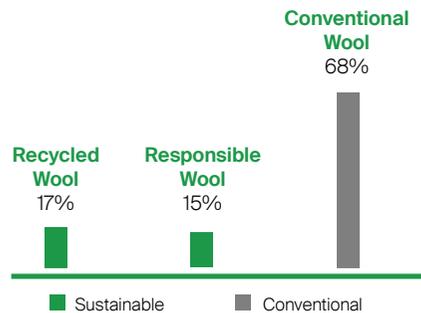
Due to animal welfare reasons, we have the following fiber bans in place:

1. No fur/ Member of Fur Free Retailer Program
2. No angora (since 2013)
3. No 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 fiber ban to remain in place until a credible standard exists that can ensure proper treatment of both animals and land)

Read more in our [Policy on Raw Materials and Animal Welfare](#).



Wool



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

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

FACTS

Responsible Wool

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

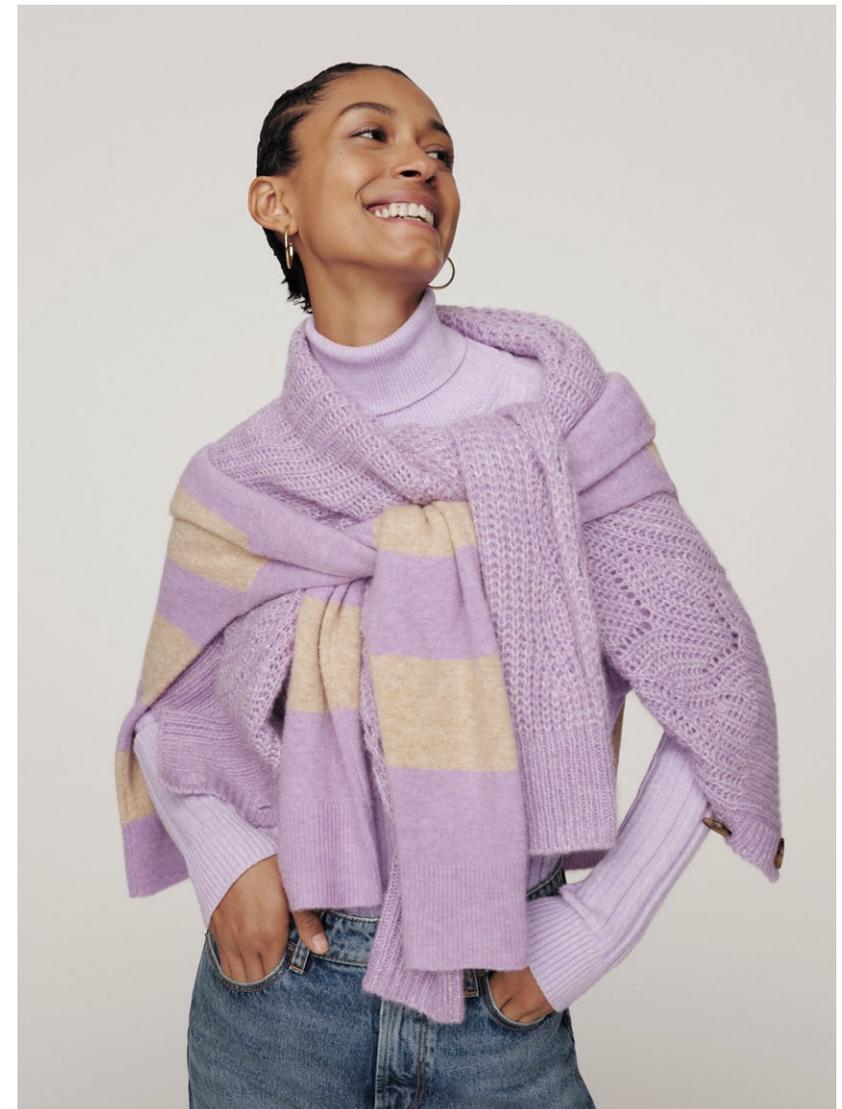
Recycled Wool

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

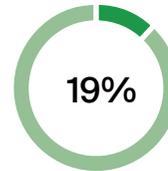


No Mulesing

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



Leather



19% of our leather is chrome-free tanned

We require our leather to be a by-product of the food industry and we do not source leather from endangered or threatened species that appear on lists from the International Union for the Conservation of Nature or the Convention of International Trade in Endangered Species of Wild Fauna and Flora.

For any leather we use for our products, each hide or skin must be traceable to its country of origin. We have been a member of the Responsible Leather Initiative since its 2017 founding by Textile Exchange, and we use this platform to address the issues found within the global leather supply chain, including animal welfare concerns, social and labor issues, and deforestation.

Leather 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. Additionally, we are planning to use only leather that has been tanned in a chrome-free process for bags and small leather goods for FY2021 (“financial year from 1 January 2021 – 31 December 2021”).



Leather-free and Down-free Vegan Options

While the percentage of animal-derived materials we use throughout our collections is quite small, we recognize that some of our customers are intentionally seeking products that align with a vegan perspective. We’ve responded with a collection of vegan shoes, and we are offering vegan jackets, without feather and down fillers, in Europe. From the beginning of 2020, 25% of our accessories earned the “PETA-approved Vegan” label from People for the Ethical Treatment of Animals (PETA).



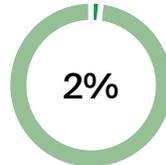


Better Processes

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

Our Environmental Sustainability team works with our supply chain partners to measure and improve the use of chemicals, minimize waste, and reduce the use of water and energy for processes such as dyeing and leather tanning. This is how we ensure the safety of workers, the health of local environments and the people who rely on them, and how we work ever closer to our goal of a circular fashion system.

Synthetic Leather



2% of our synthetic leather is water-based

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



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.

Produce Responsibly

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

term and close relationships with a small, stable portfolio of top-performing suppliers allows us to foster a sense of community. Our close relationships also position us to provide support when needed, and allow us to intimately see our partners' operations, understand their philosophy,

and assess their ability to meet our strict requirements. Overall, our approach to partnering with our suppliers means they can grow alongside us as we work together toward a more sustainable and circular fashion industry.





Transparency

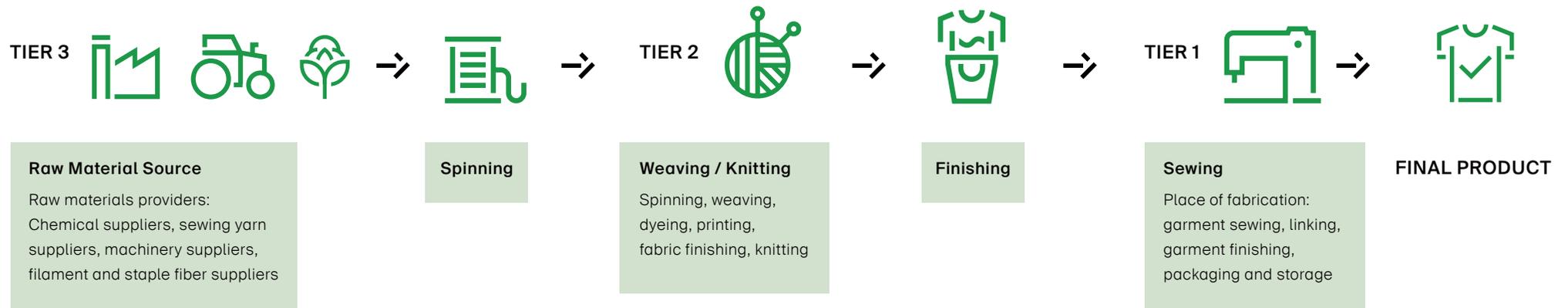
Supply chain transparency means more than knowing where in the world we produce – it means knowing who our production partners are, how they work, and how we can best support them to work in a clean, responsible and efficient way. Transparency is the shortest route to accountability, which is the broader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

and fiber producers (Tier 3). More details regarding our supply chain partners is available **at our homepage.**

Our network of suppliers spans 15 countries and includes hundreds of globally interlinked partners. We focus on building long-term relationships with our key supply chain partners, where we are invested in one another’s success. Before embarking on a relationship with any potential new suppliers, we require the disclosure of our direct suppliers’ supply chain, going past our Tier 1 direct suppliers to encompass our suppliers’ subcontractors (Tier 2)

PRODUCE RESPONSIBLY

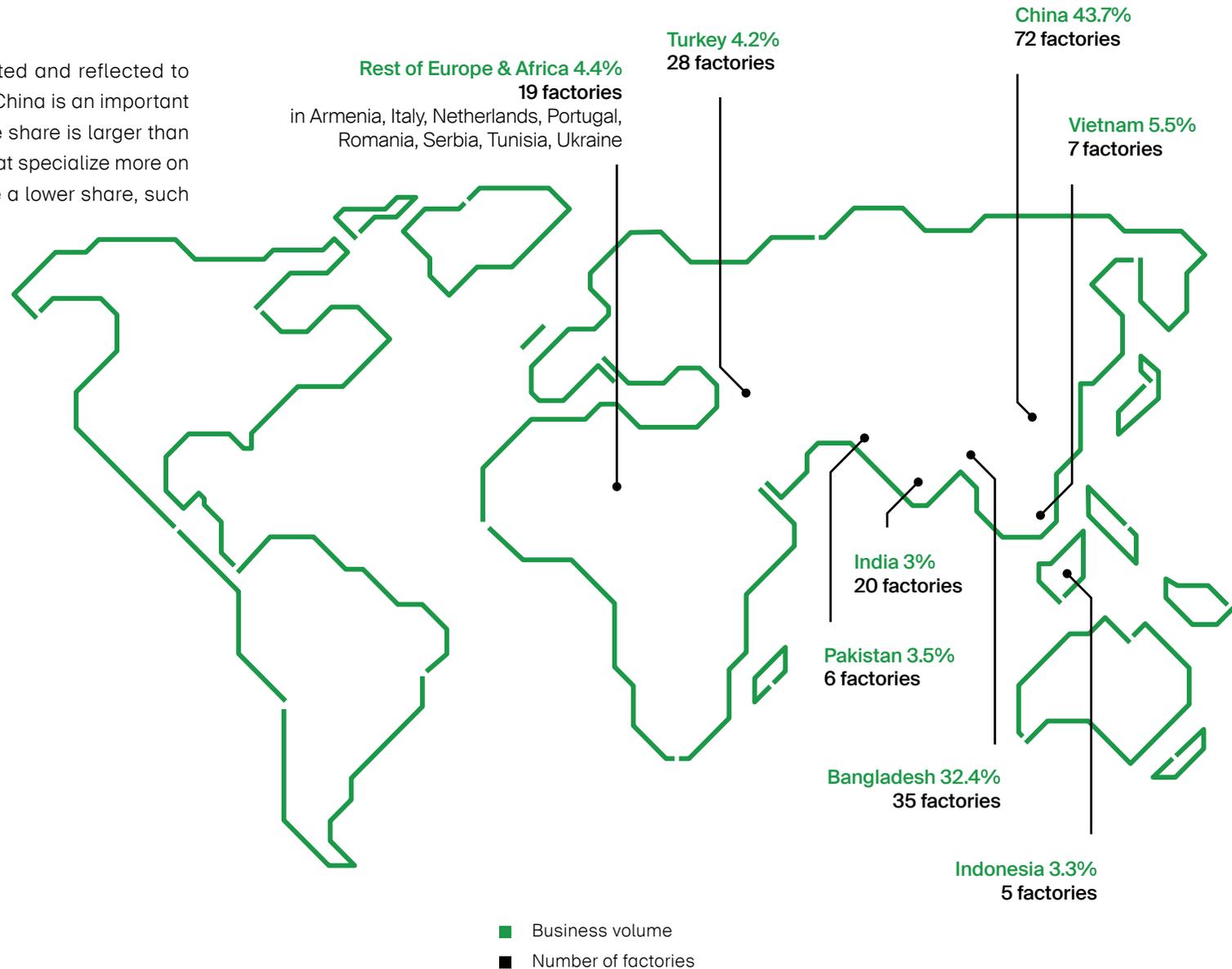
Topic	Target by July 2021	FY2020	FY19/20
Transparency	Map and publish our Tier 1 and Tier 2 suppliers every six months (ongoing)	 100%	 100%
	Map and publish key Tier 3 suppliers every six months	 33%	 33%



Made in

OVERVIEW OF OUR TIER 1 SUPPLIERS

The production numbers are adjusted and reflected to cover the short fiscal year 2020. As China is an important production country for outerwear, the share is larger than usual. Other countries and regions that specialize more on light woven and summer styles have a lower share, such as India.





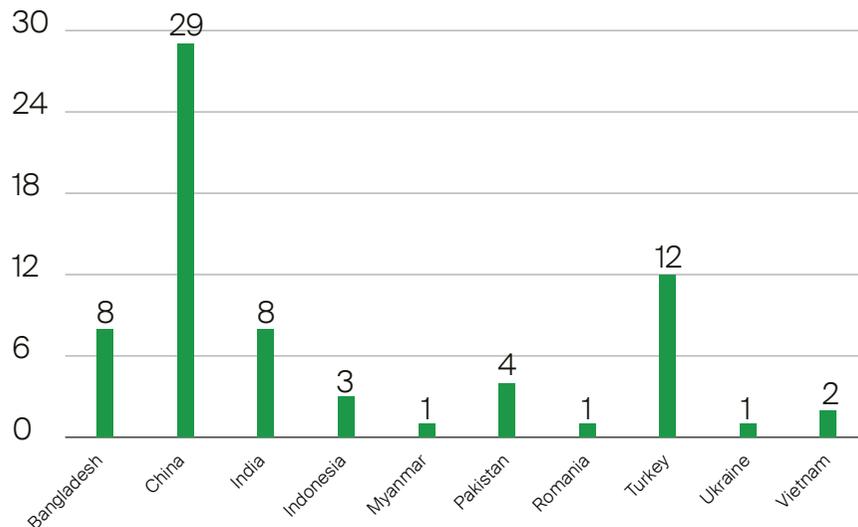
Responsible for People

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



Overview Social Compliance Audits per Country

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



We have conducted **69 social** compliance audits in **10 countries**

In comparison to FY19/20, the numbers in FY2020 are considerably lower. The main reasons are due to government enforced travel restrictions during the Pandemic which resulted to completing less physical audits and the change of Esprit's financial year end. The data in this report only highlights work for 6 months from 1 July – 31 December 2020. FY19/20 covered 12 months from 1 June 2019 – 31 June 2020.

How We Ensure Fair and Safe Working Conditions

We want our garments to be produced ethically and according to national and international legislation. Our Supplier Code of Conduct is the foundation for our program to ensure safe and fair working conditions in the factories where Esprit products are made. We believe in a collaborative approach to improving working conditions, and we are active members of several industry initiatives to achieve this change, notably the Fair Labor Association.

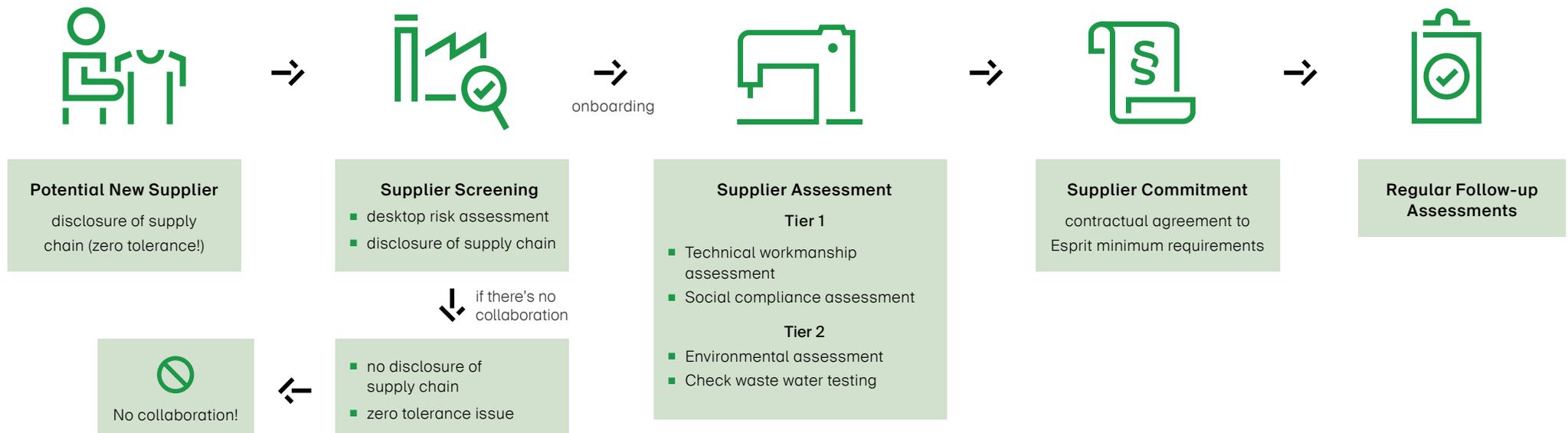
Specific to Esprit, there are strict requirements suppliers must fulfill before starting to work with us. In addition to the contracts we have with our garment suppliers, we are also

engaging beyond Tier 1 to establish relationships with fabric suppliers and other partners further down our supply chain. However, when it comes to compliance with our standards, we continue to work through our Tier 1 partners: **This is why it is crucial that our direct partners, the garment vendors, support us in cascading our requirements through their own supply chains.**

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

Our Criteria

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



Our Policies

Policy on Human Rights

All of our Social Standards are based on our October 2019 Policy on Human Rights, which defines our ethical requirements and sets them down clearly in writing.

Supplier Code of Conduct

All factories producing Esprit garments must comply with our Supplier Code of Conduct which is part of the basic supplier agreement that all of our suppliers must sign when they begin working with Esprit. We have developed detailed guidelines to help our suppliers implement the Esprit Supplier Code of Conduct. These guidelines describe the internal processes our suppliers must establish to meet our social standards. The guidelines also include remediation measures that suppliers must immediately implement in the event of failure to meet our standards.

Sourcing Policy

Our Policy on Sourcing Practices sets forth our expectations of suppliers related to transparency, legal compliance, waste, greenhouse gas emissions, water, and chemical management, as well as our minimum requirements.

Our Partners

We take the working conditions within our supplier factories very seriously, and partnering is the best way to achieve a positive impact. We are members of several industry initiatives which help us work with other companies and stakeholders to align our approaches and build collective momentum toward shared goals.



We work through and with the following multi-stakeholder and industry initiatives to achieve industry-wide improvements:

- Fair Labor Association
- ACT on Living Wage
- Bangladesh Accord on Fire and Building Safety
- German Partnership for Sustainable Textiles
- Dutch Agreement on Sustainable Garments and Textiles
- SLCP Social & Labor Convergence Program

Audits

The Esprit social sustainability team regularly conducts both unannounced and announced audits at the Esprit manufacturing facilities to ensure that all these production lines operate in accordance with the Esprit Supplier Code of Conduct. When challenges arise, we don't believe that pulling orders from suppliers is the right course of action. We want to support our suppliers to improve while upholding a business relationship built on mutual respect, trust, and open communication. We develop a Corrective Action Plan (CAP) together with the supplier after each audit. We then conduct regular re-audits to verify the improvements. We only terminate a cooperation if improvements are not made, or if there is a lack of willingness to address the issues.

No "Cut and Run"

Social Compliance Audit



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



What a Social Compliance Audit Looks Like

A social compliance audit is a complex process that includes gathering and verifying feedback and information from multiple stakeholders. In high-risk regions, we audit our suppliers' factories at least once per year. The findings of each audit are used to create a time-bound corrective action plan so that the factory knows the steps they must take to address any problems that may have been found. We use both internal and external audits to help build an accurate picture of factory performance.

Internal Audits:

We have a team of Social Sustainability Managers within our key sourcing countries. These teams conduct audits and follow-up visits as needed to ensure that factories make progress toward aligning with the Esprit Supplier Code of Conduct, as well as to verify the quality of the third-party audits.

External Audits:

We also work with third party auditing firms who conduct audits on our behalf.

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



What a Social Compliance Audit Looks Like

Time Records

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

Stakeholder Interviews

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

Walkthrough

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

Management Interview

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

Worker Interview

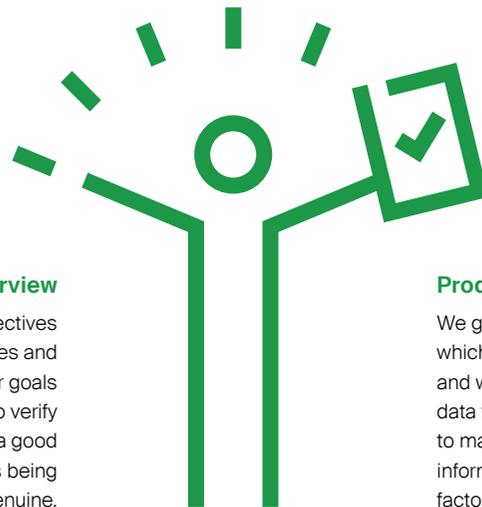
It is crucial to get the workers' perspectives on the factory, but also on their own lives and whether they are able to pursue their goals inside and outside of their jobs. We also verify other data with the workers, who have a good sense of whether the information that is being shared is genuine.

Payroll Check

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

Production Records Check

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



Audits during the Pandemic

The Esprit social sustainability team regularly conducts both unannounced and announced audits at the Esprit manufacturing facilities to ensure that production lines operate in accordance with Esprit's "Supplier Code of Conduct". During the COVID-19 pandemic ("the Pandemic"), this approach has been very challenging due to restrictions on travel and visitation. Therefore, the Company has changed its way of auditing into a digital audit scheme to follow-up non-compliances while doing its best to support factories in making improvement. 14% of the audits were conducted digitally and via follow-ups. When challenges arise, the Company wishes to support its suppliers to improve while upholding a business relationship built on mutual respect, trust, and open communication. A Corrective Action Plan (CAP) is developed together with the suppliers after each (digital) audit.



Non-compliance

Monitoring compliance with these standards is a constant challenge in our industry. We use auditing to ensure that factories meet and maintain our requirements, and to detect violations and make plans to improve factories. All audits result in a time-bound corrective action plan detailing improvement expectations.

We support our suppliers to move beyond our minimum standards, focusing on helping factories to build better management systems so that they can be better equipped to maintain their progress. In the spirit of partnership, we make every reasonable effort to support our suppliers to improve.

If an issue is exceptionally severe, however, it may be necessary to take immediate action, which could include suspending orders and shifting cut pieces or materials to other factories to be completed. Only when efforts to address problems fail, or if we see a lack of willingness to improve, will we stop doing business with the supplier. In FY2020 Esprit dropped 0.5% of suppliers for poor social compliance performance. The most common zero-tolerance issues were working hours in excess of 60 hours per week per the ILO standards, failure to provide one day off over a seven day period as per ILO and FLA standards, and inconsistencies between payroll, attendance and production records.

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





Non-compliance Issues in FY2020

The most common non-compliance issues were the following:

- Incomplete wage data, working hours and production records or inconsistencies and incorrect calculations in records
- Failure to meet daily and weekly workhour limits such as 60 hour work weeks or 1 day off in 7 days
- Transparency problems that show up as inconsistencies between documents, management interviews and worker interviews
- Lack of effective worker grievance mechanisms
- Lack of procedures and policies in discrimination (gender, union, political affiliation, etc.), grievance and benefits (such as maternity, leaves, etc.)
- Lack of robust subcontractor management systems in suppliers



Rewarding Sustainable Suppliers

We incentivize and reward supplier performance that reflects and supports progress toward our sustainability goals. The Vendor Score Card was initially introduced in January 2017 to provide a tool for measuring each supplier's performance on an objective basis. Every six months we evaluate our suppliers' sustainability performance based on social and environmental criteria, alongside business criteria such as on-time delivery and quality. Together, the facility's performance in these areas is used assign them a score in the Vendor Scorecard.

The Vendor Score Card is an essential tool for constantly measuring and evaluating our supplier base. Our partners know that these scores will impact their business, and that they will benefit from improvements in sustainability; in this way, they are incentivized to ensure fair and safe working conditions or to scale up their efforts to offer sustainable materials.

Beyond Auditing

Auditing plays a key role in ensuring compliance with our standards. But it is not the only tool we employ. We also spend time building relationships with our suppliers, and educating workers, which is ultimately about empowering them. Alongside our audits, we ensure that the workers know what they are entitled to so that they can stand up for their rights, and we create channels for them to communicate their concerns directly to us, so that we can use our leverage as a brand to support them if there is a need.

Worker Code of Conduct

At the beginning of 2020, we began to implement a Worker Code of Conduct, according to the requirements of the Fair Labor Association. Our Worker Code of Conduct is a shorter and simpler version of our Supplier Code of Conduct, aimed at informing workers of their rights. Due to the Pandemic, we could not fully implement this Code in factories as we

had intended. However, this process will continue as soon as our teams are able to safely travel again. Currently, the Worker Code of Conduct is available in Chinese, Bengali, Hindi and Turkish.

Grievance Mechanism

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

Empowering Women

Since early 2018, a priority for us has been to better understand, and then address, the issue of women's underrepresentation in leadership positions, despite being the overwhelming majority of the garment industry workforce. Our goal has been to work with our Tier 1 suppliers in both India and Bangladesh to achieve the target of 15% of supervisory roles being held by women. We are disappointed that one of the many impacts of the Pandemic this past year has been that we have not been able to personally visit factories to monitor and record progress in this area. In truth, we also do not expect that our suppliers have been able to focus on this target considering the crisis and the superseding priority of ensuring the health of workers. In the future, we look forward to continuing this work with our partners and to reaffirming our belief that business with women in leadership roles are businesses that thrives.



Freedom of Association

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

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

Living Wages

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

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

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



Fire and Building Safety

Esprit was one of the first companies to sign onto the Bangladesh Accord on Fire and Building Safety, which was launched following the collapse of the Rana Plaza complex in 2013. The Accord is a broad coalition of brands, trade unions, civil society and factories, addressing fire and building safety in the ready-made-garment industry in Bangladesh through a legally-binding agreement with a five-year term.

Esprit made a clear commitment to responsibly source from Bangladesh for the long-term. There are still improvements that need to be made regarding fire and building safety in Bangladesh. As a consequence, the textile industry in Bangladesh is experiencing a substantial transformation when it comes to fire safety and is now converting to improved safety standards. This makes the Accord an

essential part of our work in Bangladesh. We are committed to keeping up this good cooperation in the future, even as the framework of the Accord continues to evolve and the Transition Accord has come into effect. Turning this transition period, we agreed along with a group of other Accord member brands we will maintain the same roles and activities until May 2021. This means brands will keep monitoring factories' progress on remediation of Fire, Electrical & Structural issues, and that a system has been established among member brands to ensure proper resolution of grievances raised through the Accord's grievance mechanism.

The Pandemic has limited the ability of our partners to conduct 3rd party audits in factories in person; this is why our remediation efforts currently stand at 95%.





Responsible for the Planet

It is our goal to have a positive impact on our planet through closing the loop: This includes ensuring responsible management of resources (such as water), responsible selection and safe use of all production inputs (such as chemicals), and the control of all production outputs and emissions (such as wastewater, GHGs, and – eventually – the product itself).

Detox

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



In support of this goal, we were among the first members of the Zero Discharge of Hazardous Chemicals Group (ZDHC). This group of industry-leading brands and stakeholders has come together to develop tools and protocols to empower the entire supply chain and move the industry forward. We are proud to be part of this pioneering initiative, and to have a leadership role in the work to eliminate the discharge of hazardous chemicals in fashion manufacturing.

As we made progress towards our Detox Commitment, we published reports in January 2017 and September 2017, which gave overviews of our achievements and our targets for the future. Now that we have reached the 2020 mark, we feel proud of what we have accomplished, working systematically with our suppliers to help them properly manage chemical use, test their wastewater, and phase out hazardous chemicals. In FY2020, 68% of our key wet processing mills tested their wastewater according to the ZDHC Wastewater Guidelines. The industry still has work to do in this area, and we are not able to change the industry in a sustainable way on our own. To build off of the progress we have made so far, we continue to apply our learnings to the broader goal of eliminating the discharge of hazardous chemicals, and we will continue monitoring our factories with our own audit protocol.

Accomplishments

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



Clean Production

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

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

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



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RSLs and MRSLs

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

1. RSL

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

2. MRSL

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



Environmental Assessment



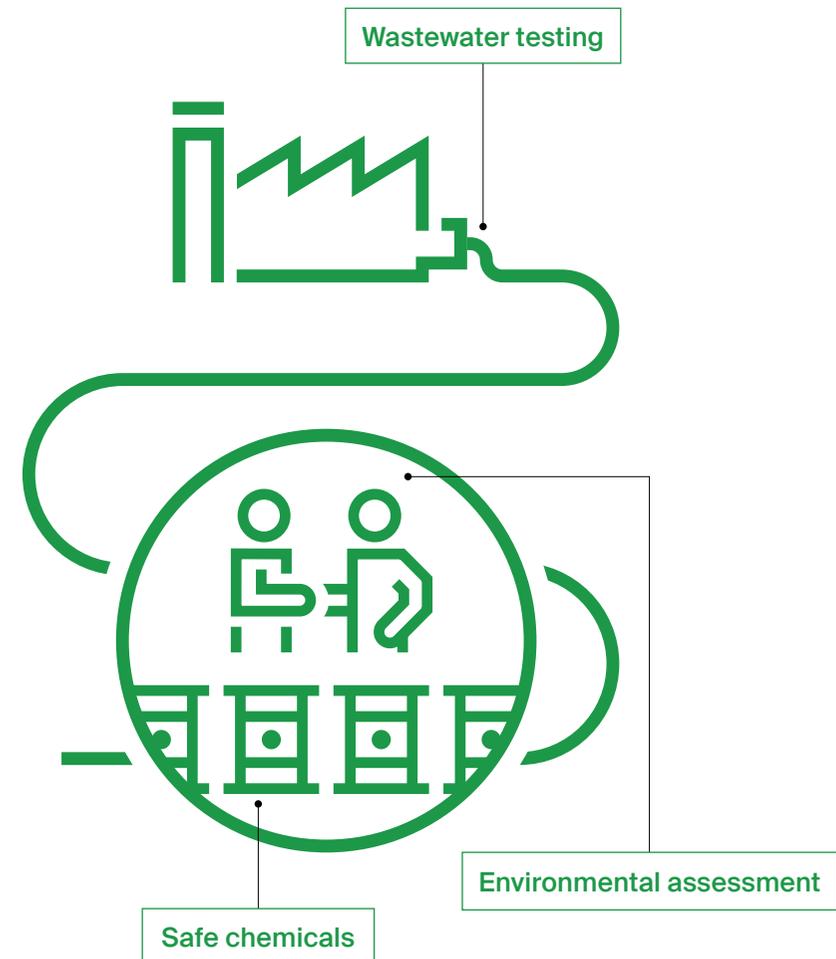
100% of our key wet processing mills have been audited based on the Esprit technical audit protocol

Our audit protocol involves visiting factories to review processes and documents, observe activities, and talk with workers. In FY2020 we broadened our protocol to include more parameters, such as water use, energy use, carbon footprint, and a social risk assessment.

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

Audits during the Pandemic

Due to government imposed travel restrictions, only a fraction of the suppliers were audited in person. Once government enforced travel restrictions are lifted, we expect to continue our auditing program to its full extent. Results show that it is still important to verify data and support suppliers at the factory-level.



Wastewater Testing

Wastewater testing is a critical part of our process for supporting the health and safety of workers and community members in and around our wet processing facilities. While we provide clear expectations on chemical use and wastewater treatment, as well as tools to help our partners meet our expectations, we understand that this is a complex topic. As a member of the Zero Discharge of Hazardous Chemicals (ZDHC) group, we adopted the ZDHC Wastewater Guidelines in February 2016. Working in tandem with the ZDHC Manufacturing Restricted Substances List, the ZDHC Wastewater Guidelines and testing protocols are in place to ensure the water leaving each wet processing factory meets our requirements,

and is safe for the environment and the community. Key wet-processing facilities producing Esprit garments must have their wastewater tested according to the ZDHC Wastewater Guidelines, and they must upload their results to the publically-available Institute of Public & Environmental Affairs (IPE) website, or to the ZDHC platform.

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



Water Use

For the first time, we are including waste water usage in the production of our products. During the reporting period in FY2020, we also analyzed the greenhouse gas emissions related to the usage of water. In our supply chain, a total of almost 4 billion litres of water were used, which came from different sources. 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 & freshwater, which are very valuable to the local population.

Type of Water	Vol. l	Vol. %	CO ₂ e kg	CO ₂ e %	CO ₂ e intensity
Fresh Water Resources*	3,996,380,218	99.74%	56,248,806	98.85%	0.0141
Reclaimed/Recycled Water	10,319,428	0.26%	653,130	1.15%	0.0633
Total Water Usage	4,006,699,646	100.00%	56,901,936	100.00%	0.0774



Safe Products

Our Restricted Substances List (RSL) is the backbone of our product safety process. To monitor compliance with our RSL, we employ a testing process based on REACH, the European Union regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals, as well as applicable national legislation in Esprit's sales markets. We are a member of AFIRM, an industry body dedicated to maintaining the highest standards for implementing chemical restrictions. Members exchange on the latest testing methods and, by involving the chemical industry, work together to increase the demand for more sustainable chemical alternatives. 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 implemented the AFIRM Packaging Restricted Substances List in July 2018.



How We Ensure Safe Products

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



On-site Check: Before shipment, an inline and final inspection is performed by the local Esprit 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 our HQ.

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

HQ Review: Our 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 Centers.

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

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



How We Handle Non-compliances

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

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



Ship and Sell Sustainably

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



Scope 1 and 2

We initially set the goal of achieving a 30% GHG emissions reduction by 2030, which we are working toward with our business partners through the Fashion Industry Charter for Climate Action. We are proud of our improvements in this area, and we expect to reach the 30% target early, in 2021. Our focus on procuring renewable energy is largely behind this progress. While store closures during COVID-19 will also impact these figures, that impact will be reflected in the FY2021 reports. The reduced usage of our fleet of cars in Germany due to COVID-19 is reflected here in our Scope 1 data. We did see an increase in air shipments this year, which elevates our GHG emissions at Scope 3: This is attributable to supply chain disruptions due to COVID-19, and does not indicate a change in our goal to minimize air shipments.



Reduce greenhouse gas emissions (GHG)* by 30%
*Baseline FY17/18: 40,803 CO₂e

Actions in Scopes 1 and 2

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



Carbon Footprint

Scope 3

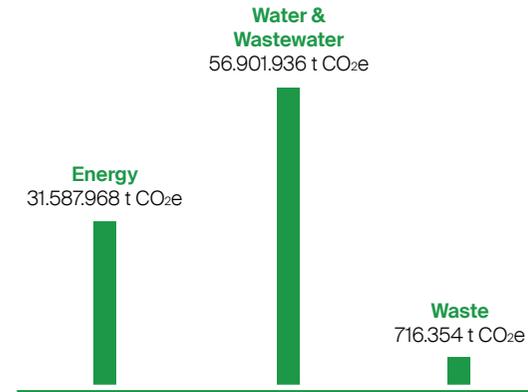
A large part of our emissions emerge during the production of our products. In order to find the right answers to defend the climate change, we have started to work closely with our suppliers to gather data on the emissions in our supply chain. Having a precise data base is important to identify the largest problems and emissions and work directly with suppliers to find sustainable alternatives and work on reductions.

For the current reporting cycle, we have managed to enlarge the scope for mapping the emissions in the facilities where our products are made.

We have obtained information on energy usage, water consumption and wastewater generation as well as the amount of waste from 45 garment vendors, which make 80% of our total business volume and 86 fabric suppliers. 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 about the portions of renewable energy (such as, e.g. biomass or solar power) that is used in our supply chain.

Furthermore, we have started working on the replacement of coal boilers (which generally have high emissions intensities) by more efficient equipment in close collaboration with our suppliers.

Carbon footprint of our garment vendors by resources





SCOPE 1

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

Gas for heating

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



SCOPE 2

is the applicable scope for emissions related to purchased electricity.

Electricity

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



SCOPE 3

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

Emissions

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

FY2020 Figure:
GHG: 1,082 t CO₂e

FY2020 Figure:
GHG: 8,154 t CO₂e

FY2020 Figure:
GHG: 95,130 t CO₂e

Baseline*: 31,668 t CO₂e

*Calculation using baseline methodology

During the baseline year during FY17/18, we did not include emissions of our suppliers. Therefore, our Scope 3 data is much lower. In order to have a comprehensive assessment of our Carbon Footprint, we believe that the emission data from our suppliers is an important part of it.

Shipments

As a supply-chain activity, shipments fall under Scope 3. Esprit is not directly responsible for the emissions linked to transportation from the supplier to our warehouse. However, this is also a major component of our footprint and something we have taken very seriously, so we have set concrete goals on shipping modes.

The global nature of the fashion industry means that some of our products may have journeyed around the world before reaching the hands of our customers. The impact of this global travel includes greenhouse gas emissions, but the picture is broader than just this. We aim to understand and reduce the impact of transportation, which may be by sea, truck, air, rail, or combined sea/air, as we weigh different risks, benefits, business needs, and impacts on the environment for each mode of transportation. Trains are our first choice, since they are the most efficient way to move large quantities for the lowest carbon impact.

Regardless of the mode selected, we always make sure cartons and containers are full, space is efficiently used, and orders are combined wherever possible. This goes a long way to reduce the carbon footprint of every transport method.

Outbound Shipments – Warehouse to Retail

Outbound shipments, which account for a small percentage of our tracked emissions, are the second wave of shipping that originates at our distribution centers and ends with our goods arriving at our retail stores or with our wholesale partners. This year, we were able to offset over 80% of our outbound logistics emissions, totaling 2,308.5 tons CO₂ equivalent.

How We Ship

FY2020 difference to FY19/20 in percentage points

**Sea****Truck****Air****Sea/Air****Rail**

Transport

53% of our service providers are in the Clean Cargo working group (CCWG). Clean Cargo is a business-to-business leadership initiative that involves major brands, cargo carriers, and freight forwarders dedicated to reducing the environmental impacts of global goods transportation and promoting responsible shipping.



Embracing Digital Innovation to Shift toward Circularity: s2B Digital Wholesale/B2B Platform

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



E-shop Shipments

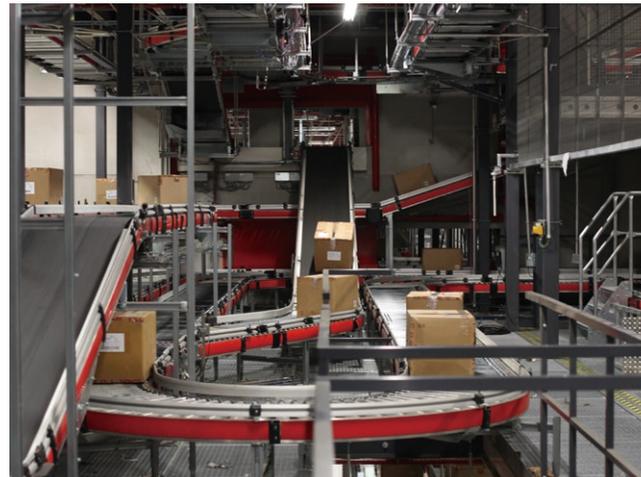
Shipments from the warehouse to our customers also fall under Scope 3. The Pandemic has only accelerated the trend of more shopping being done online. We had already set the target of shipping 90% of European e-commerce products through carbon-neutral or reduced emissions modes of transport by July 2021.

Similar to FY19/20, around 80% of our European e-shop orders met this standard in FY2020.



Embracing Digital Innovation to Shift toward Circularity: Project Fiber – New Esprit Online Shop

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



Waste

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

In our e-commerce channel, we used 4 million cardboard boxes made of recycled material to ship the goods to our end-consumers and 3,000 kg of stuffing material to protect delicate items (such as bottled fragrances) from damage. From beginning of 2021 onwards, we use paper stuffing instead of plastic material, because our consumers' acceptance of paper stuffing is much higher than of plastic stuffing.

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.

In this connection, we have introduced customized standard polybags along with new folding techniques for our garments. These new folding techniques reduce the size of the folded garment, so that it fits into the smallest size of polybag possible. Our denims are shipped as roll-packs that are held in shape by a banderole instead of a polybag. Thus, we can save packaging material while not putting the quality of the garments at risk during shipment.

In addition to this, we have amended the polybag quality and now use polybags with a 30% recycled content. Furthermore, we have reduced the thickness of the polybag. This helps to protect resources and foster a circularity of materials.

We continue to look for even more sustainable packing opportunities that are accepted by our customers and which at the same time can easily be made available at the places of fabrication.

During FY2020, we shipped 18 million pieces of garments, shoes, accessories and license products to our consumers via our 3 channels Wholesale, Retail and e-commerce.

In order to protect the goods from damage or dirtying during transportation, we used 268,000 kg of product packaging:



Thus, we calculated an average of 15 g of packaging per item.



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



Logistics Initiatives

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

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

FIGHT THE POLYBAG
8% OF OUR PRODUCTS HAVE BEEN SHIPPED WITHOUT POLYBAGS BUT ONLY BANDEROLES



Extend Product Life

Overview

Living our circular fashion philosophy means continuously thinking about ways to extend the useful life of each product, and approaching that question from multiple angles. One example is our work to identify and optimize 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. We are working to educate our customers on garment care and repair, and offering them support services in our shops.

Accomplishments



We align our care labels with **Clevercare** to provide **sustainable washing instructions. Links are available on each garment.**



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



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



Care

Living our circular fashion philosophy means continuously thinking about ways to extend the useful life of each product, and approaching that question from multiple angles. While designing with quality and durability in mind is certainly part of this process, another equally important aspect is engaging and educating our customers on their role in taking care of their garments. We are working to educate our customers on garment care and repair, and offering them support services in our shops.

Our Care Guidelines

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

Clevercare

Our care labels are aligned with the Clevercare system. This has been in place since 2016, and is part of our strategy to educate our customers on their role in supporting a more sustainable fashion system. Clevercare provides information about more sustainable washing, drying and ironing of garments. Small things, such as reducing washing temperature to cut down on overall energy consumption, can have a positive impact on the environment.

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

Repair

We aim to inspire our customers to extend the life of their garments, and part of our approach has been simplifying the process of garment repairs. We now offer a repair service for Esprit garments in all our retail stores in Germany. If your Esprit garment needs a seam closed, a button replaced, or a zipper fixed, find one of our stores nearby. We also plan to roll-out the program to other European countries.

Reuse and Recycle

Our commitment to a circular fashion economy has inspired an intense focus on reuse and recycling. Our 2021 goals range from educating our product teams, to incorporating post-consumer recycled material into our products, to expanding collection and resale opportunities. We are proud to share that we have achieved all of our 2021 reuse and recycle targets.

Accomplishments



We give customers the chance to return old clothes and give them a new life: **A total of 192,046 kg was collected between January 2018 and the end of June 2020 through the collaboration between Esprit and Packmee.**

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 11 outlets across Europe, where they are usually sold out completely.

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

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

Careful Lifecycle Management

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

Garment Collection

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



i PACKMEE re-sells the used clothing and shoes donated by our customers, giving them a longer lifespan. The profits are donated to Save the Children.





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.

Avoiding Overconsumption

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

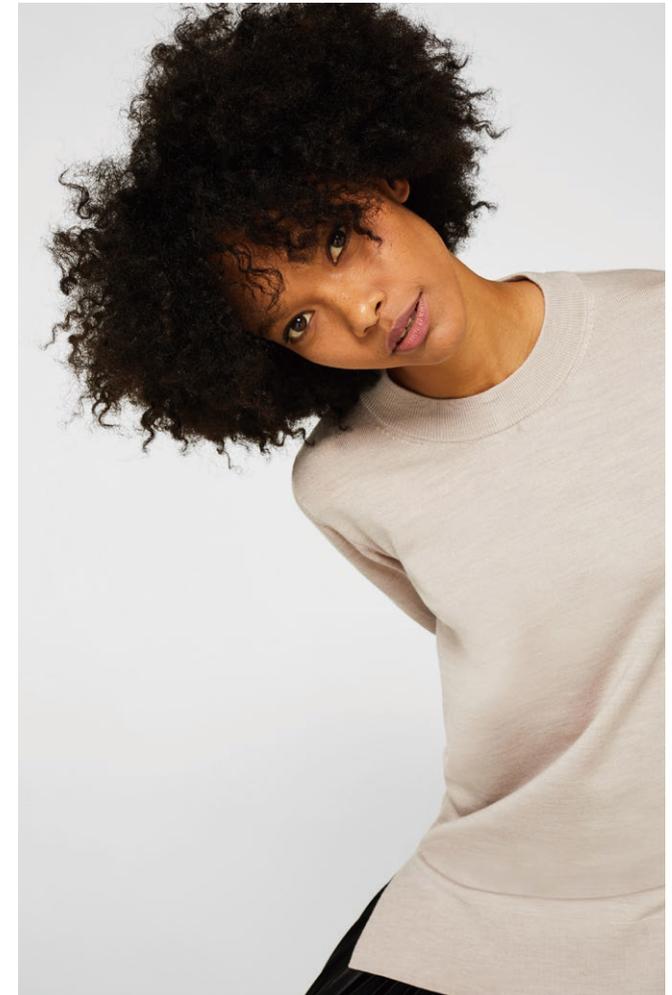
What We Do with Unsold Garments

As part of Esprit's commitment to minimizing our impact on the environment, we carefully consider how to handle

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

Do We Destroy Garments?

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



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SET THE
FRAME

Embedding Sustainability

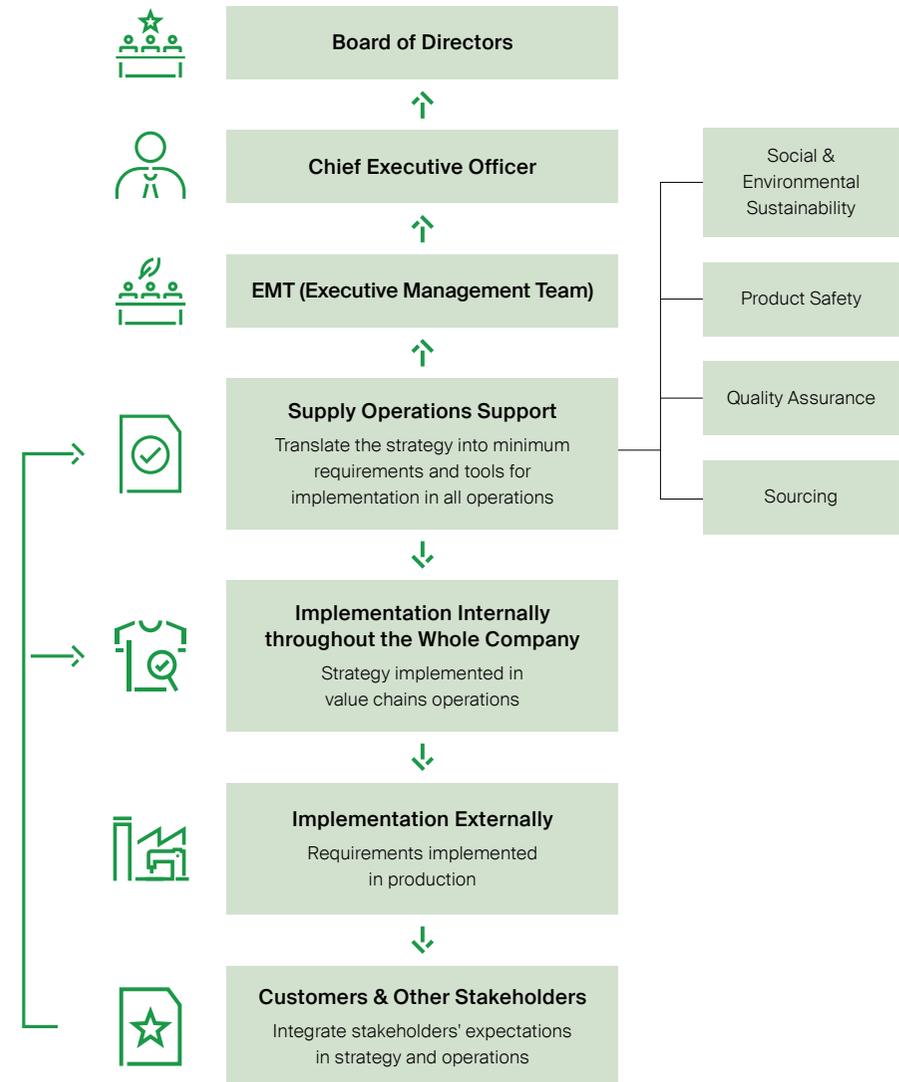
Our sustainability goals are embedded in our culture, in our daily decision-making, and in our planning for the future. This is true at every level of our company, and reinforced by the business structures and social platforms in place that ensure communication, consensus, and commitment to our circular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

Implementing into Supply Chain

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

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

How Sustainability is Embedded





The Core of Our Policies

Our foundational policy, which sets the core framework for how we work, is our Code of Conduct. This document formalizes our expectations towards our employees, and clarifies our culture, our values, and our ways of working. Each employee of Esprit signs this Code of Conduct before starting, ensuring that they understand the principles behind Esprit, as well as the specific expectations regarding ethical behavior, conflicts of interest, gifts and invitations, handling of confidential or proprietary information and the use of Esprit's resources.

The Code of Conduct also lays out the resources and protections we have established for our employees. For example, our Code of Conduct formalizes our values of diversity and equality, with clearly defined rules and processes to prevent discrimination.

All employees must be treated with respect and dignity; harassment and intimidation are not tolerated at Esprit, regardless of our peoples' national origin, gender, religion, age, sexual orientation, or whether they are disabled. Violations of our Code of Conduct are rigorously pursued to protect our employees and we have established a grievance mechanism which does arise in critical situations.

Anti-corruption and Extortion

We disapprove of any kind of corruption and extortion and expect our employees and all business partners to clearly denounce corruption and unfair business practices. We have an Anti-Corruption Policy that outlines the expected behavior of all employees related to integrity and fairness. This covers corrupt business practices as well as criminal offenses, including bribery, misappropriation, embezzlement, fraud, money laundering, and violations of tax and foreign exchange laws. Through the combination of our Code of Conduct and the Anti-Corruption Policy, Esprit commits to a global Anti-Corruption Program. Its implementation and enforcement are risk-based and tailored to prevent corruption throughout Esprit's business activities, applying to all persons working for or on behalf of Esprit. The Anti-Corruption Policy and the effectiveness of the Anti-Corruption Program are assessed and revised by the Compliance team on a regular basis.

There have not been any legal cases regarding corrupt practices brought against Esprit or its employees during the reporting period.

Esprit provides anti-corruption trainings to directors and staff: all directors receive a comprehensive Compliance Booklet (including anti-corruption policy) and sign a respective acknowledgement form. Staff members receive the Esprit Code of Conduct (which also includes anti-corruption stipulations) as an attachment to their employment contract and sign the acknowledgement. Anti-corruption trainings are provided for new staff in classroom trainings and can also be downloaded in the Esprit Intranet.

Protection of Intellectual Property Rights

In FY2020, we maintained our trademark portfolio, implemented a worldwide trademark watch, sent out warning letters and opposition proceedings against new conflicting trademark applications, monitored the market in regards of infringing uses of Esprit trademarks, commenced court proceedings (preliminary injunctions and lawsuits) against infringers, conducted trademark searches and filled in trademark applications before use of new signs as well as IP trainings for employees.

Antitrust

Free and fair competition forms the basis of commercial activity. We have an Antitrust Policy, in alignment with antitrust legislation, which helps to ensure and maintain effective competition in the market. Antitrust and competition laws thus prohibit certain agreements, practices and conduct which could have a damaging effect on competition. They have a significant impact on most aspects of Esprit's everyday business activities, including pricing, promotion and sale of products and services, relationships with suppliers, distributors, dealers, franchisees and competitors. We are committed to the principle of free competition, which requires that those in management positions within Esprit are familiar and at all times compliant with the principles of both national and international competition laws.

Training

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

Protection of Customer Privacy

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

Esprit has a Data Protection Management System in place which delivers permanent updates regarding the privacy statement for our customers and consumers, in compliance with the relevant data privacy laws in different jurisdictions.



Due to the short financial year (only covering six months) and the global pandemic, we could not deliver our training program as intended. We expect to resume in 2021.

Grievance Process

If sensitive situations arise, we have a Whistleblowing Helpline in place. This Helpline is open for all Esprit employees worldwide, as well as for the employees of our wholesale and franchise partners, suppliers and other business partners. The Whistleblower Helpline provides direct contact with our Compliance department, which provides confidential guidance and help. We follow a strict zero-tolerance approach for non-compliance with our policies. A detailed description of our whistle-blowing procedures, information on Esprit's preventive measures, and how they are implemented and monitored, can be found in our Whistleblowing policy.



In the 2nd half of 2020, there was not a single public legal allegation against Esprit on compliance issues, such as corruption and unfair competition or breaches of antitrust law.

Supplier Code of Conduct

Since we do not own the manufacturing facilities we work with, we need to carefully select partners who share our values. Our Supplier Code of Conduct sets forth our expectations, and each supplier must agree to these requirements prior to working with us.

Our publicly available Supplier Code of Conduct is based on the ILO Convention, an internationally-acknowledged regulation developed by the International Labour Organisation.

Sustainable Materials Policy

Alongside our Supplier Code of Conduct, our suppliers must also comply with the Esprit Sustainable Materials Policy, which includes the following:

- Our Animal Welfare Policy and Requirements for animal-derived fibers, such as expectations regarding support for the Five Freedoms as well as requirements on wool (with a focus on mulesing), down, leather and a ban on fur, angora and mohair.
- Our requirements on traceability of subcontractors.
- Prohibition of certain materials, including cotton from Turkmenistan and Uzbekistan, Cupro and Polyvinylchloride (PVC).

Responsible Marketing Guideline

Our marketing materials illustrate our values as a company, and so we have created clear policies for our advertisement campaigns. The following requirements are included:

- Campaigns: Claims and messages within our campaigns are chosen carefully.
- Choosing models: We aim to celebrate diversity by selecting models who represent various sizes, skin colors, cultures, ethnicities, and genders, and portraying them in a healthy and appropriate way.
- Health & safety during photo shoots: For all our models, adults or children, we are constantly looking out for their health and well-being, providing nourishing food and maintaining a work/break balance.
- Kids campaigns: We follow all international and local laws and requirements for our photo shoots with children. There is also at least one representative from Esprit on hand to monitor the process and make sure that all requirements are met. We also ensure that a parent is always present.
- Animals: When animals are used in our photo shoots, we follow all international and local laws and requirements. No animals are harmed during production and we engage professional guidance to ensure proper treatment.

5



HOW WE
REPORT

How We Report

This report is Esprit Holdings Limited's (called "Esprit" in this report) ESG Report, written in accordance with the Global Reporting Initiative (GRI) G4 "Core" level. Our ESG Report is produced annually, together with our Annual Report covering our financial performance. This ESG Report covers our identified risks, focus areas and material topics (see Materiality assessment) and gives an overview of our new strategy towards circularity, including tools, targets, and progress of Esprit and all its entities covered in our 2020 Annual Report for the six months ended 30 December 2020 (FY2020).

Ongoing Dialogue

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





Employees

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



Shareholders

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



Business Partners

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



Customers

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



Civil Society & Industry Initiatives

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



Our Partners and Memberships





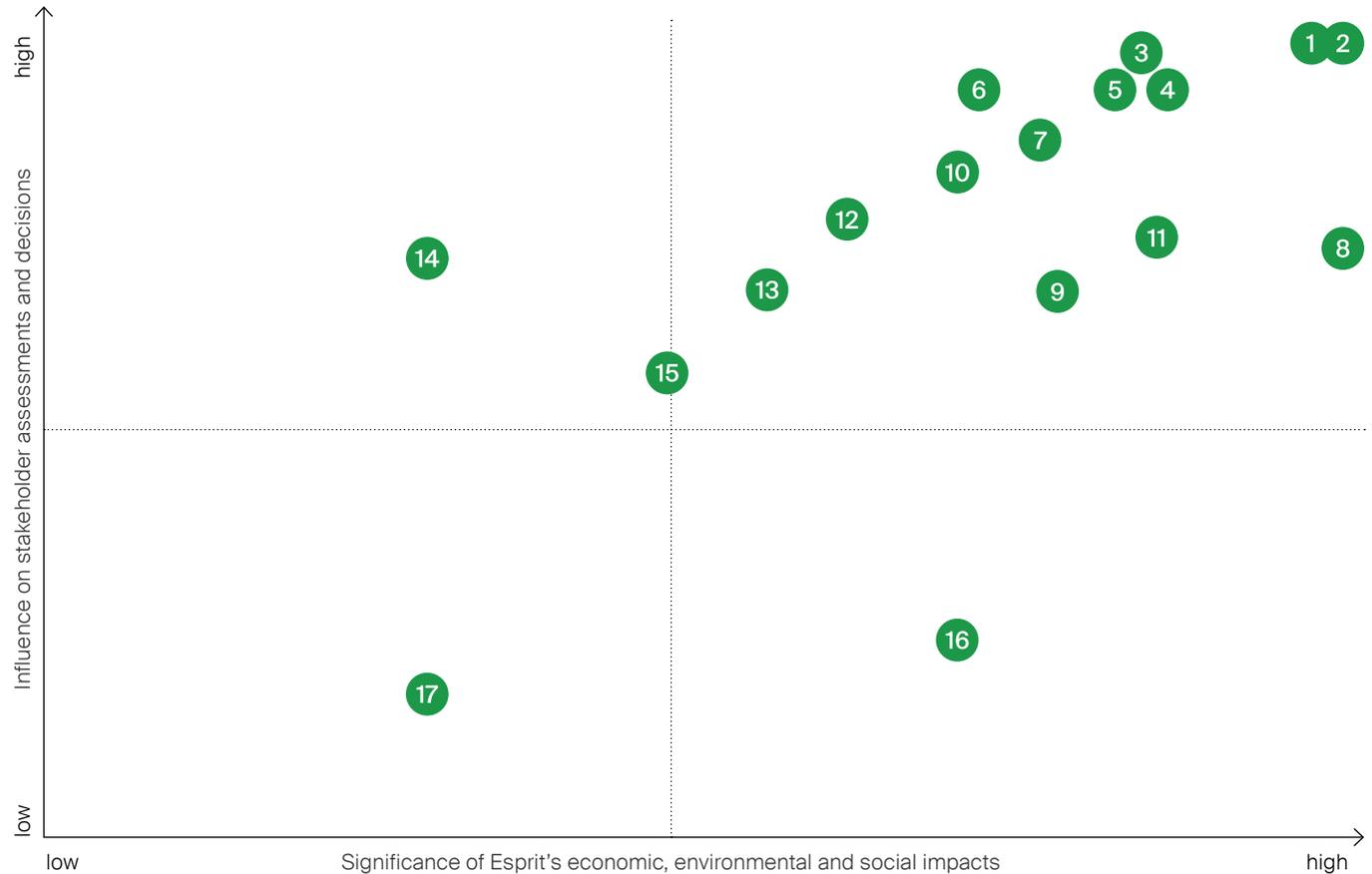
Materiality Assessment

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

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

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

FY2020





Performance Overview

GENERAL STANDARD DISCLOSURES

		HKEX ESG KPI	Page	Notes and Omissions
Strategy and Analysis				
102-14	CEO-Statement	Reporting guidance 13	4-5	
Organizational Profile				
102-1	Name of organization		67	
102-2	Primary brands, products, and services		9	
102-3	Location of the organization's Headquarters		77	
102-4	Number of countries where the organization operates, and names of countries where the organization has significant operations		8, 34	
102-5	Nature of Ownership and legal form		67	
102-6	Served markets		8	
102-7	Scale of organization		8	
102-8	General employee-related disclosures		12-14	
102-41	Percentage of total employees covered by collective bargaining agreements		10	
102-9	Organization's supply chain		32-44	
102-10	Significant changes during the reporting period		-	On 30 November 2020, six German subsidiaries successfully left the Protective Shield Proceedings (the "Protective Shield Proceedings") i.e. restructuring proceedings in self-administration, pursuant to section 270b of the German Insolvency Act in order to protect the solvency and liquidity of our Group and the ongoing business operations in the midst of the Pandemic. Please find more details on pages 22-31 in the 2020 Annual Report. Esprit has changed its financial year end from 30 June to 31 December.
102-11	Precautionary approach		4-5, 32-33, 35-36, 45-50, 63-65	
102-12	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses		4-5, 16-17, 24-26, 28, 29, 36-37, 40, 43-44, 45-46, 48, 49, 63-65, 69	



Performance Overview

GENERAL STANDARD DISCLOSURES

		HKEX ESG KPI	Page	Notes and Omissions
Identified Material Aspects and Boundaries				
102-45	List of all entities	Reporting guidance 13	-	This report covers all organization's entities as the Annual Report
102-46	Process for defining the report content	Reporting principles II	67-70	
102-47	List of material topics		70	
103-1	Explanation of the material topic and its Boundary	Reporting guidance 15	70	
102-48	Restatements of information		-	Not applicable
102-49	Changes in reporting	Reporting guidance 15	-	Not applicable
Stakeholder Engagement				
102-40	List of stakeholder groups engaged by the organization	General approach 7	67-70	
102-42	Basis for identification and selection of stakeholders	General approach 7	67-70	
102-43	Organization's approach to stakeholder engagement	General approach 7	67-70	
102-44	Key topics and concerns raised through stakeholder engagement	General approach 7	67-70	
Report Profile				
102-50	Reporting period		67	
102-51	Date of most recent previous report		-	FY2020 (financial year from 1 July 2020 - 31 December 2020)
102-52	Reporting cycle		67	
102-53	Contact point for questions	General approach 7	78	
102-54	Claims of reporting in accordance with the GRI Standards	Introduction 8	67	
102-55	GRI content index	Introduction 8	67	
102-56	External Assurance	Introduction 8	-	This report has not been externally assured.
102-18	Governance structure		77	
Governance				
102-16	Organization's values, principles, standards and norms of behavior		4-5, 32-33, 35-36, 45-50, 63-65	



Performance Overview

SPECIFIC STANDARD DISCLOSURES

Material Topic	GRI Material Topic	HKEX ESG KPI	DMA and Indicators	Page	Notes and Omissions	
Business Performance	Economic	KPI B8.2	201-1: Direct economic value generated and distributed	-	Please find the disclosure on p. 22-31 in our Annual Report FY2020.	
			205-1: Operations assessed for risks related to corruption	63-65		
			205-2: Communication and training about anti-corruption policies and procedures	63-65		
Compliance	Social	B7(a), KPI B7.2, KPI B7.3	205-3: Confirmed incidents of corruption and actions taken	63-64	In FY2020, Esprit has not identified any non-compliance with laws and regulations concerning bribery, extortion, fraud and money laundering.	
			B7(b), KPI B7.1	418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	In FY2020, no legitimate complaints regarding data breaches or losses of customer or employee data were asserted against Esprit.
					B6(b)	419-1: Non-compliance with laws and regulations in the social and economic area
			B7	103-2: The management approach and its components	63-65	
					301-1: Materials used by weight or volume	21-31
More sustainable materials	Environmental	A2, A3, KPI A3.1.	103-2: Materials	20-31		
Animal welfare	Own topic		Implementation of the Responsible Wool Standard	29		
			B6(b)	416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	-	In FY2020, Esprit has not identified any non-compliance with regulations and voluntary codes.
				417-1: Requirements for product and service information and labeling	21, 23, 49-50, 57, 70	
Safe products	Social	B6(b)	417-2: Incidents of non-compliance concerning product and service information and labeling		Esprit has not identified any non-compliance with regulations and voluntary codes.	
			102-2: Activities, brands, products, and services		Material bans in place: Mohair, Angora, real fur, PVC and Cupro.	
			419-1: Non-compliance with laws and regulations in the social and economic area	-	In FY2020, Esprit has not identified any non-compliance with laws or regulations.	
			B6	103-2: Customer Health and Safety	23	
			A3, KPI A3.1 B6	103-2: Product and Services	23	



Performance Overview

SPECIFIC STANDARD DISCLOSURES

Material Topic	GRI Material Topic	HKEX ESG KPI	DMA and Indicators	Page	Notes and Omissions
Water and Chemical management	Environmental	KPI A2.2	306-1: Water discharge by quality and destination	48	
		KPI B5.2	308-1: New suppliers that were screened using environmental criteria	45-50	
		KPI B5.2	308-2: Negative environmental impacts in the supply chain and actions taken	45-50	
		KPI A2.1	302-1: Energy consumption within the organization	51-55	
		KPI A2.4, A2	103-2: Water	45-48	
		A2, KPI A2.4, A3, KPI A3.1	103-2: Products and Services	45-50	
		B5	103-2: Supplier Environmental Assessment	45-50	
Responsible Sourcing	Sourcing	KPI B5.2	414-1: New suppliers that were screened using social criteria	35-44	
		KPI B5.2	414-2: Negative social impacts in the supply chain and actions taken	35-44	
			412-3: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	35-44	
		KPI B4.1, 4.2	408-1: Operations and suppliers at significant risk for incidents of child labor	40-41	
			412-1: Operations that have been subject to human rights reviews or impact assessments	35-44	
		KPI B5.2	414-1: New suppliers that were screened using social criteria	35-44	
		KPI B5.2	414-2: Negative social impacts in the supply chain and actions taken	40-41	
			413-1: Operations with local community engagement, impact assessments, and development programs	43-44	
		KPI B5.2	205-2: Communication and training about anti-corruption policies and procedures	36, 40-41, 63-64	
		B8, KPI B8.1	103-2: Local Communities	16-17, 43-44	
		B4	103-2: Child Labor, Forced or Compulsory Labor	35-42, 63-64	Esprit complies with all relevant national and international standards, laws and regulations within each country where we operate.
	B5	103-2: Supplier Assessment for Labor Practices, Supplier Human Rights Assessment, Supplier Assessment for Impact on Society	35-44		
Living wage	Own aspect		Participation in Action, Collaboration, Transformation (ACT)	35-44	



Performance Overview

SPECIFIC STANDARD DISCLOSURES

Material Topic	GRI Material Topic	HKEX ESG KPI	DMA and Indicators	Page	Notes and Omissions
Carbon Footprint	Environmental	KPI A1.1, A1.2	GRI 305-1: Direct greenhouse gas emissions (Scope 1): Headquarters, DCE, fleetcars	51-53	
		KPI A1.1, A1.2	GRI 305-2: Energy indirect (Scope 2) GHG emissions	51-53	
		KPI A1.1, A1.2	305-3: Other indirect (Scope 3) GHG emissions	51-53	
		KPI A1.5	305-5: Reduction of GHG emissions	51-53	
		A2, KPI A2.3, A3, KPI A3.1	103-2: Energy	51-53	
		A1, KPI A1.5, A3, A3.1	103-2: Emission	51-53	Esprit complies with all relevant national and international standards, laws and regulations within each country where we operate.
		A1, A3, KPI A3.1	103-2: Transport	54-55	
Solid waste	Environmental	KPI A1.3, A1.4, A1.6	306-2: Waste by type and disposal method	56, 75	With our internal environmental assessment we gather the respective data where available. The data is not available for all factories.
	Own aspect		Save of cartons due to usage of reusable boxes in logistics, lighter polybag introduction for reduction of plastic	56	
	Environmental	A1, KPI A1.5, A1.6, A3, KPI A3.1, A2.5	103-2: Effluents and Waste	56	
Transparency	Own aspect		Public disclosure of Tier1 and Tier2 supply chain and focus on relationships with our suppliers	33-36	
	Economic	KPI B5.1	204-1: Proportion of spending on local suppliers	34	
	Social	KPI B5.2	414-1: New suppliers that were screened using social criteria	33-36	
Gender equality	Social	B1	103-2: Employment, Non-discrimination, Diversity and Equal Opportunity	63-65	With regards to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare, Esprit complies with all relevant national and international standards, laws and regulations within each country where we operate.
Diversity and equality	Social	B1	103-2: Employment, Non-discrimination, Diversity and Equal Opportunity	63-65	With regards to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare, Esprit complies with all relevant national and international standards, laws and regulations within each country where we operate.



Performance Overview

SPECIFIC STANDARD DISCLOSURES

Material Topic	GRI Material Topic	HKEX ESG KPI	DMA and Indicators	Page	Notes and Omissions
Employee development	Social		403-1: Workers representation in formal joint management – worker health and safety committees	11	
		KPI B3.2	404-1: Average hours of training per year per employee	-	Numbers are not available because there are no data collection systems in place for this financial year. We expect to have a consistent data set in FY2021.
		B3	404-2: Programs for upgrading employee skills and transition assistance programs	10	
		B2	103-2: Occupational Health and Safety	11	We expect to extend the data also to other operations outside of Germany in FY2021. Esprit complies with all relevant national and international standards, laws and regulations within each country where we operate.
Community and employee engagement	Economic	KPI B8.1	203-1: Infrastructure investments and services supported	15-18	
	Social	B8	103-2: Local Communities'	15-18	
Responsible marketing	Social	B6	417-3: Incidents of non-compliance concerning marketing communications	-	In FY2020, Esprit has not identified any non-compliance with regulations and voluntary codes.
		B6	103-2: Marketing Communications	65	
Customer satisfaction	Social	KPI B6.2	102-43 Approach to stakeholder engagement 102-44 Key topics and concerns raised	-	In FY2020, Esprit could not conduct customer surveys with our Esprit Friends. The reason is very limited capacities due to the Pandemic.
	Own aspect		Customer loyalty program and customer service	-	Our Esprit Friends program offers our customers to collect e-points for every purchase and receive a bonus. The program provides exclusive advantages, such as exclusive offers, invitations to events and birthday surprises. Additionally Esprit offers a customer service in different languages via email, chat or telephone.



Corporate Information

Executive Directors

- Ms. CHIU Christin Su Yi
(Acting Executive Chairman)
(appointed as Executive Director with effect from 21 July 2020 and Acting Executive Chairman with effect from 1 January 2021)
- Mr. DALEY Mark David
(President and Chief Executive Officer)
(appointed with effect from 24 December 2020)
- Dr. WAN Yung Ting
(Chief Product Development Officer)
(appointed with effect from 24 December 2020)
- Mr. TSCHIRNER Marc Andreas
(Group Chief Operating Officer)
(appointed with effect from 21 July 2020 and resigned with effect from 8 January 2021)
- Mr. WONG Hung Wai
(Group Chief Investment Officer)
(appointed with effect from 21 July 2020 and resigned with effect from 28 December 2020)
- Mr. KRISTIANSEN Anders Christian
(Group Chief Executive Officer)
(resigned as Executive Director with effect from 17 December 2020 and Group Chief Executive Officer with effect from 1 March 2021)
- Dr. SCHMIDT-SCHULTES Johannes Georg
(Group Chief Financial Officer)
(resigned as Executive Director with effect from 17 December 2020 and Group Chief Financial Officer with effect from 1 March 2021)

Non-executive Directors

- Dr. OR Ching Fai Raymond
(Non-executive Chairman)
(resigned with effect from 1 January 2021)
- Mr. FRIEDRICH Jürgen Alfred Rudolf
(retired on 18 December 2020)

Independent Non-executive Directors

- Mr. CHUNG Kwok Pan
(appointed with effect from 29 July 2020)
- Mr. GILES William Nicholas
(appointed with effect from 24 December 2020)
- Ms. LIU Hang-so
(appointed with effect from 8 January 2021)
- Mr. LO Kin Ching Joseph
(resigned with effect from 1 January 2021)
- Mr. LEE Ka Sze Carmelo
(resigned with effect from 1 January 2021)
- Ms. ZERBIB Sandrine Suzanne Eleonore Agar
(resigned with effect from 24 December 2020)
- Dr. WECKWERTH Martin
(resigned with effect from 24 July 2020)

Company Secretary

- Ms. LO Tik Man Ophelia

Principal bankers

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

Auditor

- PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

Principal legal advisor

- Dechert

Principal share registrar

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Share listing

Listing on The Stock Exchange of Hong Kong Limited since 1993
Stock Code: 00330

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



We welcome your
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