ESPRIT'S DISCLOSURE STATEMENT
CALIFORNIA TRANSPARENCY IN SUPPLY CHAINS
ACT AND UK ANTI-SLAVERY ACT OF 2015

Esprit strives to maintain the highest ethical, social and ecological business standards. This fundamental principle is at the core of Esprit's values and is embodied in our Code of Conduct. Esprit applies our Code of Conduct throughout our supply chain and provides detailed written guidance on its implementation. As an international brand with presence in multiple countries, Esprit's supply chain extends across a wide area. Information about Esprit's organization is available here.

In the apparel industry, the highest risk of human trafficking is for purposes of forced labor and forced child labor, though Esprit recognizes that other forms of human trafficking are possible in uncommon circumstances. Esprit's Code of Conduct establishes standards that guard against all forms of forced and child labor with specific prohibitions against compulsory labor, bonded labor, indentured labor, the payment of deposits and guarantees, and the retention of workers' documents.

At the time of this disclosure, Esprit does not have a specific guidance against human trafficking, but considers it as a sub-set of forced labor. Besides being addressed under its Voluntary Employment standard, human trafficking is considered by Esprit under its Legal Compliance standard as an 'illegal activity' and is thus considered a zero tolerance issue, if found. Moreover, Esprit is a member of the Business Social Compliance Initiative (BSCI), and the BSCI Code has specific prohibitions against trafficked labor. Esprit plans to add more specific language and guidance regarding human trafficking to its Code in 2017.

Esprit recognizes that the apparel industry's key risk of forced labor relates to the use of foreign contract labor, where workers from one country are recruited to work in another for a fixed period of time, usually through one or more labor brokers or labor facilitators. This problem is complex and systemic, and is rooted in the highly corrupt and deliberately opaque cross-border recruitment system. Esprit recognizes that, as one company operating independently, it has no leverage to respond effectively to this issue in a way that would have significant impact. Esprit has established a policy of not working with factories that use foreign contract labor, seeking instead to create jobs in workers' home countries by producing its products there.

Should Esprit find foreign contract workers in an existing factory, however, it maintains strong guidelines for the treatment and protection of foreign contract workers, including a requirement that the employer/supplier factory pay for ALL recruitment costs related to their recruitment and hiring, and prohibitions against recouping these costs through salary deductions, deposits, inflating the cost of accommodations and other employer-provided services, and/or any other means.

VERIFICATION

Esprit's Code of Conduct guides the actions and decisions of all of Esprit's employees and business partners, and applies to all stages of its supply chain. Esprit looks for suppliers that are willing to work toward improvements, have no serious violations, and are fully engaged in the issues that the Code of Conduct seeks to address.

One hundred per cent of Esprit's Tier 1 (direct) suppliers are assessed before order placement. Esprit holds its vendors/suppliers responsible for assuring that their next-tier suppliers are in full compliance with Esprit's Code. As an additional control, Esprit requires all sub-contractors to be approved by Esprit in writing and materials suppliers to be disclosed in advance. This enhances the company's visibility to workplace practices in its supply chain beyond Tier 1.

Esprit does not currently verify its labor supply chain specifically for foreign contract workers, as existing policies make the risk of workers hired cross-border through labor brokers miniscule and, if it happens, immediately manageable.

SUPPLIER AUDITS

Esprit's Code of Conduct Audit Program includes both audits and issue remediation assistance. To implement its Code of Conduct Audit Program, Esprit relies on its membership in the Business Social
Compliance Initiative (BSCI) and the International Labor Organization’s Better Work Program (ILO-BWP), where ILO BWP exists (Cambodia, Vietnam, Jordan and Bangladesh). Both are well-recognized audit programs. Participation in such industry-wide programs helps reduce duplication and increase the leverage of labor and social compliance audit efforts through the sharing of audit information by participating companies. Esprit also conducts internal audits to supplement these external programs.

BSCI audits are conducted by third-party auditors. Esprit’s Social Compliance staff works closely with appointed BSCI auditors to ensure understanding of Esprit’s and the BSCI’s codes of conduct and standardize and maximize information gathering. Audit methodology includes a review of internal management systems (including management interviews and documents review), and worker interviews.

Esprit’s global Social and Environmental Sustainability Department directly monitors corrective action after audits are completed, as well as all other efforts to assist suppliers towards continuous improvement on Code of Conduct performance.

Audits of active suppliers are conducted annually. For example, from July 2014-June 2015, 531 Esprit suppliers (or 95 percent of all supplier factories) were audited. The majority of audits are semi-announced, with managers knowing an audit will come within a 1-month window of time. However, Esprit reserves the right to conduct unannounced audits where deemed necessary.

CERTIFICATION
All Esprit suppliers must demonstrate knowledge of social compliance, and an awareness of where they fall short, before they can be on-boarded to produce Esprit products or provide services to Esprit. Any factory or vendor that wishes to work with Esprit must produce a current BSCI Audit Report with an A, B or C rating, a recent Better Work Audit Report with a Corrective Action Plan, or other select audit reports that Esprit may accept on a case-by-case basis. Once on-boarded, suppliers without a BSCI audit report, or a Better Work audit report, must obtain one within a prescribed period.

INTERNAL ACCOUNTABILITY
Esprit generally tries to work with suppliers to resolve compliance issues uncovered by audits. However, where remediation efforts fail, or an issue is exceptionally severe or deemed irremediable, Esprit may take action up to and including suspension and/or termination of business with a supplier. “Human trafficking” falls under “illegal activity”, which Esprit considers a zero-tolerance indicator, and will be cause for immediate termination of business with appropriate procedures in place for the protection of and reparation to victims.

Esprit encourages its employees, business partners and suppliers to report issues/non-compliances to its Code of Conduct through a confidential complaints mechanism. Esprit commits to evaluate all reports and take corrective action if non-compliances are verified. Its Code of Conduct Implementation Guidelines require its suppliers to establish effective, multi-channel grievance mechanisms that workers can access in confidence to report non-compliances to its Code.

TRAINING
Esprit conducts annual Vendor Summits to maintain constant dialogue with its supply chain partners and ensure understanding of the company's expectations.

To equip its employees, business partners and suppliers with sufficient knowledge regarding its Code of Conduct, and particularly its Voluntary Employment and No Child Labor requirements, Esprit has issued a Social Compliance Standards Manual that explains its standards and provides guidance on good practices for each standard/requirement.

Esprit Sustainability Report
Business Social Compliance Initiative (BSCI)
Better Work