



# ESPRIT

ENVIRONMENTAL, SOCIAL AND  
GOVERNANCE REPORT 2022

Hong Kong Stock Code 00330  
Esprit Holdings Limited (Incorporated in Bermuda with limited liability)

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# 1



**Material topics addressed in this section:**

- Business ethics and integrity
- Business performance
- Compliance
- Customer satisfaction
- Responsible marketing
- Responsible sourcing and traceability

# ABOUT ESPRIT



# Letter from the Group

## Dear Readers,

We are pleased to present the environmental, social and governance report (the “ESG Report” or the “Report”) of Esprit Holdings Limited (the “Company”, “ESPRIT”, “our” or “we”) and share with you our progress on environmental sustainability and social responsibility. Our goal is to create and produce responsibly from concept to finish. In 2022, ESPRIT embraced challenges in strengthening the level of environmental and social compliance, in addition to providing a safe work environment for our employees and workers throughout the value chain.

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

In 2022, fabric material from sustainable sources accounted for approximately 56% and the Company is aiming to maintain usage of sustainable fibres of 60% by 2030. We recently cut down our calendar of 13 in-season drops per year to 4, and have plans to explore new bio-

based materials to create a less environmentally impactful production process for all mainline products from 2024. Our research into mycelium-based materials is a step towards exploring more sustainable and biodegradable alternatives to our current leather materials. ESPRIT also participates in various multi-stakeholder industry initiatives and organisations around the world that fosters closer dialogue with governments and civil society. Topics covered include due diligence, workers’ participation, training and awareness, assessments, audits and verifications, and occupational health and safety.

ESPRIT became a contributor to the Organic Cotton Accelerator programme (“OCA”) since 2021, which supports the transition of conventional cotton farmers to certified organic cotton. We are working with OCA to ensure farmers have committed procurement processes and receive premium payments as well as participation in training and development using best practice methods across organic farming. Our first harvest took place in January 2023 and we are excited to utilise the first harvest in the near future.

ESPRIT has been publishing its supplier list since 2016. We recognise the importance of social responsibility and are proud to have ranked 8th in the 2022 Fashion Transparency Index. The Company is proud that ESPRIT ranks amongst the Index’s top 10 global brands for the 6th consecutive year. As part of our efforts on the topic of living wage, ESPRIT is a

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

With laws and regulations regarding sustainability in constant change around the world, the Company will continue to work closely with its suppliers and industry partners to meet environmental and social compliance and governance standards. We believe that sustainability and social responsibility are integral to our business operations, and we are committed to doing our part to create a more sustainable future. Thank you for your continued support.

With Kind Regards,

**The Board of Directors of Esprit Holdings Limited**  
April 2023

# About this Report

## How We Report

This report is the environmental, social and governance report (the “ESG Report” or the “Report”) of Esprit Holdings Limited (“ESPRIT”, the “Company”, “we” or “our”), prepared with reference to the Global Reporting Initiative (“GRI”) Standards 2021 and the Sustainability Accounting Standards Board (“SASB”) Apparel, Accessories & Footwear Sustainability and in accordance with the Environmental, Social and Governance Reporting Guide (the “HKEX ESG Reporting Guide”) contained in Appendix 27 of the Rules Governing the Listing of Securities on the Hong Kong Exchanges and Clearing Limited.

Our ESG Report is produced on an annual basis, together with our Annual Report covering our financial performance. This ESG Report covers our identified risks, focus areas and material topics (see “Materiality Assessment”) focusing on the environmental, social, and governance performance and related policies and management and gives an overview of our new strategy towards circularity, including tools, targets, and progress of ESPRIT and all its subsidiaries (the “Group”) covered in our 2022 Annual Report from 1 January 2022 to 31 December 2022 (the “Year”) and is published on 28 April 2023.

For any inquiries and feedback about this ESG Report, please contact via email at [sustainability@esprit.com](mailto:sustainability@esprit.com).

## Reporting Principles

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

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

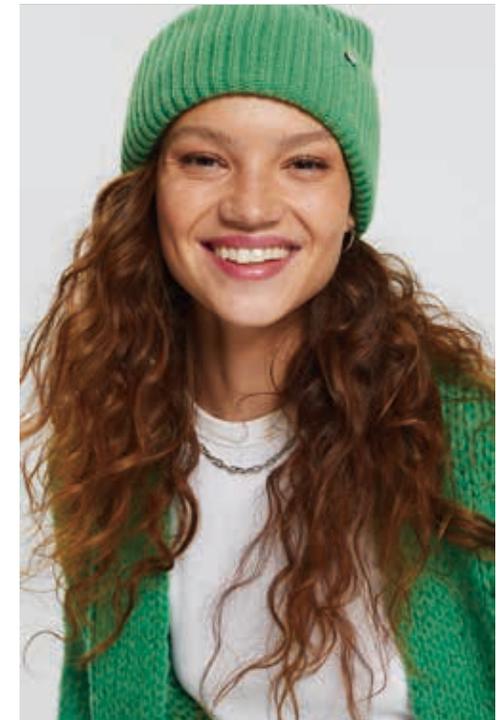
**Balance:** This Report unbiasedly discloses both the positive and negative information to showcase the environmental, social and governance performance of the Company during the Year.

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

**Consistency:** The statistical methodologies applied to this ESG Report were substantially consistent with the same for the year ended 31 December 2021, and explanations would be provided if there is any change in the scope of disclosure of data or calculation methodologies.

## 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 organisation to customers, expressed a desire for greater transparency and we responded. ESPRIT has been recognised as one of most transparent companies in the Fashion Transparency Index by Fashion Revolution for 6 consecutive years. This is emblematic of the way we work: we strive for open and transparent dialogue to explain challenges in our industry and to communicate how we are tackling them.





# Our Business and Product

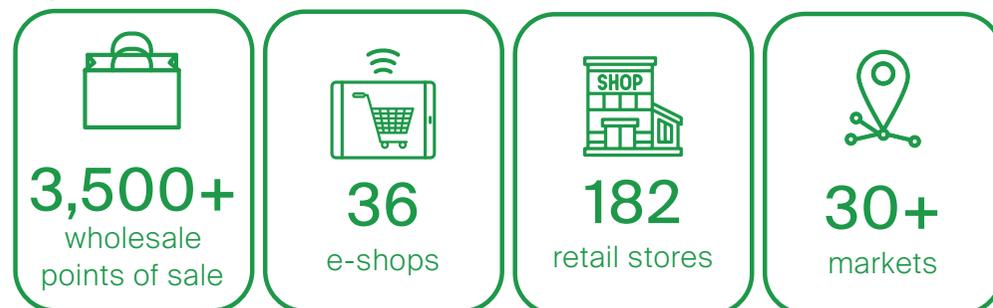
## Our Culture and Brand Story

### Clean. Ethical. Sustainable

Fueled by a vision of radical positivity, ESPRIT was founded in California by environmentalists Susie and Doug Tompkins in 1968. Since then, ESPRIT has always been more than just clothing. Today, we are on a mission to push the boundaries of authentic and intelligent fashion with mindfully designed collections. With a fully operational international headquarters office in Hong Kong and a new management team, ESPRIT has already begun the process of revitalising the brand and recommitting to its core ethos. This also involves setting new standards with a continuous focus on diversity, ethicality and sustainability. ESPRIT is reintroducing the brand’s story in a modern context. We believe in a common spirit of a life inspired. We believe in thinking outside the box and championing innovative ideas as the catalyst for positive change in the world. It’s been in our DNA from the very beginning.

### Our Business

ESPRIT is a global company principally engaged in the retail (including E-shop), wholesale distribution, and licensing of quality fashion and non-apparel products designed under its own internationally renowned ESPRIT brand name. The brand sells in more than 30 markets across Europe, Asia and North America as at 31 December 2022, with 182 retail stores, 36 e-shops, and over 3,500 wholesale points of sale. There are no changes in the Company’s sector compared to the year ended 31 December 2021. Our customers are mainly individuals and corporates.



## Our Products

The brand simplifies wardrobe choices with timeless and consciously sourced pieces for women, men and kids. Our inspiring collections include basics, business looks, special occasion styles, accessories, swim and sportswear, and more. There are no significant changes in the Company’s products compared to the previous Year.



Casual



Collection



Edc



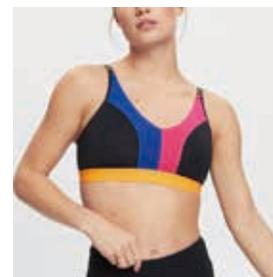
Licence



Shoes



Accessories



Sports

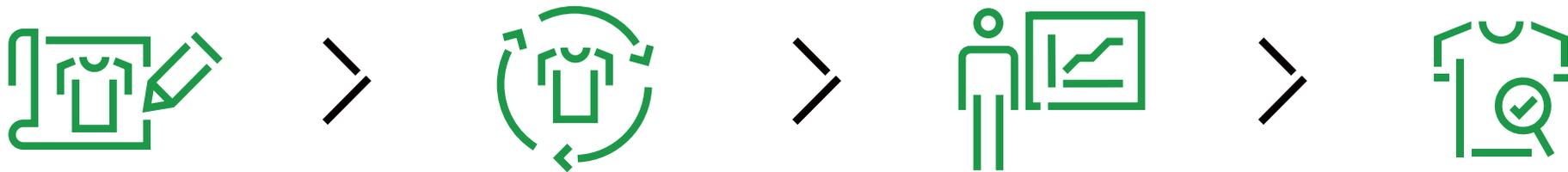


Bodywear



Kids

## Production Process



### 01. Design Phase

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

### 02. Product Development

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

### 03. Risk Assessment

Prior to production, our Product Safety team conducts assessments based on internationally recognised norms and our own quality standards. We also evaluate chemicals used in manufacturing. 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 ESPRIT, and finally at our distribution centres.

## Responsible Marketing Guideline

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

## Policy Commitments

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



### List of Sustainability Policies:

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

# Our ESG Approach

## Board Statement

### Governance

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

### Stakeholder Engagement and Strategies

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

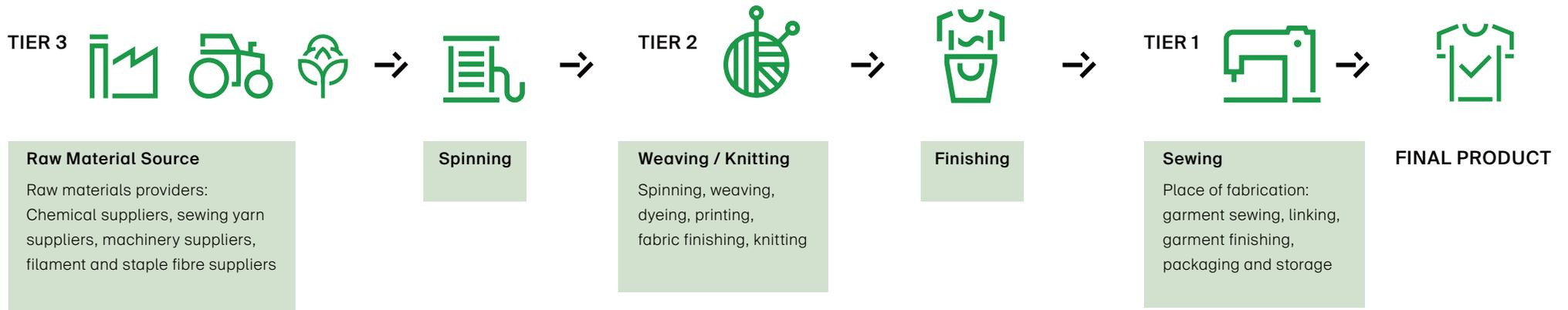
### Reviews

Over the years, we have continued to review our environmental performance and implement initiatives to reduce the ecological footprint of our business. In 2022, we pursued multiple environmentally and socially responsible measures to meet growing expectations of our stakeholders on environmental conservation and support towards our sustainability goals. We will continue to collaborate with our employees, customers, suppliers, other business partners to reach the goal of gradually reducing the carbon emissions and energy consumption of the Company. We are proud of the progress made such far but are committed to doing more to build a better and greener shopping experience for our customers. For more details about our governance structure and composition, please refer to the Corporate Information section in the Annual Report.



### Transparency

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



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

For details on where our Tier 1 suppliers are located, please refer to the section **WHERE ESPRIT IS MADE** in this Report.

<b>Transparency</b>	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%

## Stakeholder Engagement



### Employees

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



### Business Partners

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



### Shareholders

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



### Customers

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



### Civil Society and Industry Initiatives

Our active participation in various multi-stakeholder industry initiatives and organisations enables dialogue with governments and with civil society. Examples of these groups include Business Social Compliance Initiative, the Fair Labor Association ("FLA"), and ACT on Living Wage.



## Strategic Partnerships & Memberships





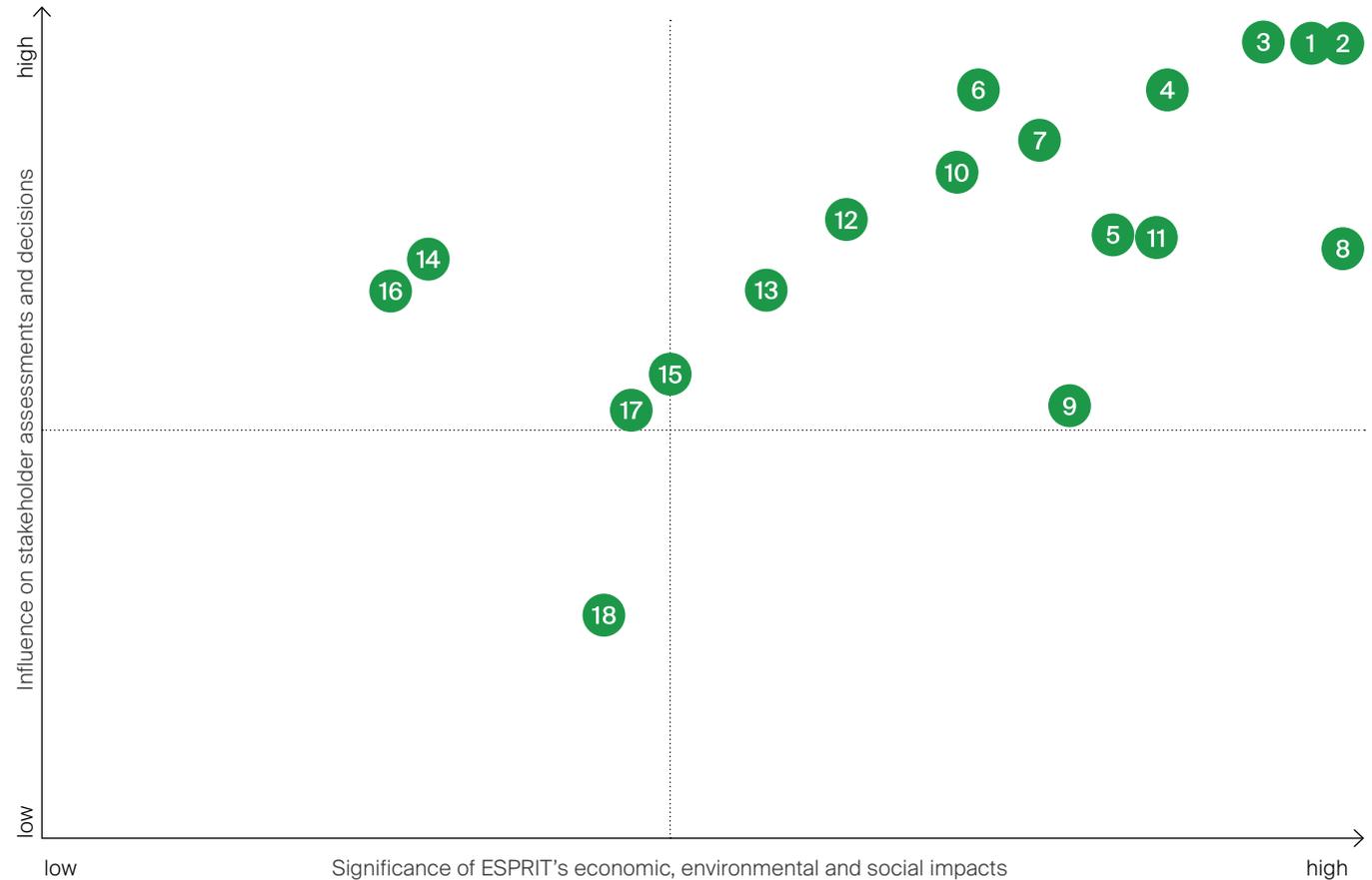
### Materiality Assessment

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

#### Material Topics in 2022

- 1 Business performance
- 2 Customer satisfaction
- 3 Responsible sourcing and traceability
- 4 Product safety
- 5 Sustainable materials
- 6 Water and chemical management
- 7 Living wage
- 8 Compliance
- 9 Animal welfare
- 10 Carbon footprint
- 11 Supplier and vendor management
- 12 Diversity, equality and inclusion
- 13 Business ethics and integrity\*
- 14 Climate change resilience\*
- 15 Occupational health and safety\*
- 16 Solid waste
- 17 Responsible marketing
- 18 Community and employee engagement

Topics marked with \* are material topics newly added to the list this year.





# Governance

## Corporate Governance

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

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. Compliance trainings are provided for new staff in classroom trainings and can also be downloaded from the ESPRIT Intranet.

## 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 always familiar and compliant with the principles of both national and international competition laws.

## Anti-corruption and Extortion

We disapprove of any kind of corruption and extortion and expect our employees and all business partners to clearly denounce corruption and unfair business practices. We have an Anti-Corruption Policy that outlines the expected 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 Programme. Its implementation and enforcement are risk-based and tailored to prevent corruption throughout ESPRIT's business activities, applying to all persons working for or on behalf of ESPRIT. The Anti-Corruption Policy and the effectiveness of the Anti-Corruption Programme are assessed and revised by the Compliance team on a regular basis.

## 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 2022, there was no public legal allegation against ESPRIT on compliance issues, such as corruption and unfair competition or breaches of antitrust law. There have not been any legal cases concluded regarding corrupt practices brought against ESPRIT or its employees during the Year.



## Protection of Personal Data

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

The protection of personal data of any data subject, e.g. of customers, suppliers and employees is of particular importance to ESPRIT. We process personal data in a lawful, fair manner that is transparent to the data subject. Personal data may be collected or processed only where permitted by law for specific and explicit purposes. According to the individual case this may be for example the consent of the data subject, a contract, the legitimate interest or a law. Data protection strengthens trust and long-lasting relationships. Data protection is a core asset to ESPRIT.

All newly hired employees received a general compliance training including an overview of all high-risk policies at ESPRIT.

ESPRIT has a Data Protection Management System in place where for example the records of processing activities are monitored and permanent updates regarding the privacy policies for our customers and consumers are delivered, in compliance with the relevant data privacy laws in the different jurisdictions. There are several processes implemented for example to detect and report a data protection breach, to comply with the data subject rights of our customers, suppliers and employees.

## Protection of Intellectual Property (“IP”) Rights

During the Year, we maintained our trademark portfolio, monitored new possible infringing trademark applications worldwide with a professional trademark watch, sent out warning letters and initiated opposition proceedings against new conflicting trademark applications, monitored the market in regards of infringing uses of ESPRIT trademarks, initiated court proceedings (preliminary injunctions and lawsuits) against infringers, conducted trademark searches and filled in trademark applications before use of new signs as well as offering IP trainings for employees.

# 2

## Material topics addressed in this section:

- Animal welfare
- Carbon footprint
- Climate change resilience
- Product safety
- Solid waste
- Sustainable materials
- Water and chemical management

# ENVIRONMENT AND PRODUCT RESPONSIBILITY

# Our Approach

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

## Environmental Policies and Commitments

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

**i**

**List of environmental policies and commitments**

- Supplier Code of Conduct
- Sourcing Policy
- Sustainable Materials Policy



## Environmental Assessment

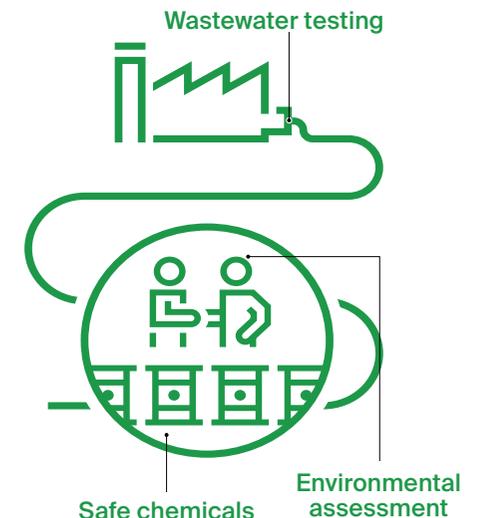
94% of our key wet processing mills have been audited based on the ESPRIT technical audit protocol

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

We have developed special environmental assessments for leather tanneries so that we can be sure they understand how to conduct proper tanning.

## Audits during the Pandemic

Due to government-imposed travel restrictions, caused by COVID-19, only a fraction of the suppliers was audited in person. Once government enforced travel restrictions are lifted, we expect to continue our auditing programme to its full extent. Results show that it is still important to verify data and support suppliers at the factory-level.



# Closing the Loop

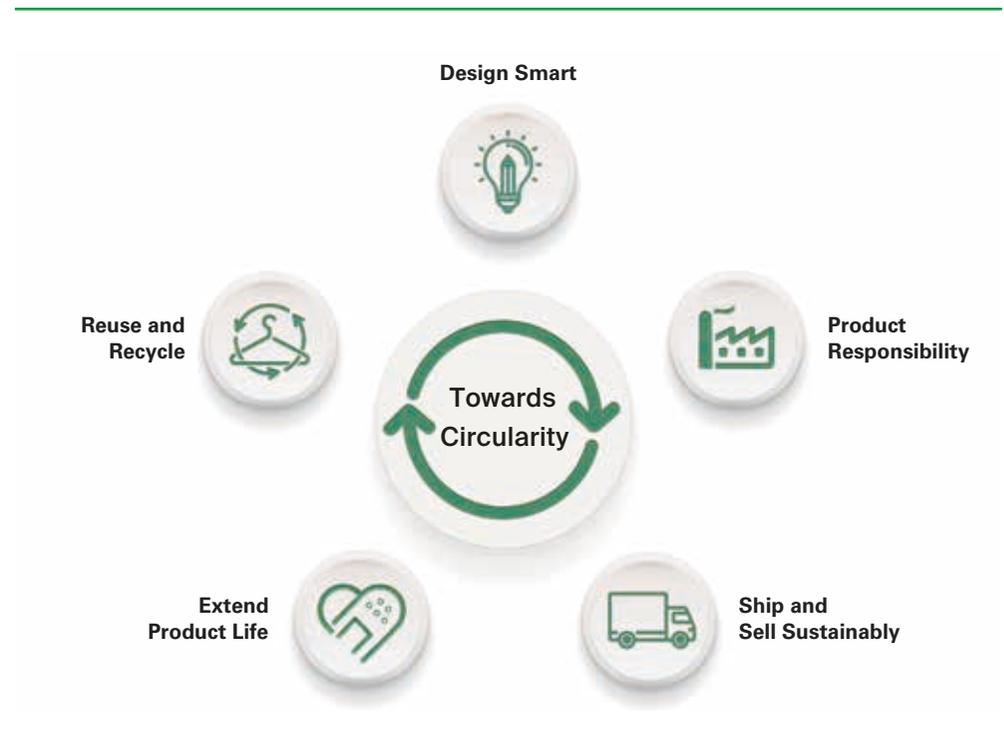
Since 2018, circularity is the guiding principle behind ESPRIT’s strategy. We are making progress every year, trying to provide all employees proper trainings on a regular basis.

Looking beyond the current “take, make and dispose” extractive industrial model, the circular concept encompasses how the Company design and create products, which materials are chosen and why, how natural resources are managed, how we value human resources, educate and empower consumers, and how we ensure that ESPRIT products are being used and reused responsibly and effectively for as long as possible in their most valuable form, and hereafter return safely to the biosphere.

## 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 optimise the quality of over 70 of our core, high-volume fabrics. While designing with quality and durability in mind is certainly part of this process, another equally important aspect is engaging and educating our customers on their role in taking care of their garments.



## Accomplishments



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



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

## Care

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

### Our Care Guidelines

You can find care symbols on the care labels sewn into each garment. However, these care symbols are not always easy to understand. This is why we developed our Care Guidelines, 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](http://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. The service is currently part of the ESPRIT Friends loyalty programme.

## Reuse and Recycle

Our commitment to a circular fashion economy has inspired focus on extending the life cycle of garments. Our 2022 goals range from educating our product and design teams, to incorporating post-consumer recycled material into our products whenever possible.

### Outlet and Resale

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

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

### Careful Lifecycle Management

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

### Closing the Production Loop

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



### What We Do with Unsold Garments

As part of ESPRIT's commitment to minimising our impact on the environment, we carefully consider how to handle unsold goods and returns from our retail, e-shop and outlet channels. For example, we are investing into ways to extend the lifetime of unsold or returned products by taking care of any repairs or touch-ups that might be needed, and then cycling these refreshed products back into alternative sales channels. Garments that are not sold through our own retail and e-commerce channels within a certain sales period are generally sent to our outlets. 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, 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.



# Energy, Carbon and Air Emission Management

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

## Energy Consumption

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

Our energy consumption by type are as follows:

<b>Energy consumption from ESPRIT's business operation</b>		<b>'000 kWh</b>
<b>Direct</b>		<b>4,362</b>
Diesel		1,634
Petrol		203
Piped natural gas ("PNG")		2,525
<b>Indirect</b>		<b>264,427</b>
Purchased electricity		264,155
Purchased steam		272
<b>Intensity</b>		<b>'000 kWh/\$USD million revenue</b>
Energy consumption intensity		299

## Carbon and Air Emissions

### Scope 1 and 2

We have set the goal of achieving a 30% greenhouse gas ("GHG") emissions reduction by 2030, using FY17/18 as baseline. In 2022, our GHG emissions account for about 76% of the value in the baseline year, especially with regard to the reduction in electricity consumption under Scope 3. However, these figures are mostly influenced by store closures during the COVID-19 pandemic. 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 minimise air shipments.

### Scope 3

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

During the Year, we have managed to expand the scope for mapping the emissions in the facilities where our products are made.



**Target: Reduce GHG emissions by 30%**

\* Baseline FY17/18: 40,803 t CO2e

\* Progress calculation only takes into account the scope considered in FY17/18

We have obtained information on energy usage, water consumption, and wastewater generation as well as the amount of waste from 42 garment vendors and their places of fabrication in Tier 1, which make 84.36% of our total business volume. Our target is to further enlarge the mapping scope and cover the full range of facilities. Regarding data quality, we plan to refine the mapping process in order to get a clearer picture of the portions of renewable energy (such as biomass or solar power) that is used in our supply chain.



### 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



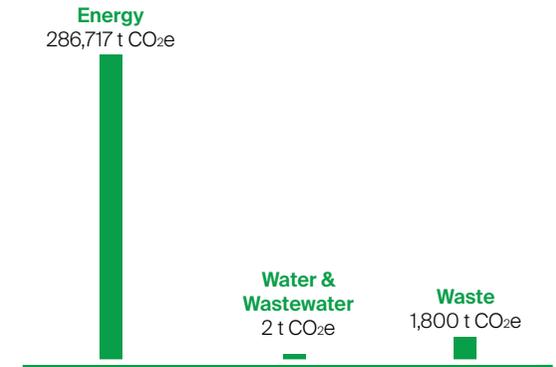
### SCOPE 3

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

#### Emissions

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

### Carbon Footprint of Our Garment Vendors by Resources



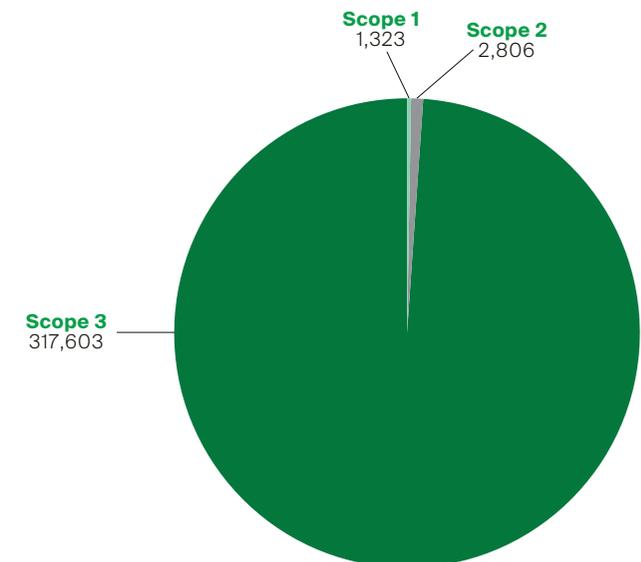
### GHG Emissions Performance Data

	2022	2021
<b>Total Emissions</b>	321,732	92,482
Scope 1 Emissions (t CO <sub>2</sub> e)	1,323	1,282
Scope 2 Emissions (t CO <sub>2</sub> e)	2,806*	2,806
Scope 3 Emissions (t CO <sub>2</sub> e)	317,603**	88,394

\* An assumption on scope 2 emissions in 2022 being the same as in 2021 was made, due to a problem encountered in data accessibility in 2022.

\*\* The increase in scope 3 emissions is due to the increase in data coverage and data availability from suppliers in 2022.

### 2022 GHG Emissions (t CO<sub>2</sub>e)



## 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. The global nature of the fashion industry means that some of our products may have journeyed around the world before reaching the hands of our customers. The impact of this global travel includes GHG emissions, but the picture is broader than just this. We aim to understand and reduce the impact of 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.

Due to the challenges which ESPRIT has faced in connection with the COVID-19 pandemic and the following issues in the supply chain, air shipments have increased in 2022.

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 centres and ends with our goods arriving at our retail stores or with our wholesale partners. This year, we were able to offset over 79% of our outbound logistics emissions, totaling 1,930 tonnes CO<sub>2e</sub> out of 2,431 tonnes CO<sub>2</sub> equivalent.

### Transport

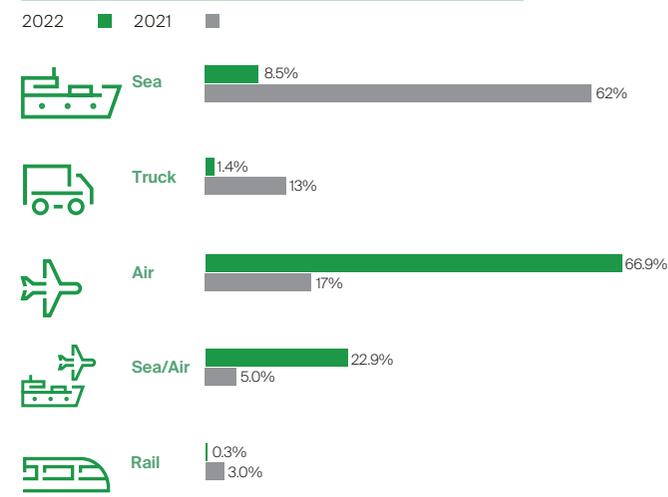
54% of our service providers are in the Clean Cargo Working Group (“CCWG”). CCWG is a business-to-business leadership initiative that involves major brands, cargo carriers, and freight forwarders dedicated to reducing the environmental impacts of global goods transportation and promoting responsible shipping.

## E-shop Shipments

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 2022.

98.8% of our European e-shop orders met this standard in 2022, including transport and return shipments.

## How We Ship



## Air Emissions of ESPRIT's Vehicle Fleet

	kg
NO <sub>x</sub>	11,971
SO <sub>x</sub>	146
PM	868



## Energy Management and Emission Mitigation

The Company strives to mitigate our contributions to our carbon footprint. To ensure progress at the speed required, we manage energy utilisation and reduce GHG emissions through different enhancement initiatives.

Our German warehouse has been certified according to the Building Research Establishment Environmental Assessment Method (“BREEAM”) standard, which evaluates and scores parameters such as energy and water use, health and well-being, pollution, transport, materials, waste, land use and ecology, management and innovation.

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

## Waste Management

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

We continue to apply our learnings to the broader goal of eliminating the discharge of hazardous chemicals, and we will continue monitoring our suppliers with our audit protocol. During textile production, especially in the dyeing and printing process, hazardous waste such as sludge is generated. As ESPRIT does not have its own production, we usually do not have direct access to this data. Since some of our suppliers also produce garments for their other brands, it is difficult to accurately extract hazardous waste data such as the amount of sludge generated during the production of ESPRIT goods. We currently do not have a quantitative emission target or reduction target for hazardous consumption. However, we will continue to apply our best efforts to minimise the discharge of hazardous chemicals as much as possible.

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

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

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

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

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

During the Year, we sold over 45 million pieces of garments, shoes, accessories and licensed products to our consumers via our 4 channels: wholesale, e-commerce, own retail stores, and licensing.

In order to protect the goods from damage or dirt during transportation, we used 2,840 tonnes of paper and cardboard, and 199,701 tonnes of polybag and hanger material for product packaging during the Year.

## 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, vegetarian options, locally produced, seasonal, and sustainably sourced dishes.

In early 2020, we have introduced new menu lines: vegan, vegetarian, and meat. Serving organic food is our goal wherever possible. 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.

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





# Water and Chemical Management

## Water

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

We include wastewater usage in the production of our products. During the Year, we also analysed the GHG emissions related to the usage of water. In our supply chain, a total of almost 123.98 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 and freshwater, which are very valuable to the local population. ESPRIT currently does not have an efficiency target for water consumption. Due to changing supply chain partners, especially on Tier 2 level (fabric) and a lower visibility, it is very challenging to set targets. However, we acknowledge the responsibility and will explore opportunity to set clear targets in the near future.

## Wastewater

Wastewater testing is a critical part of our process for supporting the health and safety of workers and community members in and around our wet processing facilities. 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. 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 publicly available **Institute of Public & Environmental Affairs (IPE) website**.

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

## Chemical Management

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

## Sustainable Dyes

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

- Non-petro based colours but sustainable alternatives, such as waste or leftovers
- Less water and less energy use during dyeing process, due to improved recipes, allowing less washing and dyeing at lower temperatures
- ZDHC MRSL conformance

**i** **We are PFC-free**

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

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

## Detox

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

## Clean Production

ESPRIT has two important documents setting boundaries for the use of chemicals: the **Restricted Substances List** (“RSL”) and the **Manufacturing Restricted Substances List** (“MRSL”). While the **RSL** focuses on the amount of restricted chemicals in the final ESPRIT product and its packaging, the **MRSL**, developed together with other brands within the 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 harmonised **MRSL** is to simplify the compliance process for our partners and support them in meeting stricter MRSL requirements.

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

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



### RSLs and MRSLs

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

#### 1. RSL

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



# Climate Resilience

ESPRIT recognises the adverse impacts posed by climate change to the environment and the society. As an international fashion brand, we are committed to mitigating climate-related risks to ensure the long-term success and sustainability of our business operations. As a preliminary assessment, a list of potential climate-related risks and opportunities pertinent to our business operations in Hong Kong, Germany, France, Japan, and the United States, where our headquarters, large warehouse and retail store, and servers for e-commerce are located, has been identified based on desktop research. These climate-related risks and opportunities include:

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

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

Going forward, we plan to put forward a climate change policy to effectively manage and response to climate change impacts. We will enhance disclosure with reference to the recommendations of the Task Force on Climate-related Financial Disclosure ("TCFD"). We will also conduct climate assessments utilising scenario analysis to better understand and quantify potential climate-related risks on ESPRIT's business operations.



# Sustainable Materials

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

- **Journey:** We recently cut down our calendar from 13 to 4-in-season drops per year and committed to exploring new materials to create a less environmentally impactful production process for all mainline products from 2024.
- **New materials:** Building on a heritage of creating mindfully designed collections, our research into mycelium-based materials is a step towards exploring more sustainable and biodegradable alternatives to our current leather materials.
- **Future:** We are on a journey and investing in the exploration of bio-based materials and R&D workstreams to ultimately improve the quality of products on offer and reduce waste to the planet.

## Exploration of Mycelium

ESPRIT is excited about mycelium as a future material to help improve its environmental sustainability principles, with a view to helping make an impactful change across the industry.

- Compared to traditional materials, mycelium (the “root” of mushrooms) can be trained to “eat” post-consumer textile waste.
- Instead of a traditional supply chain with many steps in the production process (which produces a lot of CO<sub>2</sub> that is harmful to the environment), mycelium can be grown to make materials that are made to the exact material characteristics needed.
- Mycelium can be used as an alternative to animal leather and when the garment has reached the end of life, it can be returned back to fungi to become a new product.

## Our Commitments

The fashion industry is dependent on materials for product creation and we recognise the corporate responsibility to ensuring that sourcing of raw materials used in our products is obtained in the most responsible way, always considering social and environmental impacts during the sourcing process. We are committed to using sustainable materials in a manner that has less negative environmental and social impact, improving animal welfare,

and enhancing the traceability of our raw materials. To reduce our environmental impact, we aim for fibres and materials that are recyclable or regenerative to the environment. In 2022, fabric material from sustainable sources accounted for approximately 56% and the Company is aiming to maintain usage of sustainable fibres of 60% by 2030. Read more about how we define more sustainably sourced for different materials in our **Policy on Raw Materials and Animal Welfare**.

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

## Sustainable Materials Policy

At ESPRIT, we are proactively committed to sustainable materials. Alongside our **Supplier Code of Conduct**, each supplier must comply with the ESPRIT Sustainable Materials Policy prior to working with us. This policy includes the **Policy on Raw Materials and Animal Welfare** and Requirements for animal-derived fibres, such as expectations regarding the 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. We also have requirements for traceability of subcontractors to ensure transparency throughout our supply chain. In addition, we prohibit the use of certain materials, including cotton from Turkmenistan and Uzbekistan, Cupro, and Polyvinylchloride (“PVC”). By enforcing these policies, we aim to create a more sustainable and ethical fashion industry.

## Sourcing Policy

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

## Sustainable Products

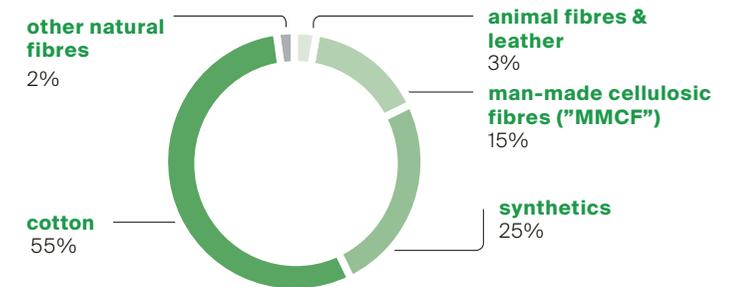
Our products are the centre of our business. Consequently, smart design is crucial as we shift towards a circular model. This includes material selection, where we aim for fibres and materials that are recyclable or regenerative to the environment. It also means designing products that are durable in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

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

## Share of Fibres in Our Products in 2022 Based on Shell Fabric



## Fibre Share



## Better Processes

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

## Chemical Risk Management System

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

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

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

## Cotton

Cotton makes up more than half of the Company's total fibre usage. Of this cotton, 18.8% is organically grown. Another 49.4% is sourced through programmes aiming for more sustainability in the cotton farming. ESPRIT also aims to fulfil its circularity commitment by incorporating and increasing the use of recycled cotton. The biggest challenge for recycled cotton is the limited availability and the lower level of quality due to a shorter staple fibre. Although the Company foresees quality improvement of recycled cotton in the future, the percentage of recycled cotton available in the market is still comparatively low.

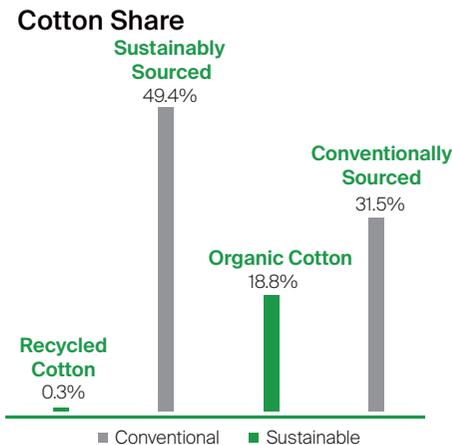
## FACTS

### Organic Cotton

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

### Recycled Cotton

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



## Cotton in Conversion

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



### ESPRIT Joins OCA

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



## Man-made Cellulosic Fibres

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

## FACTS

### TENCEL™ Lyocell

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

### LENZING™ ECOVERO™

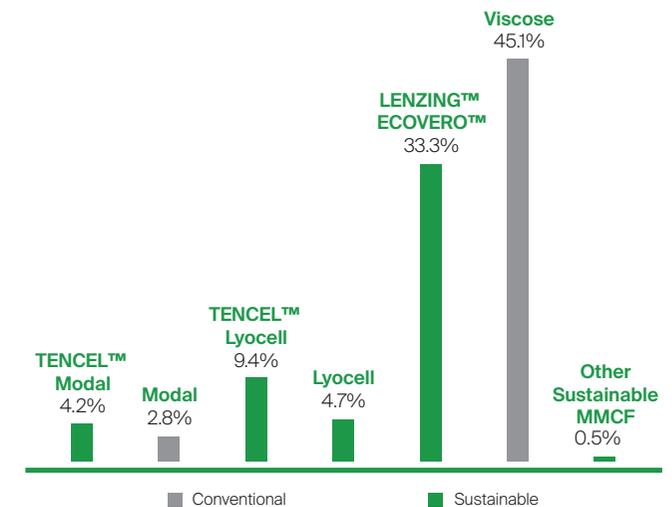
- LENZING™ ECOVERO™ viscose has up to a 50% smaller footprint in terms of emissions and water use compared to generic viscose
- Cellulose feedstock is sourced from trees that were grown in certified, responsibly managed forests
- LENZING™ ECOVERO™ fibers are certified with the EU Ecolabel
- LENZING™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

### LYOCELL

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



## Man-made Cellulosic Fibre Share



## Synthetics

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

### FACTS

#### Recycled Synthetics

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

#### Linen & Hemp

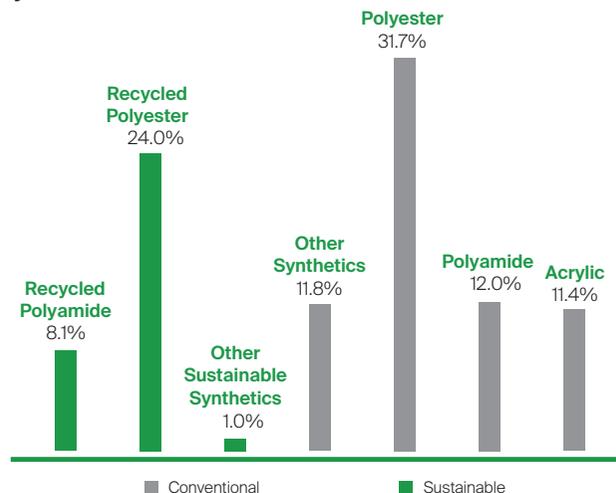
We agree with the methodology used by Textile Exchange to assess the impact of textile fibres, and based on this guidance, we have included both linen and hemp into our list of preferred sustainable materials.

### FACTS

#### Linen

- Flax, which produces linen fibres, is a fast-growing rotation crop which nourishes the soil and encourages biodiversity

## Synthetic Fibre Share



- 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 the use of the fibre for the textile industry may contribute to technical improvements in processing

## Animal-derived Fibres and Animal Welfare

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

### Five Freedoms

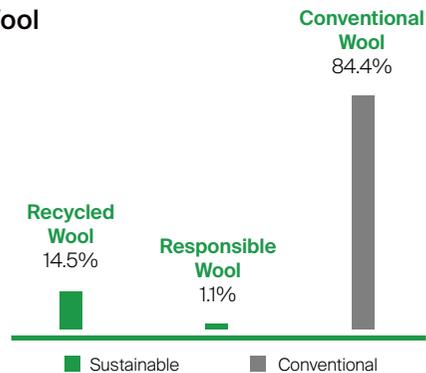
1. Freedom from Hunger and Thirst
2. Freedom from Discomfort
3. Freedom from Pain, Injury or Disease
4. Freedom to Express Normal Behaviour
5. Freedom from Fear and Distress

### Fibre Bans

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

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

## Wool



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

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

## FACTS

### Responsible Wool

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

### Recycled Wool

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



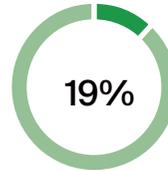
### No Mulesing

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





### Leather



19% of our leather is chrome-free tanned

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 founded by Textile Exchange, and we use this platform to address the issues found within the global leather supply chain, including animal welfare concerns, social and labour issues, and deforestation. ESPRIT is a member of the Leather Working Group (“LWG”) since August 2021. Therefore, our leather products support responsible manufacturing via the LWG.

### Leather Tanning

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

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



### Leather-free and Down-free Vegan Options

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

# Product Quality

## Safe Products

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

ESPRIT complies with all the laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services.



## 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. ESPRIT has a Product Safety department that takes care of the fabric quality in terms of physical and chemical parameters. Especially on the chemical parameters, we follow all the legislation requirements, such as REACH. All our products are tested before sales on risky chemical parameters. With this precautionary approach, we want to ensure our products are safe and high-quality.



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

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

**HQ Review:** Our Sustainability & Product Safety Managers review the test reports and advise our suppliers about improvements if needed.

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

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

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



## How We Handle Complaint and Recall

Our customers' feedback is the most important feedback we get. We take our customer requests seriously, and follow-up on every comment we receive, whether it is feedback on our quality, or opinions we receive via our e-shop. In 2022, we shipped more than 28 million pieces of products, 0.0015% of which are sold and have been recalled for safety and health reasons. We have recorded a total of 51,265 products-related complaints, which represents a 0.18% complaint rate out of all products shipped in 2022, and 2,136 service-related complaints during the Year. All complaints have been solved by product inspection, product exchange or communication. There were no further complaints leading to a product recall.

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

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

In case of a recall, our Customer Service department would request product samples from our logistic centre. The product samples are sent to a laboratory for examination. If the suspicion is confirmed, a recall is initiated. In terms of a licensed article, the respective license partner is consolidated and a test report is requested. Besides, the stock of that product is immediately taken offline and any potential open order is cancelled. Customers who have bought the affected product will also be identified by the ESPRIT E-commerce team. Those who have purchased directly from ESPRIT will be asked to return the item free of charge for a full refund. In case of marketplace purchase, the marketplace will receive all necessary information to contact the customers themselves. Our customers grant full transparency about the reason of order cancellation and associated risks. Prior to that step, an appropriate reply is formulated, in collaboration with the Customer Service, Legal, and Product and Sales departments at ESPRIT.

# 3



**Material topics addressed in this section:**

- Diversity, equality and inclusion
- Living wage
- Occupational health and safety
- Supplier and vendor management

# SUPPLIER AND VENDOR MANAGEMENT

# Our Approach

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

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

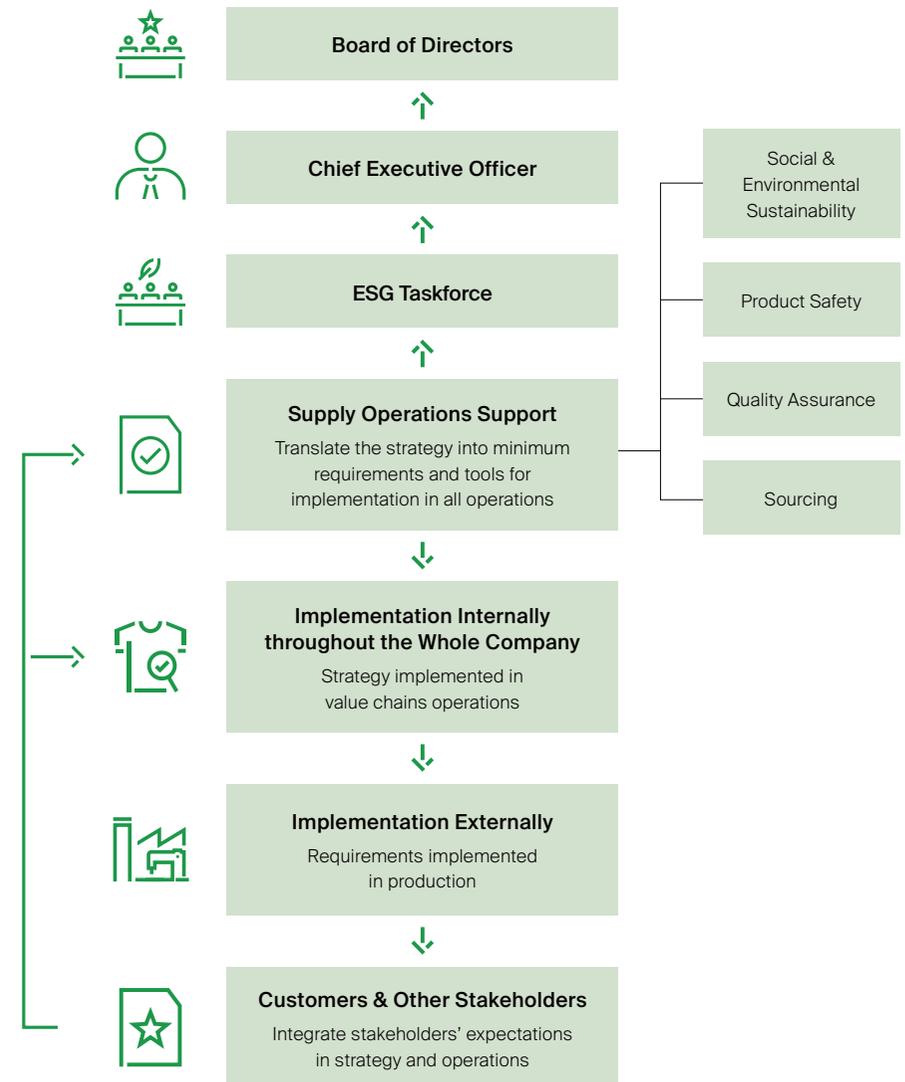
## Managing Our Supply Chain

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

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

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

## How Sustainability is Embedded



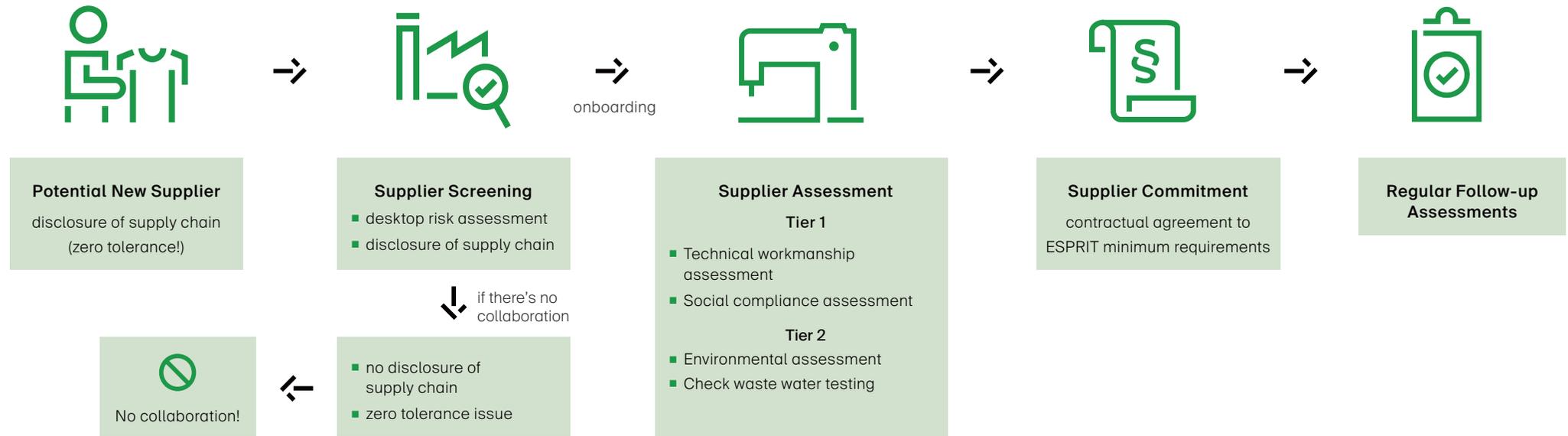
# Our Supplier

## SUPPLIER SELECTION

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

## Onboarding Process

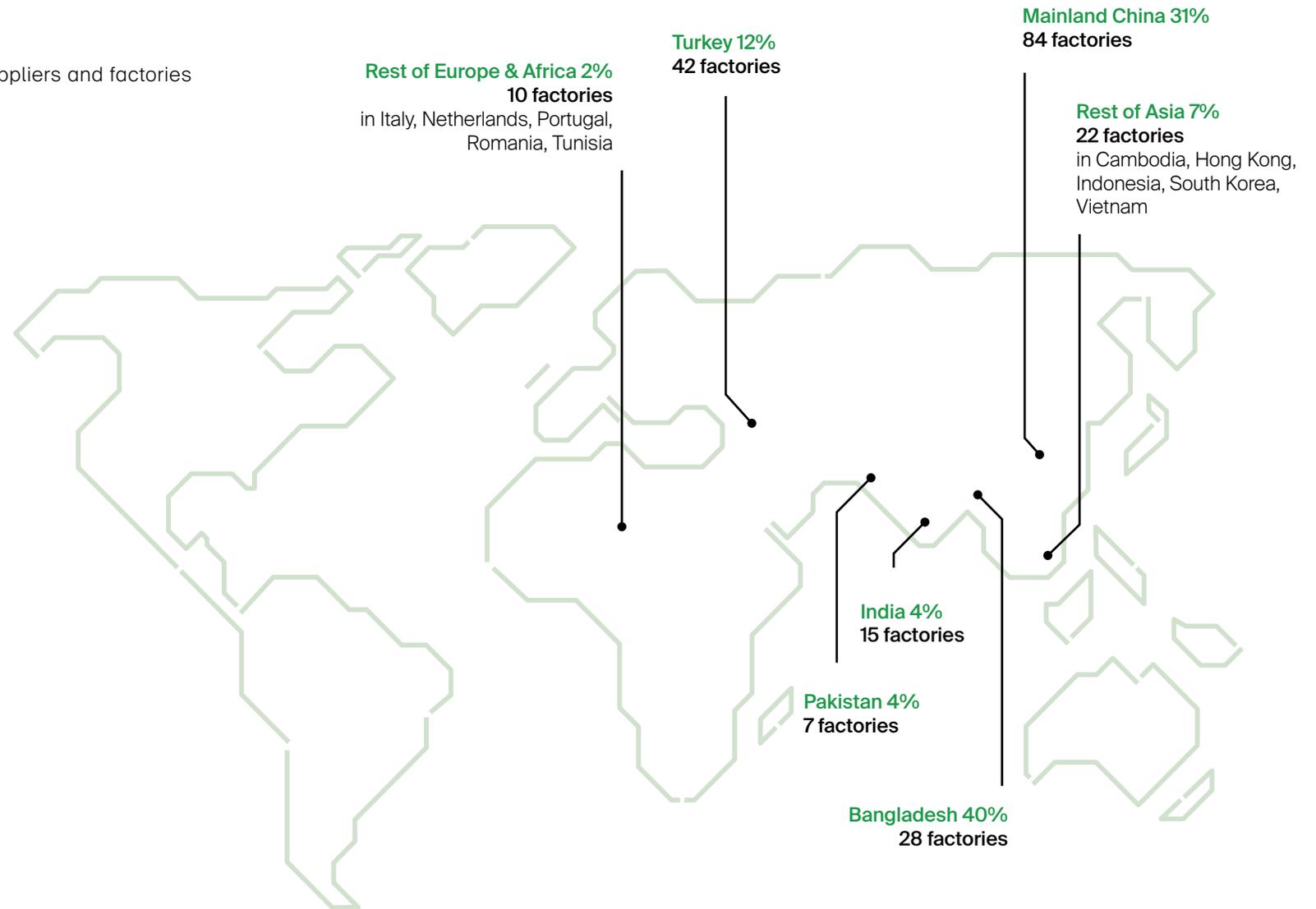
In our onboarding procedure, we check our potential new suppliers on their social compliance, safety, as well as quality performance. In 2022, we had a total of 14 new master supplier onboardings.



## WHERE ESPRIT IS MADE

### OVERVIEW OF OUR TIER 1 SUPPLIERS

ESPRIT's supply chain\* for direct suppliers and factories covers 15 markets in 2022.



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



# Worker Engagement

## WORKER PRESENTATION

### Freedom of Association and Collective Bargaining Agreements

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

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

## COMMUNICATION CHANNEL

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

### Purchasing Practices Supplier Assessment

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

With 1,831 responses in the brand survey and 2,268 in the supplier survey, the ACT Purchasing Practices Surveys 2021 was the largest survey ever undertaken by both suppliers and brand employees on purchasing practices. The results provide important insights to complex business relationships between ACT brand members and their suppliers. The Report found that the focus areas of the ACT Global Purchasing Practices Commitments remain the most relevant areas, affecting not only the entire supply chain but also requiring the most attention. These include price quotations and negotiations, terms of payments, sourcing practices, planning and forecasting, as well as training and awareness. According to the suppliers, purchasing practices that are most relevant to create conditions required to pay a living wage to workers are price negotiations (57%), order placement (49%) and prices quotations (48%).

### Purchasing Practices Self-Assessment

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

### ESPRIT's Performance

In total, 27 employees from ESPRIT took part in the Purchasing Practices Self-Assessment and 74 suppliers from ESPRIT responded to the Purchasing Practices Supplier Assessment. These assessments gave suppliers the opportunity to give direct and anonymous feedback to the Company's purchasing practices. Out of 16 sections, the Company completed a detailed analysis of its status. ESPRIT scored above average in most sections and saw clear outcomes in areas such as incentives, compliance scoring, and order placement.



# Wages

## LIVING WAGES

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

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

## MEASURING WAGES

Next to ESPRIT's approach in ACT, the Company started to monitor wage data to get a better overview on workers' actual salaries and identify urgent areas for improvement. As a member of the Fair Labor Association ("FLA"), ESPRIT used the FLA dashboard to monitor workers' wages. The Fair Compensation Dashboard stores workers' wage data from suppliers of participating brands across the globe. The suppliers enter the wage data which is then reviewed and verified by brands and the FLA. The Fair Compensation Dashboard makes it easier for the Company to find differences between living wages and existing wages in specific factories, as well as to effectively closing those gaps.

## ROLL-OUT

In 2019, the Company piloted the Fair Compensation Dashboard to five strategic suppliers. During the pilot, the Company focused on gathering correct and accurate data to ensure it has solid data starting from 2020. This data was gathered before the Pandemic and therefore reflects a significantly different economic reality for those workers and factories.

Since 2020, ESPRIT rolled out the Fair Compensation Dashboard to collect wage data from factories based on workers' roles. The Dashboard allows companies to analyse average worker wages and measure those wages against living wage benchmarks from more than 30 countries. In 2022, we gathered wage data from 19 factories, including Bangladesh, China, and Turkey. As a next step, the Company analysed the data, especially on plausibility which is now finalised for 19 factories. Due to the Pandemic, the roll-out programme and data gathering process has been very challenging and slow, as in-person training and visits were limited.

# Supply Chain Assessment

## SOCIAL COMPLIANCE AUDIT



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



## SUPPLIER SELECTION AND ASSESSMENT

To ensure suppliers fulfil our requirements, the Company conducts supplier screening through desktop risk assessment and disclosure of supply chain checking.

The ESPRIT Social Sustainability team regularly conducts both unannounced and announced social compliance audits. It is a complex process that includes gathering and verifying feedback and information from multiple stakeholders at the ESPRIT manufacturing facilities to ensure that all these production lines operate in accordance with the ESPRIT **Supplier Code of Conduct**. For example, all suppliers must ensure that no chemical or formulation listed on the ESPRIT RSL and ZDHC MRSLS or any other substance which is subject to an effective ban or expressly prohibited by ESPRIT is used during the manufacturing process.

We audit our suppliers' factories at least once per year in high-risk regions. The findings of each audit are used to create a time-bound corrective action plan so that the factory knows the steps they must take to address any problems that may have been found. We use both internal and external audits to help build an accurate picture of factory performance.

**100% Tier 1**

**33% Beyond Tier 1**

**100% Suppliers**

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

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

Conformance with **Supplier Code of Conduct**

### 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's **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. In 2022, 88% of total audits were conducted by third-party auditors.

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



## 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.

### Payroll Check

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

### Worker Interview

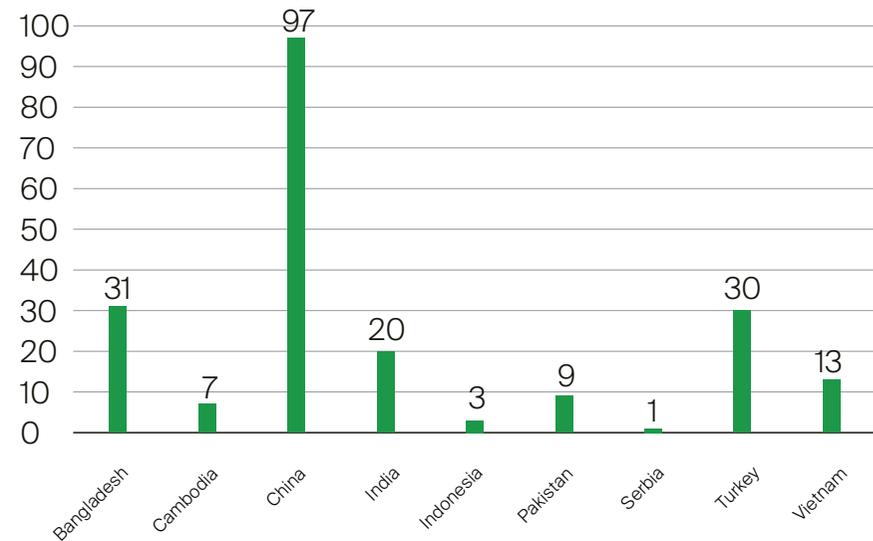
It is crucial to get the workers' perspectives on the factory, but also on their own lives and whether they are able to pursue their goals inside and outside of their jobs. We also verify other data with the workers, who have a good sense of whether the information that is being shared is genuine.

### Production Records Check

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

## Overview Social Compliance Audits per Country:

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



We have conducted **211 social compliance audits** in **9 countries**



### Audit During the Pandemic

Due to the restrictions on travel and visitation caused by the Pandemic, both unannounced and announced audits at the ESPRIT manufacturing have been very challenging. 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. To further complement our increasingly diverse audit approach, we also built up a better online audit methodology with face-to-face follow ups and brand collaborations. This year, 10% of the audits were conducted fully digitally and 20% of the audits were implemented in hybrid and 70% onsite. 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. There is no non-conformance with **Supplier Code of Conduct** during the Year. In case of non-compliance discovered, ESPRIT will investigate and issue a corrective plan for those suppliers, and monitoring and assessment shall be conducted.

When challenges arise, we do not 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.

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. During the Year, ESPRIT dropped 1% 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 International Labour Organisation (“ILO”) standards, failure to provide one day off over a seven-day period as per standards of ILO and Fair Labour Association, and inconsistencies between payroll, attendance and production records.

Another very serious issues we handle according to a specific protocol is child labour and forced labour. In cases where child labour and/or forced labour is discovered, production can continue only if management immediately implements the remediation plan outlined in ESPRIT’s Social Compliance Standards Manual. Our **Supplier Code of Conduct** also outlines the prohibition of child and forced labour. The use of forced or compulsory labour in all forms is prohibited, and the freedom of movement of workers shall not be unreasonably restricted. 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.





### Common Non-compliance Issues

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

## BEYOND AUDITING

In addition to ensuring the quality of suppliers through auditing, we have also established a mechanism to continuously assist our supply chain partners in making improvements.

### Rewarding Sustainable Suppliers

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

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

## Human Rights in Supply Chain

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

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

## EMPOWERING WOMEN

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

Since early 2018, 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 is a business that thrives.

# Supplier Health and Safety

## FAIR AND SAFE WORKING CONDITIONS

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

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

## FIRE AND BUILDING SAFETY

To be able to prevent occupational accidents before they occur and to protect the safety of workers, the Company was one of the first fashion brands to sign the ACCORD on Fire and Building Safety. The ACCORD is a broad coalition of brands, trade unions, civil society and factories. It addresses fire and building safety in the ready-made-garment industry first in Bangladesh, and now internationally, whose binding powers continue until the end of October 2023. As a signatory of the agreement, ESPRIT keep monitoring factories' progress on remediation of fire, electrical and structural issues, and that a system has been established among member brands to ensure resolution of grievances is raised through the Accord's grievance mechanism.

The textile industry in Bangladesh is experiencing a substantial transformation in terms of fire safety and improving its safety standards. There are still improvements that need to be made regarding fire and building safety in Bangladesh, which makes the ACCORD an essential part of the work in Bangladesh. The Company made a commitment to responsibly source from Bangladesh and became a signatory of the new ACCORD agreement in September 2021.

The Pandemic has limited the ability of the Company's partners to conduct third party audits in factories in person. We are gradually resuming the in-person third-party audits. The remediation efforts currently stand at 99%.



Material topics addressed in this section:

- Community and employee engagement
- Diversity, equality and inclusion
- Occupational health and safety

# OUR EMPLOYEES





## Our Approach

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

Standards and expectations for staff are communicated and documented in policies and guidelines, including our Code of Conduct that serves as the Company’s foundational policy. It also sets the core framework to formalises our expectations towards our employees, and clarifies our culture, values, and ways of working. 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.

Our Fair Recruitment and Promotion Policy prohibits unfair treatment or any other behavior 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 the candidate’s background and social identity. Our **Policy on Human Rights** makes sure our business is not complicit in human rights abuses. For more information on the mentioned policies and guidelines, please refer to **our website**.

We also pay attention to protecting employees’ privacy during their employment and at the workplace to avoid any use of employees’ personal information for improper or illegal purposes. We comply strictly with or exceed all applicable laws and regulations in respective jurisdictions of the Company’s operations, including the Employment Ordinance in Hong Kong.

## Employee Engagement

We seek to provide long-term support for our employees, helping them to build their experience and develop their careers. We favour permanent contracts as a way to demonstrate our commitment to our employees. We recognise that work is only one component of a balanced life. We support our employees who prefer to work part-time, and over 58% of our team in Europe takes advantage of that flexibility.

## Talent Development

### Learning

We help our employees identify and reach their professional goals by providing them with skills and knowledge for executing their duties at work through technical and soft skills training programmes. These programmes are available to our team members regardless of job seniority and tenure of employment. We want to give everyone the opportunity to continuously grow and develop their skills. The Company developed 15 different trainings and workshops. Examples for training programmes offered include topics such as Motivation & Appreciation, Self-Management, Stress Management, Agile Working Methods, Solution Oriented Communication, How to Share Feedback, Meeting Culture, Design Thinking, Achieve Your Goals Faster, as well as SWOT-Analysis. ESPRIT also offered several programmes such as Lead into the Future, Train-the-Trainer (for retail staff), and Young Leaders Programme.

	Percentage of Employees Trained	Average Training Hours
C-Level & Leadership Teams	33%	2.75
People Leaders	25%	5.7
Employees	47%	2

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

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

**Employees:** Employees without leadership responsibility

	Percentage of Employees Trained
Male	21%
Female	79%



## Workforce

Our employees 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 have a total of approximately 2,230 full time equivalent employees ("FTE") employees as of 31 December 2022. There is no significant fluctuation in the number of employees during the Year.

Region/Country	Total staff				Heads											
	FTE	Heads	male	female	permanent contract			temporary contract			fulltime			parttime		
					Total	male	female	Total	male	female	Total	male	female	Total	male	female
Europe	2,007	2,697	15%	85%	81%	16%	84%	19%	12%	88%	42%	29%	71%	58%	5%	95%
North America	11	11	27%	73%	100%	27%	73%	0%	0%	0%	91%	30%	70%	9%	0%	100%
Asia	209	211	49%	51%	100%	49%	51%	0%	0%	0%	100%	49%	51%	0%	0%	0%
<b>Total</b>	<b>2,227</b>	<b>2,919</b>	<b>18%</b>	<b>82%</b>	<b>82%</b>	<b>19%</b>	<b>81%</b>	<b>18%</b>	<b>12%</b>	<b>88%</b>	<b>46%</b>	<b>32%</b>	<b>68%</b>	<b>54%</b>	<b>5%</b>	<b>95%</b>

## Retain and Attract Talents

We provide training and career development opportunities, flexible working conditions, as well as competitive compensation and benefits to attract and retain talents. Flexible work schedules and working from home options are offered to employees with special requirements such as fulfilling familial responsibilities. The Company evaluates employee performance objectively on the basis of merit, ability, and proficiency. The Company has implemented annual bonuses, time-based/performance-based incentives, and other incentive programmes to encourage employee retention.

## Turnover Rate\*

Asia	32.9%
Europe	40.4%
North America	35.8%

\* The turnover rate for Europe and North America was calculated at 12 months since this is the minimum period for a stable calculation.



# Diversity, Equality and Inclusion

## Inclusion and Diversity Commitments

Diversity is a strength at ESPRIT, and we are proud that the makeup of our team reflects this belief. ESPRIT alone brings together people from 37 different nations. Globally, our team includes approximately FTE 2,230 team members representing 81 different nationalities. This diversity of life experience and perspective enhances our work, and our relationships with one another.

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

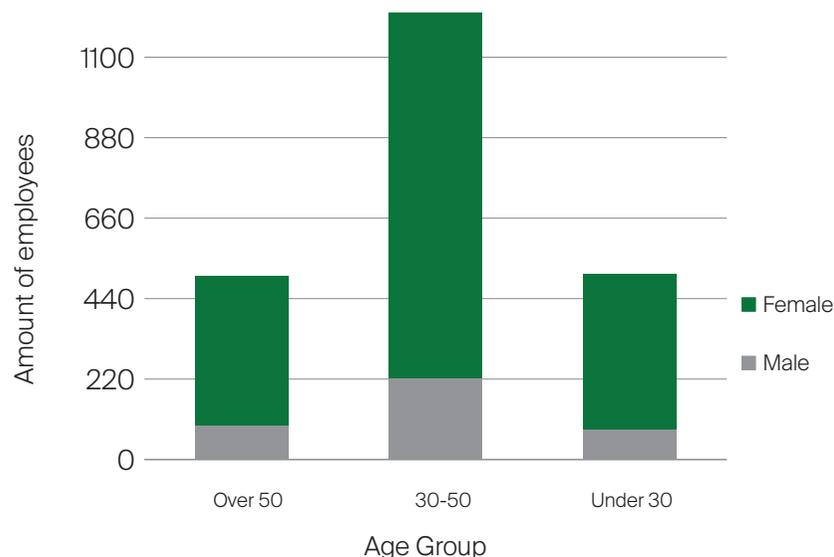
## Gender Diversity

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

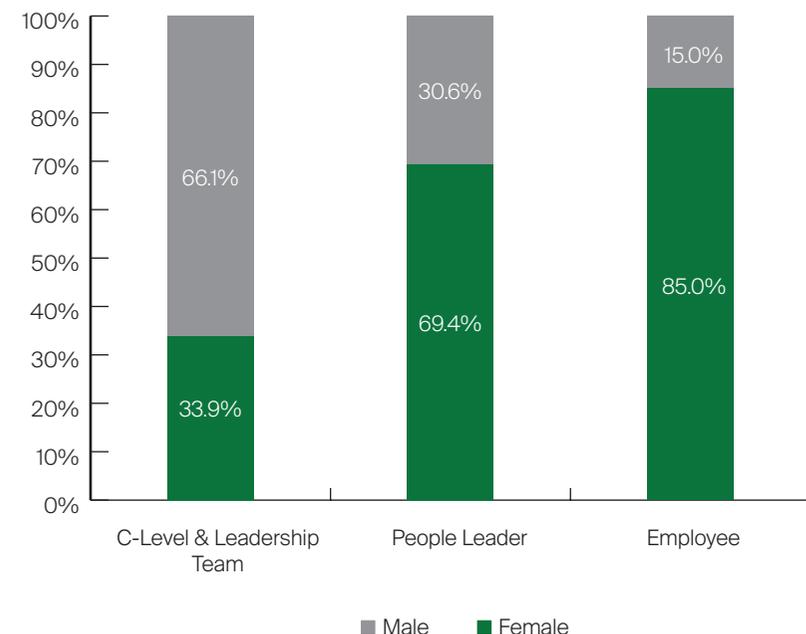
Following a significant jump in female representation amongst the Executive Management Team from 2018 to 2019, we have largely maintained our gender balance over the Year.

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

### Age Structure – Our Team by Age Group and Gender



### Gender Structure per Employee Group



## Human Rights

### Prevention of Child Labour and Forced Labour

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

ESPRIT complies with all relevant national and international standards, laws and regulations relating to preventing child and forced labour within each country where we operate.

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

### Collective Bargaining Agreements

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

# 75%

of our people globally, and



# 73%

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

For employees not covered by collective bargaining agreements, our Company as well determine their working conditions and terms of employment based on collective bargaining agreements that covers the above mentioned employees.

## Health and Safety

### Safe Working Conditions

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

We have a team of trained first aid responders and evacuation assistants who are ready to help should the need arise. At ESPRIT, we have more than 40 first aid responders and 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.

The following occupational health and safety measures have been implemented in the respective period: there have been several instructions to all employees about diverse topics, such as COVID-19 via email, sheets, or Excel file. Eye examinations take place at regular intervals for all employees. We asked our employees to work from home in shift scheduling arrangement during the peak of the Pandemic. In general, all new employees are instructed by their supervisors, around relevant occupational health and safety topics. In addition, comprehensive information around health and safety can be found on the ESPRIT intranet and is therefore accessible for all employees at any time.

We unfortunately accounted one work-related fatality in 2021, while there were no work-related fatalities in 2019, 2020 and during the Year. In Europe, we lost 178 working days due to work injury during the Year.

Material topics addressed in this section:

- Community and employee engagement

# COMMUNITY



# Our Approach

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

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

Through our Global ESPRIT Cares network, ESPRIT partners with local organisations to offer opportunities to give back to the community through in-kind and monetary donations.

As disclosed in the annual report of the Company for the Year, the Group made charitable donations totalling HK\$3 million during the Year.

## Christmas Initiative

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

## Community Outreach

In Hong Kong, ESPRIT made a financial donation to Suicide Prevention Services to support their long-standing dedication and work for the local community. Suicide Prevention Services serves people who are suffering from emotional distress or facing suicidal risk and provide a range of services that help them regain control of their emotions and the will to live on. The organisation also aims at raising general awareness towards suicide and identifying ways in which suicide can be effectively addressed.

We continued our partnership with Hong Kong Cancer Fund, the city's largest cancer support organisation that provides free information and professional support to anyone living with or anyone affected by cancer. ESPRIT donated winter clothes to cancer patients and cancer survivors who participate in rehabilitation programmes at the four Cancer Care Support Centres operated by Hong Kong Cancer Fund.



# APPENDIX I: HKEX ESG Reporting Guide Content Index

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

Subject Areas, Aspects, General Disclosures and KPIs	Reporting Location	Remarks
<b>A. Environmental</b>		
<b>A1: Emissions</b>		
General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment and Product Responsibility, p. 16, 25, 35-36
		ESPRIT complied with relevant laws relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste and regulations that have a significant impact on ESPRIT during the Year.
KPI A1.1	The types of emissions and respective emissions data.	Environment and Product Responsibility, p. 20-22
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	Environment and Product Responsibility, p. 20-22
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity.	Environment and Product Responsibility, p. 23-24
		ESPRIT does not have its production. Since some of our suppliers also produce garments for their other brands, it is difficult to accurately extract hazardous waste data.
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity.	Environment and Product Responsibility, p. 23-24
		ESPRIT does not have its production. Since some of our suppliers also produce garments for their other brands, it is difficult to accurately extract non-hazardous waste data.

Subject Areas, Aspects, General Disclosures and KPIs	Reporting Location	Remarks
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Environment and Product Responsibility, p. 20-21, 23
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environment and Product Responsibility, p. 23-26
		We currently do not have a quantitative reduction target for hazardous and non-hazardous wastes. However, we will continue to apply our best efforts to minimise the generation of hazardous and non-hazardous wastes as much as possible and will explore opportunity to set targets in the near future.
<b>A2: Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environment and Product Responsibility, p. 16-19; <b>Policy on Raw Materials and Animal Welfare</b>
KPI A2.1	Direct and/or indirect energy consumption by type in total (kWh in '000s) and intensity.	Environment and Product Responsibility, p. 20
KPI A2.2	Water consumption in total and intensity.	Environment and Product Responsibility, p. 25
		As Esprit does not have its own production, and water consumption from our own operations are relatively insignificant during the Year, we did not monitor our own operations' water consumption.



Subject Areas, Aspects, General Disclosures and KPIs	Reporting Location	Remarks
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them. Environment and Product Responsibility, p. 20-23	We explore opportunity to set quantitative targets in the near future.
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them. Environment and Product Responsibility, p. 25	Due to changing supply chain partners, especially on Tier 2 (fabric) and lower visibility, it is very challenging to set targets. However, we acknowledge the responsibility and will look for options to set clear targets in the near future.
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced. Environment and Product Responsibility, p. 23-24	ESPRIT has disclosed the amount of our key packaging materials, the amount of other packaging material used are relatively insignificant and were not monitored and disclosed.
<b>A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources. Environment and Product Responsibility, p. 16-19, 28-29	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. Environment and Product Responsibility, p. 17-19, 23-25, 30-35	
<b>A4: Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. Environment and Product Responsibility, p. 16, 27	
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them. Environment and Product Responsibility, p. 27	

Subject Areas, Aspects, General Disclosures and KPIs	Reporting Location	Remarks
<b>B. Social</b>		
<b>B1: Employment</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. Our Employees, p. 50-54; <b>Policy on Human Rights</b>	ESPRIT complied with all applicable laws and regulations that have a significant impact on ESPRIT relating to providing a safe working environment and protecting employees from occupational hazards during the Year.
KPI B1.1	Total workforce by gender, employment type, age group and geographical region. Our Employees, p. 51	
KPI B1.2	Employee turnover rate by gender, age group and geographical region. Our Employees, p. 51	Turnover rate by age and gender in 2022 is not available. We will enhance the data collection in the coming year.
<b>B2: Health and Safety</b>		
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. Our Employees, p. 53	ESPRIT complied with all applicable laws and regulations that have a significant impact on ESPRIT relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare during the Year.
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year. Our Employees, p. 53	
KPI B2.2	Lost days due to work injury. Our Employees, p. 53	
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored. Our Employees, p. 53	



Subject Areas, Aspects, General Disclosures and KPIs			Reporting Location	Remarks
<b>B3: Development and Training</b>				
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our Employees, p. 50		
KPI B3.1	The percentage of employees trained by gender and employee category.	Our Employees, p. 50		
KPI B3.2	The average training hours completed per employee by gender and employee category.	Our Employees, p. 50		Training hours by age and gender in 2022 not available. We will enhance the data collection in the coming year.
<b>B4: Labour Standards</b>				
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	<b>Policy on Human Rights, Worker Code of Conduct, Supplier Code of Conduct</b>		ESPRIT complied with all relevant national and international standards that have a significant impact on ESPRIT, laws and regulations relating to preventing child and forced labour within each country where we operate during the Year.
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our Employees, p. 53		
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Our Employees, p. 54; Supplier and Vendor Management, p. 44-47		
<b>B5: Supply Chain Management</b>				
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Environment and Product Responsibility, p. 16-19, 25		
KPI B5.1	Number of suppliers by geographical region.	Supplier and Vendor Management, p. 40-41		

Subject Areas, Aspects, General Disclosures and KPIs			Reporting Location	Remarks
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Environment and Product Responsibility, p. 28-35; Supplier and Vendor Management, p. 40-41, 44-47		
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supplier and Vendor Management, p. 40-41, 44-47		
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Our Business and Product, p. 6; Environment and Product Responsibility, p. 28-35		
<b>B6: Product Responsibility</b>				
General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Our Business and Product, p. 8; Environment and Product Responsibility, p. 35; About Esprit - Protection of Personal Data p.14		ESPRIT complied with all applicable laws and regulations that have a significant impact on ESPRIT relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress during the Year.
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Environment and Product Responsibility, p. 37		
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Environment and Product Responsibility, p. 37		
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Governance, p. 14		
KPI B6.4	Description of quality assurance process and recall procedures.	Environment and Product Responsibility, p. 36-37		



Subject Areas, Aspects, General Disclosures and KPIs	Reporting Location	Remarks
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	About ESPRIT - Governance, p. 13-14
<b>B7: Anti-corruption</b>		
General Disclosure (a)	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	<b>Code of Conduct</b> About ESPRIT - Governance, p. 13-14 ESPRIT complied with relevant laws and regulations that have a significant impact on ESPRIT relating to bribery, extortion, fraud and money laundering during the Year.
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Year and the outcomes of the cases.	There were no concluded legal cases regarding corrupt practices brought against ESPRIT or ESPRIT's employees in the Year.
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Governance, p. 13
KPI B7.3	Description of anti-corruption training provided to directors and staff.	<b>Global Whistleblowing Policy</b> About ESPRIT - Governance, p.13-14
<b>B8: Community Investment</b>		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community, p. 55
KPI B8.1	Focus areas of contribution.	Community, p. 55
KPI B8.2	Resources contributed to the focus area.	Community, p. 55



## APPENDIX II: GRI Content Index

**Statement of use** Esprit Holdings Limited has reported the information cited in this GRI content index for the period 1 Jan 2022 to 31 Dec 2022 with reference to the GRI Standards.

**GRI 1 used** GRI 1: Foundation 2021

GRI Standard	Disclosure	Reporting Location	Remarks
<b>GRI 2: General Disclosure 2021</b>			
2-1	Organisational details	About ESPRIT, p. 5-6	
2-2	Entities included in the organisation's sustainability reporting	About ESPRIT, p. 5	
2-3	Reporting period, frequency and contact point	About ESPRIT, p. 5	
2-4	Restatements of information		There is no restatement of information in the Year.
2-5	External assurance		This Report has not been externally assured.
<b>Activities and Workers</b>			
2-6	Activities, value chain and other business relationships	About ESPRIT, p. 6	
2-7	Employees	Our Employees, p. 51	
2-8	Workers who are not employees	Our Employees, p. 51	Temporary and part-time employment causes no significant variation in the total workforce. The information of workers who are not employees is not available for the Year.

GRI Standard	Disclosure	Reporting Location	Remarks
<b>Governance</b>			
2-9	Governance structure and composition	About ESPRIT, p. 9	
2-10	Nomination and selection of the highest governance body	2022 Annual Report p. 26-27	
2-11	Chair of the highest governance body	2022 Annual Report p. 20-23	
2-12	Role of the highest governance body in overseeing the management of impacts	2022 Annual Report p. 22-29	
2-14	Role of the highest governance body in sustainability reporting	About ESPRIT, p. 9	
2-15	Conflicts of interest		N/A
2-16	Communication of critical concerns	About ESPRIT, p. 13	
2-18	Evaluation of the performance of the highest governance body		This information is treated as confidential.
2-19	Remuneration policies	2022 Annual Report, p. 13, 28, 36 and 37	
2-20	Process to determine remuneration	2022 Annual Report, p. 28	
2-21	Annual total compensation ratio	2022 Annual Report, p. 89	This information is treated as confidential.



GRI Standard	Disclosure	Reporting Location	Remarks
<b>Strategy, Policies and Practices</b>			
2-22	Statement on sustainable development strategy	About ESPRIT, p. 9	
2-23	Policy commitments	Our Employees, p. 53; About ESPRIT, p. 8	
2-26	Mechanisms for seeking advice and raising concerns	About ESPRIT, p. 13	
2-27	Compliance with laws and regulations	2022 Annual Report, p. 36	
2-28	Membership associations	About ESPRIT, p. 11	
<b>Stakeholder Engagement</b>			
2-29	Approach to stakeholder engagement	About ESPRIT, p. 11	
2-30	Collective bargaining agreements	Our Employees, p. 53	
<b>GRI 3: Material Topics 2021</b>			
<b>Disclosures on Material Topics</b>			
3-1	Process to determine material topics	About ESPRIT, p. 5 and 12	
3-2	List of material topics	About ESPRIT, p. 12	
<b>Economic Topics</b>			
<b>GRI 201: Economic Performance (2016)</b>			
3-3	Management of material topics	2022 Annual Report	
201-1	Direct economic value generated and distributed	2022 Annual Report	

GRI Standard	Disclosure	Reporting Location	Remarks
<b>GRI 204: Procurement Practices (2016)</b>			
3-3	Management of material topics	<b>Sourcing Policy</b>	
204-1	Proportion of spending on local suppliers	Supplier and Vendor Management, p. 40	
<b>GRI 205: Anti-corruption (2016)</b>			
3-3	Management of material topics	About ESPRIT, p. 13	
205-1	Operations assessed for risks related corruption	About ESPRIT, p. 13	
205-2	Communication and training about anti-corruption policies and procedures	About ESPRIT, p. 13	
205-3	Confirmed incidents of corruption and actions taken	About ESPRIT, p. 13	There were no recorded cases in 2022.
<b>GRI 206: Anti-Competitive Behaviour (2016)</b>			
3-3	Management of material topics	About ESPRIT, p.13	
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	About ESPRIT, p.13	There were no recorded cases during the Year.
<b>Environmental Topics</b>			
<b>GRI 301: Materials (2016)</b>			
3-3	Management of material topics	Environment and Product Responsibility, p.16	



GRI Standard	Disclosure	Reporting Location	Remarks
301-2	Recycled input materials used	Environment and Product Responsibility, p. 29	
<b>GRI 303: Water and Effluents (2018)</b>			
3-3	Management of material topics	Environment and Product Responsibility, p. 25	
303-1	Interactions with water as a shared re-source	Environment and Product Responsibility, p. 25	
303-2	Management of water discharge related impacts	Environment and Product Responsibility, p. 25	
303-3	Water withdrawal	Environment and Product Responsibility, p. 25	There is no withdrawal of surface or groundwater. All water consumed in Hong Kong are purchased and distributed by the Government's municipal water supplies department.
303-4	Water discharge	Environment and Product Responsibility, p. 25	
303-5	Water consumption	Environment and Product Responsibility, p. 25	
<b>GRI 305: Emissions (2016)</b>			
3-3	Management of material topics	Environment and Product Responsibility, p. 20-23	
305-1	Direct (Scope 1) GHG emissions	Environment and Product Responsibility, p. 20-23	
305-2	Energy indirect (Scope 2) GHG emissions	Environment and Product Responsibility, p. 20-23	

GRI Standard	Disclosure	Reporting Location	Remarks
305-3	Other indirect (Scope 3) GHG emissions	Environment and Product Responsibility, p. 20-23	
305-4	GHG emissions intensity	Environment and Product Responsibility, p. 20-23	
305-5	Reduction of GHG emissions	Environment and Product Responsibility, p. 20-23	
<b>GRI 306: Waste (2020)</b>			
3-3	Management of material topics	Environment and Product Responsibility, p. 23-24	
306-1	Waste generation and significant waste-related impacts	Environment and Product Responsibility, p. 23-24	
306-2	Management of significant waste related impacts	Environment and Product Responsibility, p. 23-24	
306-3	Waste generated	Environment and Product Responsibility, p. 23-24	
<b>GRI 308: Supplier Environmental Assessment (2016)</b>			
3-3	Management of material topics	Environment and Product Responsibility, p. 16, 20-26	
308-1	New suppliers that were screened using environmental criteria	Supplier and Vendor Management, p. 40	



GRI Standard	Disclosure	Reporting Location	Remarks
308-2	Negative environmental impacts in the supply chain and action taken	Environment and Product Responsibility, p. 16, 20-26	
<b>Social Topics</b>			
<b>GRI 403: Occupational Health and Safety (2018)</b>			
3-3	Management of material topics	Our Employees, p. 50	
403-9	Work-related injuries	Our Employees, p. 53	
<b>GRI 405: Diversity and Equal Opportunity (2016)</b>			
3-3	Management of material topics	Our Employees, p. 52	
405-1	Diversity of governance bodies and employees	Our Employees, p. 52	
<b>GRI 413: Local Communities (2016)</b>			
3-3	Management of material topics	Community, p. 55	
413-1	Operations with local community engagement, impact assessments and development programmes	Community, p. 55	
<b>GRI 414: Supplier Social Assessment (2016)</b>			
3-3	Management of material topics	Supplier and Vendor Management, p. 44-47	
414-1	New suppliers that were screened using social criteria	Supplier and Vendor Management, p. 40	
414-2	Negative social impacts in the supply chain and actions taken	Supplier and Vendor Management, p. 46-47	

GRI Standard	Disclosure	Reporting Location	Remarks
<b>GRI 416: Customer Health and Safety (2016)</b>			
3-3	Management of material topics	Environment and Product Responsibility, p. 37	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		There were no recorded incidents of non-compliance during the Year.
<b>GRI 417: Marketing and Labelling (2016)</b>			
3-3	Management of material topics	About ESPRIT, p. 8	
417-1	Requirements for product and service information and labelling	Environment and Product Responsibility, p. 18	
417-2	Incidents of non-compliance concerning product and service information and labelling		There were no recorded incidents of non-compliance during the Year.
417-3	Incidents of non-compliance concerning marketing communications		There were no recorded incidents of non-compliance during the Year.
<b>GRI 418: Customer Privacy (2016)</b>			
3-3	Management of material topics	About ESPRIT - Governance, p. 9	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		There were no recorded incidents of non-compliance during the Year.



# APPENDIX III: SASB

SASB Topic	Response/Location
<b>Management of Chemicals in Products</b>	
Discussion of processes to maintain compliance with restricted substances regulations CG-AA-250a.1.	<p>(1)(2)(4)            ESPRIT has two important documents setting boundaries for the use of chemicals: the <b>Restricted Substances List (RSL)</b> and the <b>Manufacturing Restricted Substances List (MRSL)</b>. The two lists address distinctly different, but equally important, aspects of chemical use. Our <b>RSL</b> covers the international chemical requirements (and, where applicable, our own stricter standards) that all final ESPRIT products and packaging must meet. This list intends to protect the health and safety of our customers. Our <b>MRSL</b> identifies hazardous chemicals or formulations that must not be used during the manufacture of ESPRIT products, regardless of whether these chemicals can be detected in the final garments. This list addresses the workers in our supply chain, and their local environment.</p> <p>Our goal in developing this harmonised <b>MRSL</b> is to simplify the compliance process for our partners and support them in meeting stricter <b>MRSL</b> requirements.</p>

SASB Topic	Response/Location
	<p>(2)            Our <b>RSL</b> and <b>MRSL</b> serve as a practical tool that sets forth specific chemical substance bans, restriction levels and test methods, as specified by government or regulatory agencies.</p> <p>Our <b>Supplier Code of Conduct</b> requires our suppliers to comply with the requirements under the laws and regulations of EU legislation on REACH. Suppliers warrants that he will take all necessary steps for the registration and/or notification of chemicals in connection with the delivered products under the REACH legislation in the US. The same does apply for other local or international laws, regulations or standards (even if they are only recommendations and no mandatory requirements) setting, improving, securing and upholding quality and safety standards.</p> <p>Our suppliers must also ensure that no chemical or formulation listed on the ESPRIT/Zero <b>ZDHC MRSL</b> or any other substance which is subject to an effective ban or expressively prohibited by ESPRIT is used or in connection with the manufacturing process.</p>
	<p>(3)            To monitor compliance with our <b>RSL</b>, we employ a testing process based on REACH Regulation, which is the European Union regulation concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals, as well as applicable national legislation in ESPRIT's sales markets. We are a member of Apparel and Footwear International RSL Management (AFIRM) Group, an industry body dedicated to maintaining the highest standards for implementing chemical restrictions. Members exchange on the latest testing methods and, by involving the chemical industry, work together to increase the demand for more sustainable chemical alternatives. As we comply with the <b>AFIRM Packaging RSL</b>, we can ensure that we are following the regulations in different chemical limits.</p> <p>Besides, each finished product must pass through multiple chemical and tests by independent and certified testing institutes, as well as internal reviews to ensure it meets our safety requirements.</p>
	<p>(6)            Our <b>Supplier Code of Conduct</b> requires our supplier to obtain and keep on file, preferably in a file established for this specific purpose, up-to-date copies of all applicable local laws and regulations. Besides, they must maintain all required permits and necessary records related to environmental concerns. They also need to ensure that senior management and other personnel are thoroughly familiar with all relevant laws and responsible for addressing and overseeing compliance with environmental regulations.</p>



SASB Topic	Response/Location
	Location: Environment and Product Responsibility, p. 25-26, 35-36 <b>Supplier Code of Conduct; RSL and MRSL for Apparel, Footwear and Accessories</b>
Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products CG-AA-250a.2.	(1) Our method for assessing and managing risks and/or hazards associated with chemicals in products is outlined in the preceding section. Our policies and procedures are uniform across all of our brands and products. As described previously, all basic materials and finished products are tested to ensure that they comply with regulations. We take a combination of hazard- and risk-based approaches to chemical management.  For example, we tested and nominated sustainable dye alternatives and listed them in a comprehensive booklet assess and manage potential risks and hazards associated with dyes.  (4)(6) We aim to eliminate the use of hazardous chemicals in our production. We fully adopt the <b>ZDHC MRSL</b> and have communicated expectations to our supply chain through our <b>Supplier Code of Conduct</b> .  Chemicals with high toxicity are excluded in our production. For example, PFC-chemistry, which is hazardous for the environment, animals and humans, is replaced by PFC-free alternatives.  As a member of the AFIRM, we also dedicated to implementing the <b>AFIRM Packaging RSL</b> to consider the safety of our packaging materials.

SASB Topic	Response/Location
	(8) ESPRIT works with the third party auditing firms to help conduct the social compliance audits, which is a complex process that includes gathering and verifying feedback and information from multiple stakeholders, at the ESPRIT manufacturing facilities to ensure that all these production lines operate in accordance with the ESPRIT <b>Supplier Code of Conduct</b> . For example, all suppliers must ensure that no chemical or formulation listed on the ESPRIT and <b>ZDHC MRSL</b> or any other substance which is subject to an effective ban or expressly prohibited by ESPRIT is used during the manufacturing process. In 2022, 88% of total audits were conducted by third-party auditors.  (9) Our <b>Sourcing Policy</b> guides us to work with our suppliers, with which all of our suppliers are expected to align. We also work with supply chain partners to improve traceability and transparency. Our Open Apparel Registry (OAR) maps our supply chain and updates our public supplier list to increase transparency and clear identification of facilities.  (11) We proactively eliminate the use of the priority chemicals in current and future design and production.  In 2014, we eliminated the use of poly- and perfluorinated carbons (PFCs) from the manufacturing process of our water-repellent products. PFC-chemistry is hazardous for the environment, animals and humans. Instead, we now use PFC-free alternatives that allow our water- repellent products to meet the high-quality expectations of our customers while also respecting the environment and the health of workers.  Location: Environment and Product Responsibility, p. 16, 25-26, 35-36 <b>Supplier Code of Conduct</b>

**Environmental Impacts in the Supply Chain**

Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 in compliance with wastewater discharge permits and/or contractual agreements CG-AA-430a.1.	(1) We adopted the ZDHC Wastewater Guidelines in February 2016. Working in tandem with the <b>ZDHC MRSL</b> , the ZDHC Wastewater Guidelines and testing protocols are in place to ensure the water leaving each wet processing factory meets our requirements and is safe for the environment and the community. Key wet-processing facilities producing ESPRIT garments must have their wastewater tested according to the ZDHC Wastewater Guidelines, and they must upload their results to the publicly available Institute of Public & Environmental Affairs (IPE) website, or the ZDHC platform.  Location: Environment and Product Responsibility, p. 25
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SASB Topic	Response/Location
<b>Labour Conditions in the Supply Chain</b>	
Percentage of (1) Tier 1 supplier facilities and (2) supplier facilities beyond Tier 1 that have been audited to a Labour code of conduct, (3) percentage of total audits conducted by a third-party auditor CG-AA-430b.1.	(1)(3) The ESPRIT social sustainability team regularly conducts both unannounced and announced social compliance audits conducted by either internal or external auditors. It is a complex process that includes gathering and verifying feedback and information from multiple stakeholders, at the ESPRIT manufacturing facilities to ensure that all these production lines operate in accordance with the ESPRIT <b>Supplier Code of Conduct</b> . In 2022, 82% of our Tier 1 direct supplier factories were audited to <b>Supplier Code of Conduct</b> .
	(4) We also work with third party auditing firms who conduct audits on our behalf. In 2022, 88% of total audits were conducted by third-party auditors.
	(5) Auditing will be executed with or without prior notice at the sole cost of vendor throughout the whole supply chain to assess in particular the compliance with (a) <b>Supplier Code of Conduct</b> , (b) other Code of Conducts of associations, we may be a member of and (c) further terms of conditions of the General Terms and Conditions of Purchase and Delivery and the local laws that apply to them.  Both internal and external auditing processes involve spending a lot of time cross-checking the data that is shared (for example payroll, production, quality or even energy consumption records) and verifying multiple data sources to make sure nothing has been manipulated and to confirm consistency. Auditors also discuss records and factory practices with workers and with management to confirm accuracy and spend considerable time observing first-hand the way people interact and the way they perform their duties.
	For additional information on our supply chain auditing, please refer to our <b>Supplier Code of Conduct</b> .
	(6) We have precise definitions of suppliers at different levels of the supply chain. Based on our classification of the supply chain, we regularly map our supply chain and update our public supplier list on our website. ESPRIT is also a partner of the Open Apparel Registry (OAR). OAR, the open-source map and database for the apparel industry, updates and standardizes factory names and addresses against their database to increase transparency and clear identification of facilities.  Location: Supplier and Vendor Management, p.44-47 <b>Supplier Code of Conduct</b> ; About ESPRIT, p. 10

SASB Topic	Response/Location
Priority non-conformance rate and associated corrective action rate for suppliers' Labour code of conduct audits CG-AA-430b.2.	(1) In 2022, ESPRIT dropped 1% of suppliers for poor social compliance performance.  (2) There is no non-conformance with <b>Supplier Code of Conduct</b> during the reporting period. In case of non-compliance discovered, ESPRIT will investigate and issue a corrective plan for those suppliers, and monitoring and assessment shall be conducted.  We review all nonconformance issues with the supplier and demand that can be resolved promptly. Each audit has a Corrective Action Plan that is subsequently verified. We then conduct regular re-audits to verify the improvements. We only terminate a cooperation if improvements are not made, or if there is a lack of willingness to address the issues.  Location: Supplier and Vendor Management, p. 44-47
Description of the greatest (1) Labour and (2) environmental, health, and safety risks in the supply chain CG-AA-430b.3.	Labour risk: <ul style="list-style-type: none"> <li>Working hours and production records or inconsistencies and incorrect calculations in records</li> <li>Failure to meet daily and weekly workhour limits such as 60 hour work weeks or 1 day off in 7 days</li> <li>Lack of effective worker grievance mechanisms</li> <li>Lack of procedures and policies in discrimination (gender, union, political affiliation, etc.), grievance and benefits (such as maternity, leaves, etc.)</li> <li>Lack of robust subcontractor management systems in suppliers</li> <li>Incomplete wage data for living wage calculations</li> </ul>
<b>Raw Materials Sourcing</b>	
(1) List of priority raw materials; for each priority raw material: (2) environmental and/or social factor(s) most likely to threaten sourcing, (3) discussion on business risks and/or opportunities associated with environmental and/or social factors, and (4) management strategy for addressing business risks and opportunities CG-AA-440a.3.	(1) ESPRIT's priority and critical raw materials include cotton, synthetics, MMCF, animal fibres and leather. These materials are carefully selected and sourced to ensure that they meet relevant laws and regulations related raw materials.  (2) The environmental risks associated with these raw materials include water scarcity and stress, climate change, chemical management, animal welfare and implementation of Carbon Border Adjustment Mechanism (CBAM) while the social risks include unsafe workplace conditions and exposure to toxic chemicals.  (3) A list of potential risks and opportunities pertinent to our business operations in Hong Kong, Germany, France, Japan, and the United States, where our headquarters, large warehouse and store, and servers for e-commerce are located, has been identified. These include acute physical risks such as extreme weather events, chronic physical risks such as rising temperatures and water stress, and transition risks such as policies, legal and market risks.



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SASB Topic	Response/Location
	<p data-bbox="479 252 1077 563">To manage our risk associated with environmental factors, we are committed to using more sustainable materials in a manner that has positive environmental and social impacts, improves animal welfare, and enhances the traceability of our raw materials. We also aim for fibres and materials that are recyclable or regenerative to the environment. In 2022, fabric material from sustainable sources accounted for approximately 56% and the Company is aiming to maintain usage of sustainable fibres of 60% by 2030. Besides, we will increase the investment in renewable energy, which is critical to lowering GHG emissions in our value chain and ultimately reducing our operating cost. Circular business models will also be adopted to create opportunities for ESPRIT to generate new revenue streams while reducing its environmental impact.</p> <p data-bbox="479 587 1066 916">(4) We also continued to advance our conservation work and set a comprehensive strategy for water stewardship and water use reductions in our value chain, including the risk associated with cotton growing. We joined the Organic Cotton Accelerator (OCA), which unites the sector worldwide to unleash the potential of organic cotton. OCA and its Contributors believe that by working together we can realize the positive impact of organic cotton on people, planet and prosperity. To secure future supply of cotton, ESPRIT will put more focus into in-conversion projects that support conventional cotton farmers' transition to certified organic cotton. Working with OCA, we aim to ensure farmers have committed procurement and receive premium payments as well as participation in training and development using best practice methods across organic farming.</p> <p data-bbox="479 935 1066 959">Location: Environment and Product Responsibility, p. 16, 27, 29-34</p>

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