



Sustainability Report 2011 Expresso Fashion B.V. | www.expressofashion.com | Fair

Wear Foundation Member since February 2004

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1. Summary: goals & achievements 2011

1.1 Social Compliance

We have achieved a few very good results regarding the implementation of the FWF Code of Labour Practices along our supply chain.

In terms of implementing the FWF Code of Labour Practices along your supply chain, we kept going the way we did with our current suppliers. We, along with our agents, retained regular contact and kept on providing feedback and suggestions for improvements using the existing Corrective Action Plans (CAPs). We continued to expect changes and improvements according to the CAPs in return.

In sourcing new suppliers, we continued to focus on parties that subscribe our values.

We have audited both new and existing suppliers and tried to streamline our internal processes better than before.

We planned to audit the four main subcontractors of our Greek supplier late 2011. Due to busy schedules on both our parts and very poor weather in their region, we didn't get to perform the audits until early 2012. We will however include the audit results in this report. The same goes for our Tunisian supplier. The audit at their facilities was executed in January 2012. You will find the results from that audit in this report as well.

We continued to collaborate with other brands to improve labour conditions in our factories.

In 2010 we have shared an audit with two other brands at one of our shared suppliers in China. This year Fair Wear Foundation decided for a verification audit. Improvements were made and we continue to work on further improvements with this supplier. All three companies and the supplier have agreed on a stepwise process to tackle corrective action points.

Our other supplier in **China worked on the improvements required by the special consultancy team**, recommended by Fair Wear Foundation. Espresso monitored this and visited the supplier in 2011.

In Macedonia, we joined forces with another Fair Wear Foundation affiliate, to audit this new factory for the first time. Together with the brand and the supplier we will work on the CAP that has been drafted in collaboration with the Fair Wear Team.

Turkey had good monitoring results due to our involved agent. A renewed awareness of the importance of continuous work on CAPs was established at our biggest Turkish supplier.

In Poland little monitoring was done, because the suppliers are located in a low risk country and both have an active trade union .

1.2 Other achievements

Besides our social compliance efforts, we have also realized many more sustainability related achievements. We have summarized them below and grouped them according to subject: office and business; collections; good causes.

Office and Business

Our head office is continually turning more environmentally friendly

We still recycle our hangers and plastics in our warehouse; we use paper from a printer with a FSC certification (among others); we separate waste; our office and our shops use green energy; we have water and energy saving solutions (lighting and bathrooms); the Sustainability Manager writes a Corporate Social Responsibility (CSR) newsletter to inform employees and to increase awareness and provide inspiration. In 2011 we started using SAVE! Paper for desktop printers and our Direct Mailings were printed on FSC certified paper.

Our web shop postal shipments are CO2 neutral

In collaboration with PostNL, we started to compensate CO2 emissions caused by the shipping

of our regular mail in 2010. When we launched our new web shop in 2011 we made sure the delivery of all the orders were also CO2 neutral. We invest in a wind farm in India to accomplish this.

Deliveries from our web shop are sustainable

In setting up our web shop, we have chosen to send all orders as sustainably as possible: the boxes are made from 100% recycled material and the bags from partly recycled sources. The stickers on the boxes are made from PLA and are biodegradable.

Lunch

We introduced a Meatless Monday in our canteen. Almost all meats on the other days is now organic. We order as much Fairtrade and organic other products as we can.

Digital Christmas card

Our Christmas card to our relations was sent digitally. This saved paper and CO2 from shipping.

Attendance seminars/congresses/trainings

The Sustainability Manager visited several seminars, congresses and trainings to keep up with developments and :

- **Fair Wear Foundation Seminar**
Training on implementing the FWF Code of Labour Practices.
- **THEKEY.TO Berlin**
Green Fashion exhibit and seminars.
- **MADE-BY/MODINT workshop**
Closing workshop of the Sustainable Materials project that started in 2010.
- **Onboard Session Fairtrade / Max Havelaar**
General introduction to Fairtrade as a new licensee.

- **Groen is de Rode Draad (MODINT)**

Espresso's Sustainability Manager and Formule Manager attended MODINT's seminar on sustainability. The Formule Manager also took part in a panel discussion on (brand) communication of CSR activities.

Collections

Extra Fair Collection

In green fashion, usually only a part of the production process is sustainable. We wanted to try and see if we could make a collection that was entirely sustainable throughout the whole supply chain.

We spent most of 2011 on sourcing sustainable suppliers, looking for innovative alternatives to production processes and (packaging) materials. We achieved to create a collection with the following sustainable features:

- The cotton is 100% organic and Fairtrade certified. This means no harmful substances were used in the cultivation of the cotton and that the farmers received a fair price.
- Spinning, knitting and dyeing took place in factories that are certified by the Global Organic Textile Standard (GOTS). This guarantees an environmentally friendly and safe environment for employees, a basic social standard and environmentally friendly dyes.
- The collection was sewn in a factory that is monitored by Fair Wear Foundation to ensure proper working conditions.
- The total CO2 emissions from cotton cultivation to production processes and transport of fabrics and finished products were compensated by investing in a forestation project in Malaysia.
- Lastly, we only used sustainable materials for labeling, packaging and in-store displays (such as recycled paper and polyester and biodegradable materials).

The Extra Fair collection will be part of the Espresso summer 2012 collection and consists of comfortable T-shirts in 9 bright fashion colours.

High percentage sustainable fabrics

We achieved to incorporate a high percentage of sustainable fabrics in our 2011 collections. No less than 32% of the clothes we produced in 2011 were made from sustainable materials. We usually don't use blends (unless you count ca. 2% Elasthan in many cases), so all these pieces consist of close to 100% sustainable materials.

We define sustainable fabrics utilizing the MADE-BY benchmark:

- Class A-C receives a pin with a green E on the hangtag and is considered sustainable.
- We also take great care in sourcing Modal and Viscose fabrics that are less damaging to the environment. Therefore we mostly use Lenzing© products. These are not (yet) listed in the MADE-BY benchmark, so we don't label them as sustainable. Instead we do mention the better than conventional nature of the materials on the care labels.

We have counted pieces made from Class A-C materials and the non-listed Lenzing Modal© and Viscose© towards our total percentage of sustainable fabrics.

<u>Sustainable fabrics used in our collections</u>			
Season 2011	Sustainable pieces	Total pieces	% Sustainable pieces
Spring	107.604	319.609	34%
Summer	120.120	244.757	49%
Fall	76.190	314.853	24%
Winter	40.450	205.710	20%
Total 2011	344.334	1.084.929	32%

We participated in a sustainable fabric training provided by MADE-BY/MODINT

This training focused on developing a sustainable fabric strategy in our organisation and started in 2010. Key representatives from styling, production, management and CSR departments took part in the training. The Sustainability Manager attended the closing workshop in 2011. In sourcing our fabrics, we continue to look for sustainable alternatives.

Good Causes

We donated clothing to several good causes

Just like many years prior, we have donated numerous items of Espresso clothing to good causes. In 2011 we supported *Dress for Success*, *Stichting Hoop voor Morgen* and *Zending over Grenzen* with ca. 2200 of our products. Our employees also collected their own clothes and toys throughout the year, which we donated to *Zending over Grenzen* to benefit families in Eastern Europe.

We continued to support Orange Babies

Through this foundation we support Hope Village in Windhoek, Namibia. This is an orphanage for girls between the ages of 4 and 18 who are infected by HIV or AIDS or have lost their families to this virus. At Hope Village they find a home and family style living situation.

We donated to Stichting AAP – in old and new ways

We continue to collect our empty cartridges to benefit *Stichting AAP*. In 2011 we started to donate the air miles that we acquire by buying lunch to this foundation as well.

This sanctuary for exotic animals receives money for the cartridges and air miles, which pays for much of the costs to care for the animals.

Christmas project Amsterdam Cares

Amsterdam Cares is an organisation that offers flexible volunteer projects for individuals and businesses. We participated in their Christmas project and donated time and resources to the project. 35 Espresso employees volunteered to hang up Christmas decorations in 5 different homes for the elderly and mentally challenged in Amsterdam. Espresso donated all the Christmas decorations.

1%CLUB

We started a collaboration with 1%CLUB in September. We kicked off this partnership with our production of promotional and merchandise T-shirts for the 1%CLUB. From then on, Espresso has donated to 1%PROJECTS on a monthly basis. The Sustainability Manager chooses the projects based on their commitment to support women and their communities. We especially look for projects that help build women's self-reliance. We believe in women's strengths and talents and like to contribute to develop them.

Havonos

We cleared out our warehouse and donated all the left-over supplies (buttons, band, thread etc) to Havonos. This foundation initiates projects in Sri Lanka to help increase self-reliance. Our donation went to a project that teaches women how to sew, which allows them to earn an honest living for themselves and their families.

2. Sourcing strategy

2.1 Sourcing strategy & pricing

Espresso intends to give more sampling/orders to suppliers that are actively cooperating in the follow up of the FWF norms.

The responsible people for sourcing are Espresso's CEO; the Production Manager CMT; the Production Manager RMG, the Sustainability Manager and the Stylists RMG. Our sourcing policy is directed by the CEO. The production managers and stylists mostly work with long term relations. When a new supplier is needed, they try to find the best suppliers in collaboration with the CEO. The production managers assess potential new suppliers and they use criteria like quality, lead-time, margin, and compliance with the CSR standards equally.

Up until now, Espresso has only sourced for new suppliers occasionally. One of our sourcing norms is that suppliers subscribe the code of conduct of Fair Wear Foundation and we expect an active cooperation with our FWF policy. The Product Manager or the Sustainability Manager asks the supplier for a company profile, the policy regarding labour conditions and audit reports. Espresso informs suppliers about corporate social responsibility and tries to convince them of the need for an open approach towards the policy of Fair Wear Foundation. In case a supplier doesn't want to cooperate, we must end the relationship. New suppliers are included in the supplier register. The Sustainability Manager archives all new information for the supplier register. She keeps the production quantities in a file, which is updated several times per year.

Orders are given out to the supplier that made the samples. Price is not a primary means of comparison between suppliers; quality and workmanship are.

It is very important to Espresso to build and maintain long term and stable relationships with suppliers. We deliberately do not leave suppliers when they don't completely comply with FWF requirements; instead we strive for continuous development and improvement. We provide training and support to suppliers where needed.

Ca. 85% of the total production of our 2011 collections is produced by our long term relationships^[1]. Our biggest supplier (responsible for 30% of our 2011 collection) has produced Espresso clothes for 12 years, while our 2nd biggest supplier (responsible for 15% of the 2011 collection) has produced our products for 17 years.

Espresso created a quality manual for all (new) suppliers including the FWF norms and environmental norms in 2011. Every supplier will have to sign this contract before starting production in 2012.

2.2 Organization of the sourcing department

The Styling department creates four collections per year. Espresso 's Styling department is divided in two: there is an RMG and a CMT design team.

Knitwear is mainly produced as Ready Made Garment (RMG) and the woven fabrics are mainly produced as Cut Make Trim (CMT).

The RMG Styling department chooses the suppliers for production in collaboration with the production manager RMG. The CMT Production department chooses the suppliers for the CMT production.

When we work through an agent, they have an active role in the sourcing and buying policy and in the monitoring and follow up of the FWF norms.

^[1] Long term means the relation has been stable for at least 4 years.

2.3 Production cycle

We have a very strict logistic planning. Espresso delivers on time 99% of the time. We deliver 4 collections in 15 (sub-) deliveries in a year. The first delivery of a collection always has the shortest lead time and the last the one the longest one. This allows for a comfortable production planning for our suppliers. Espresso has worked this way for many years and suppliers are generally satisfied with the lead times we provide.

The production department informs suppliers (both on the RMG and the CMT side) about the estimated quantities during the sales period. This provides them with more time to plan the production. As soon as the sales team has finished the sales of a season, the Production department places the orders. For time and efficiency reasons, this happens in that same week. The order is almost always placed at the supplier who made the samples. Price is not a primary means of comparison between suppliers.

If we need to we ask our supplier to ship the collection by air instead of by boat. This is obviously much faster and as a result we always meet our deadlines.

The working conditions in a factory play a role in the order planning. A supplier's active cooperation with the Corrective Action Plan leads to a steady relationship and more orders and vice versa. We do not rank our suppliers. We choose the supplier based on their capabilities and we work with the same parties every season. We always try to spread orders to give every supplier their share of the production.

The RMG collection is produced by suppliers in Greece/Bulgaria, Turkey, China, Italy and India.

The lead time for RMG is around three months.

The lead time for RMG is relatively long (and much longer than the period for CMT) because the supplier has to arrange the yarns/fabrics, patterns and trimmings, which takes time. Also, a part of the RMG collection is produced in the Far East, which results in long shipping times.

The Cut Make Trim collection is made by suppliers in Tunisia, Poland, Lithuania and Macedonia.

The lead time for CMT varies between 6 and 16 weeks.

Lead times vary depending on the delivery of the collection and on the production country (relating to shipping times). The fabrics, patterns and the trimmings are arranged by the production department at Espresso. This complete package is then sent to the supplier.

2.4 Selection of new factories

As stated before, we highly value our long-term relationships. We always prefer to work with these parties with whom we have established a good relationship. However, sometimes it is necessary to look for a new supplier. In that case, the Production managers search for the best suppliers in collaboration with the CEO. The production managers assess potential new suppliers using criteria such as margin, quality, lead-time and compliance with the CSR standards.

Espresso only sources for new suppliers occasionally. One of our sourcing norms is that suppliers subscribe the code of conduct of Fair Wear Foundation and we expect an active cooperation with our FWF policy. The Sustainability Manager asks the supplier for a company profile, the policy regarding labour conditions and possible audit reports. Espresso informs suppliers about corporate social responsibility and tries to convince them of the need for an open approach towards the policy of Fair Wear Foundation. In case a supplier doesn't want to cooperate, we must end the relationship.

New suppliers are included in the supplier register. The Sustainability Manager archives all new information in the supplier register. The Production Managers keep track of the production quantities in a file which is updated 4 times per year.

2.5 Integration monitoring activities and sourcing decisions

We mainly work with long-term suppliers and we try to reward them where possible. This however is never merely due to a supplier's performance on labour conditions, since quality and capacity to take on orders are very important criteria as well.

3. Coherent system for monitoring and remediation

We will report about suppliers with an order quantity over 2% of the total production quantity of Espresso Fashion. We have no external production. We are in direct contact with our suppliers and/or agents.

3.1 Greece/Bulgaria

SUPPLIER 1

- 28% of total production for Espresso Fashion.
- Supplier in Greece, production in Bulgaria.
- The main Factory was visited by the Production Manager, accompanied by a Stylist.
- The former audit was performed at the main supplier in September 2010. This year Espresso decided to audit four of the Bulgarian main subcontractors, since they are responsible for a large part of the production.
- Audits were performed Spring 2012 by a local FWF audit team.

All four companies are subcontractors for our Greek supplier. Espresso was informed about the subcontracting. Since the subcontractors are responsible for a large part of the total production of this 1st tier supplier, we decided to initiate audits at these four factories. These four companies are responsible for the majority of the 28% of the production of Espresso Fashion's orders for the 1st tier suppliers. The situation in all factories is similar and the common facts are listed below. These were the first audits for these subcontractors and their reports are summarized separately.

Common facts:

- Observers exit meeting: Junior Project Manager of Espresso, Manager of 1st tier supplier and Espresso's Bulgarian Agent.
- This was the first audit for all factories.
- The audit was performed early 2012. With FWF permission, findings are included in this Social Report 2011.
- All companies have between 9 and 15 employed workers.

SUBCONTRACTOR 1

- The company was established in 2000.
- The factory does more complicated styles, cutting patterns, sewing, cleaning, packing and other procedures needed.

The interviewed workers said many good things about the owner, the factory and the other workers. Workers are pleased with the working conditions and that their salaries are paid regularly.

Agreed improvements in 2012

No excessive working hours:

- Overtime should not exceed the legally prescribed weekly limit. Overtime payments should be in accordance with legally prescribed premiums and must specify the same working hours in the Internal Rules and Regulations as on the information board.

Occupational Health and Safety:

- The factory should complete all requirements regarding health status; a Health and Safety officer should be officially appointed.
- The factory should provide safety instructions and have all workers registered for the Safety Instruction Registry. All wires and other electrical equipment should be unreachable and safe for workers, equipment of a first aid box, installment of the

necessary emergency signaling and the fire extinguishers should be checked once a year.

- The factory should complete the accident and sickness registers, they also should ensure that regular medical checks are done and analysis of health status is provided.

Other Documentation:

- The workers' files should be maintained, especially regarding occasional workers and paid leave requests. The files should be kept of all workers up to 5 years after they have left.

SUBCONTRACTOR 2

- The company was established in 2008.
- The factory performs only sewing operations.

Agreed improvements in 2012

Occupational Health and Safety:

- Draft safety instructions and have all workers sign the Safety Instructions Registry, the factory should also provide Internal Rules and Regulations to workers to read and sign and either limit access to hazardous machines or provide safety instructions for this.

Other Documentation:

- The management should make sure all proper and necessary documentation is filed in the workers' files.

SUBCONTRACTOR 3

- The company was formally established in 2001.
- The factory performs only sewing operations.

Agreed improvements in 2012

Occupational Health and Safety:

- The evacuation drill was conducted in November 2011, but not documented.
Management should prepare minutes for each drill.
- Equipment of a first aid box.

Other documentation:

- Complete and maintain all necessary and legally required documents for workers.

SUBCONTRACTOR 4

- The company was formally established in 2009.
- A small family sewing business, with a strongly connected team.
- There is no collective bargaining agreement or workers association/ trade union present in the factory. This is common for this industry in Bulgaria.
- The workers are paid once per month; salaries are paid regularly.
- Payroll information includes records of taxes, social and health security fees, all monthly payments were signed for by the workers.

Agreed Improvements in 2012

Documentation:

- The factory management should complete and keep up to date all necessary and legally required documents for the workers and complete an accident and sickness register.

Common Requirement to discuss

Workers are generally happy about working in the small 'family-like' factories. However, wages still need to be improved on in all factories to reach living wage standards. Espresso and the factories will jointly discuss the use of the FWF wage ladder to set priorities, negotiate steps to be taken, to monitor and evaluate the progress. Together we will investigate if prices paid are enough to pay a living wage. If this is not the case an action plan should be established. If a price increase is needed, an agreement should be made on how the extra payment will be added to the workers' wages.

3.2 Turkey

SUPPLIER 1

- 8% of total production Espresso Fashion.
- The Production Manager visited the factory once.
- Monitoring by Sustainability Manager, PM and Agent.
- No audit performed in 2011; last audit 2010.

This supplier voluntarily registered for a FWF initiated Dialogue Programme in 2011 and thus started the road towards improved social dialogue. The baseline audit for this programme will take place in 2012, as well as following training sessions and final reports.

Improvements up to 2011

Occupational Health and Safety:

- A Health and Safety plan was made and the Health and Safety training performed. This is valid for 3 years.
- Improvement of Health and Safety aspects, including:
 - Fire extinguishers were hung on the wall.
 - Drinking water tests were performed.
 - Fire drills were also performed.
 - An emergency plan was prepared.
 - Pressure tests of the pressure vessels are missing and this makes these vessels vulnerable to risk of explosion. Our main supplier wanted to hire a qualified mechanical engineer for the compressor and a qualified electrical engineer for grounding checks, but due to prices that were too high, this was not feasible at that time.
 - Moving the mobile compressor outside is an issue (due to theft), however the compressor was isolated to minimise noise.
 - There are battery operated emergency lights in the workshop to indicate the exits.

Documentation:

- A written disciplinary policy was prepared and communicated.
- A grievance procedure and register was installed.

Requirements to discuss

Child labour:

- An employment system needs to be established to avoid the risk of child labour.

Freedom of association and collective bargaining:

- Improvement is needed in the knowledge of freedom of association and collective bargaining among workers, as well as wage policies and awareness among workers regarding the Code of Conduct.

Payment of living wages and no excessive working hours:

- Working hours, salary, overtime and (annual) leave should be registered properly and paid according the law.
- Overtime needs to take place on a voluntary basis .
- Income tax refunds should be paid to the workers.

Occupational Health and Safety:

- Some Health & Safety improvements are unpractical, like adjusting the opening direction of the emergency exit door due to the physical conditions of the building.

Documentation:

- Social Security Administration violations may be (partially) resolved with the help of Espresso and the 1st tier supplier.
- Licenses, documents and registers are missing. Personnel files need to be completed for all workers (contracts, sick leave, annual leave).

SUPPLIER 2

- 4% of total production Espresso Fashion
- Espresso did not visit this supplier in 2011
- No audit performed in 2011

This supplier voluntarily registered for a FWF initiated Dialogue Programme in 2011 and thus started the road towards improved social dialogue. The baseline audit for this programme will take place in 2012, as well as following training sessions and final reports.

The sewing is done outside of their own factory, but this is always done by the same workshops. This manufacturer employs a Sustainability Manager and is audited regularly by three other fashion brands (named in the supplier register). There are several Codes of Conduct posted, including that of Espresso Fashion /FWF. Espresso received previous audit results in 2010 and was provided with 2 brands' own Code of Conduct assessments / CAPs. They were very positive. They showed this supplier has both made progress and has little to work on for the next year.

3.3 China

SUPPLIER 1

- 4,5 % of total production Espresso Fashion.
- The factory was visited by the PM and Stylist.
- The manufacturer was involved in a Sustainable Social Compliance Program (SSCP) from July 2009 – April 2010.
- Follow up discussion about Corrective Action Plan (CAP) in April 2011, between Supplier Management and Sustainability Manager Espresso .
- Last audit in September 2010 performed by local FWF audit team.
- There was one complaint about overtime in peakseason and FWF advised Espresso to pay attention to it in the monitoring of the corrective action plan, because it was already a point of focus.

Improvements up to 2011

The results of work and effort of supplier management and especially CSR responsible are positive. At the time of the follow up discussion, there were four pregnant women, who all have been offered three months maternity leave. The workload at that time was spread over a number of colleagues, who got paid extra for. However working hours remains an issue and is included in the improvements for 2012. Following the positive feedback after the follow up discussion:

Communication and Consultation:

- The announcement of a responsible person for the CSR program. This person also visited the FWF seminar in China.
- There is a suggestion / complaint box installed, which is emptied weekly.

Payment of living wages:

- The social insurance payments are gradually increased.
- The management states that workers are being paid according to minimum wage. The wages increased with 19,5% since May 2010. It was announced that wages would increase each year steadily in the next 5 years. The supplier is intended to follow these regulations.

Occupational Health and Safety:

- Fire extinguishers, safety exits, electrical panels are installed, stairs and corridors are no longer blocked and there is explosive proof lighting in the warehouse.

Agreed Improvements for 2012

The supplier and Espresso, agreed on the following findings to be improved:

Communication and Consultation:

- The responsible for the CSR program will provide a list of all subcontractors and inform them about the Code of Labour Practice (CoLP).
- The supplier sends the names of the subcontractors and will ensure that the subcontractors are informed of the FWF CoLP. The supplier will send photos to show that the information sheets are placed in these workshops/ factories .
- The supplier will discuss with their supervisors how a voluntary IP system is best implemented.

No excessive working hours:

- Working hours remains an issue and will be followed up to be improved.
- Espresso will look again at the possibility to extend lead times in order to give supplier the possibility to spread production and avoid overtime.

Documentation:

- Clear documentation about the maternity leave scheme.

Requirements to discuss

Freedom of association and collective bargaining:

- Espresso has informed the supplier management about the need in providing information to workers about their right to freedom of association, however this requirement needs to be followed up.
- Form of an Independent union or worker committee and the right of all workers to join.

No excessive working hours:

- Several reasons contribute to the need for overtime, they have been discussed and in the follow up, this will be continued.

Occupational Health and Safety:

- Formulating and implementing an ergonomics program (is currently financially not possible).

Legally binding employment relationship:

- All workers need to have an Employment contract. The employer and the employee shall each hold one copy of this contract. This finding will get extra attention during the next audit.

SUPPLIER 2

- 3,5 % of total production Espresso Fashion.
- The head office was visited by the PM and a Stylist in 2011.
- Verification audit performed in December 2011 (Espresso Fashion was not present at the audit).
- A local FWF audit team performed this Verification audit.
- The costs of verification audit were paid by FWF.
- The follow-up of the CAPs will also be a joint effort by different FWF members together.

The Factory management was cooperative and positive in their support of the audit team during the whole process of the field audit. The entire factory is spacious, clean, tidy, air-conditioned and safe for workers to work in. The findings were positive, especially the general work process as well as the factory's work force. The biggest challenge is to make improvements towards payment of living wages for a regular working week. All worker interviews were conducted in the absence of staff or management representatives, assuring the respondents' total confidentiality of the views they expressed.

Improvements up to 2011

Communication and Consultation:

- FWF suggested to workers that they could contact FWF's complaints handler in China, in case of further complaints or information requests.

Occupational Health and Safety:

- The factory has developed an evacuation plan for all workshops and has posted this plan in an easily accessible place to workers.
- The entire factory is equipped with fire alarm system.

- Swipe card machines are installed in the factory. However, the information needs to be revised more properly.

Improvements in 2012

Espresso is developing a strategy in association with two other FWF affiliates to find suitable agreements with the supplier. FWF will provide support for the process of establishing a framework for improved wages.

Communication and Consultation:

- The workers should be informed and trained about PRC Labour Law, FWF Code of Labour Practices and Code of Conduct of other clients of the factory. This should be posted in a place that is easily accessible for workers.

Occupational Health and Safety:

- The employers shall not refuse to recruit the employees who carrying communicable virus for the reason that they are carriers.

Legally binding employment relationship:

- The factory should work with employment contracts in accordance with the Law of the People's Republic of China.

Requirements to discuss

Freedom of association and collective bargaining:

- All workers shall enjoy liberty of speech and shall not be punished or dismissed by employer for free speech.
- Allow workers to elect their representatives through open democratic elections without any interference, trade union should be involved in the establishment and implementation of grievance procedures.
- Arrange training for elected worker representatives to ensure good dialogue with management.

Payment of living wages:

- Espresso and the supplier together should discuss if prices are paid enough to pay living wage. If a price increase is needed, an agreement is needed on how the extra payment will be added to the workers' wages.
- Wages for a regular working week need to be in accordance with living wages, as estimated by local stakeholders consulted by FWF.
- Proper payment for overtime premium, be in accordance with legal requirements.

No excessive working hours:

- The workers should have at least one day off per week.
- Maintain and use a time card or electronic bar card system to measure actual working hours.
- The factory should maintain its weekly working hours to be according required FWF Code of Labour Practices and at least according the Labour Law of the People's Republic of China.

Occupational Health and Safety:

- The factory should build up an ergonomic program and provide information on proper working positions.

Legally binding employment relationship:

- The employer and employee shall each hold one copy of the employment contract.

3.4 Tunisia

SUPPLIER 1

- 15% of total production Espresso Fashion.
- Espresso Supplier for 17 years.
- Factory was visited 3 times by Production Managers.
- Audit performed in January 2012 (Espresso Fashion's Sustainability Manager and Sourcing Manager were present at the audit).
- Local FWF audit team performed the audit.
- The audit team met with good cooperation from the management, workers and all other consulted persons and organisations.

Improvements up to 2011

The factories improved many observations from the last audit:

Communication and Consultation:

- Increase of training hours of juvenile workers in accordance with the law.

Freedom of association and the right to collective bargaining (CB):

- Meetings of consultative committee are more regular.

Payment of living wages:

- The company pays bonuses more than request by the law
- The company will set up a system to stimulate workers to finish the daily quota (to avoid unpaid overtime).
- The company will increase the paid holiday days from 1,5 days to 2 days for each worked month (in accordance with the labour code).
- Loans are granted to workers without interest and guaranties.

Occupational Health and Safety:

- The work place is well maintained.
- Passages are free, however not marked.
- Installation of protection screens in the buttonhole machine.
- Installation of a fire alarm.
- Regular checks of all fire extinguishers.
- Ventilation in the workplaces.
- Posting of an evacuation plan and a first-aid policy.
- Providing first aid boxes in every industrial unit.
- Providing ergonomic chairs for all workers.
- Informing of workers about the importance of using personal protective equipment.
- Fixing of electric lines to cutting machines.
- Re-organizing the storage in accordance with standards.
- Marking of all chemical liquids.
- Organizing Occupational Health and Safety training for workers.
- Consideration of requests to change posts due to health problems.

Documentation:

- Keeping an annual leave register.

Improvements in 2012

Freedom of association and the right to collective bargaining (CB):

- The code has to be updated on 2009 and has to be explained to the workers through the conconsultative committee (CCE).
- The manager will improve communication with the workers and the CCE members and the CCE decisions will be posted.
- A written grievance procedure and an improvement program will be implemented by the human resource manager, supported by Espresso.
- The Collective Bargaining Agreement will be posted.

Payment of living wages:

The management will pay the Collective Bargaining Agreement (CBA) annual increase of wages.

- All workers will be classified on the wage level corresponding to their function.
- The hourly rate of wages will correspond to the CBA level.

Occupational Health and Safety:

- The company will implement a first aid procedure.
- PPE equipment is not being used by the workers.
- Toilets will be well maintained.
- The stain remover will be kept in the non-indicated container.

Requirements to discuss

Payment of living wages and no excessive overtime hours:

- Calculating overtime on a weekly in stead of monthly basis.

Occupational Health and Safety:

- The canteen is well equipped, but a little insufficient for all workers and they are obliged to put the heating plate near the electrical cupboard.

3.5 Poland

SUPPLIER 1

- 3% of total production Espresso Fashion.
- Low risk country, no audit since 2006.
- Head office and factory were not visited in 2011.
- One subcontractor.

In 2011 little monitoring was done, because this supplier is located in a low risk country .
Espresso's PM has regular contact with this manufacturer. They have always complied very well to the FWF standards. The company has an active trade union and management is advised by FWF to keep a good relationship with the union to keep workers satisfied. Espresso Fashion could monitor the labour conditions through contacting the trade union.

SUPPLIER 2

- 13% of total production Espresso Fashion.
- Low risk country, no audit since 2006.
- Head office and factory were visited in 2011.
- Three subcontractors.

In 2011 little monitoring was done, because this supplier is located in a low risk country .
Espresso's PM does have regular contact with this manufacturer however, and reports they are performing well on social compliance. The company has an active trade union and management is advised by FWF to keep an good relationship with the union to keep workers satisfied.

Starting 2012, Espresso will verify the status of the following issues:

- Posting of CoC in all facilities (incl. subcontractors).
- The workers are informed about wages, social contribution and anti-discrimination laws.
- There is a chosen representative for the workers.
- Staff regulations are updated and copied for the workers.
- There is a Health and Safety committee.

3.6 Macedonia

SUPPLIER 1

- 5% of total production Espresso Fashion.
- New Espresso Supplier.
- Factory was visited 7 times by Production Managers.
- First audit performed in December 2011 (Espresso Fashion was not present at the audit).
- The audit was shared with another FWF affiliate.
- Local FWF audit team performed audit.
- The audit team met with good cooperation from the management, workers and all other consulted persons and organisations.
- No subcontractors.

Improvements in 2012

Sourcing Practices:

- FWF affiliates together with the factory management will work on an annual production plan.

Communication and consultation:

- The code will be introduced to the workers.
- The factory will implement a management system to continuously improve working conditions.

Freedom of association and the right to collective bargaining (CB):

- Rights and obligations arising from CB will be introduced to the workers within 6 months
- The CB agreement will be signed.

Occupational Health and Safety:

- The company will provide ear plugs for the employees to reduce noise.
- They will leave proper distance from the walls in order to access remote parts of the storage area in case of fire.
- Electrical wiring, with emphasize on the basement, should be re-done properly and according to the wiring standards.
- The company should consider installing a fire detection system according to the State Fire Safety regulation in order to mitigate fire risks in the company.
- The company should instruct employees to wear protective gloves. If steel gloves are uncomfortable, try other fabric alternatives (kevlar, etc).

Requirements to discuss

Sourcing Practices:

- The FWF affiliates will try to increase the cooperation between them to help develop a system for monitoring and remediation of working conditions.

Payment of living wages:

- The supplier should discuss with the buyers how to make a stepwise approach towards living wages. Improvements can be, besides salary increases or bonuses, offering benefits to the employees (refreshments, kindergarten support, etc)

SUPPLIER 2

- 3,5% of total production Espresso Fashion.
- New Espresso Supplier.
- Factory visited 7 times by Production Managers.
- No Audit performed in 2011.
- No subcontractors.

This was one of our new suppliers in 2011. During our introductory visits we introduced our social policy and our FWF membership. The Production Manager noticed several Codes of Conduct from other brands and the supplier had been audited by BSCI. Therefore we decided to not to audit this supplier in 2011. The Sustainability Manager asked the supplier to fill out the questionnaires and to post the FWF Code of Labour Practices. In 2012, we will continue to follow the CSR practices at this factory and possibly plan an audit (depending on the production quantities).

4. Training and capacity building

Since we have been a member of FWF for quite some time, all the relevant staff members are aware of our FWF membership and what this entails. There is contact between the Sustainability Manager and the Production Managers about the follow up of CAPs and other relevant information regarding our ongoing efforts to improve labour conditions at our suppliers.

4.1. Activities to inform staff members

- Internally: The Sustainability Manager introduces our FWF membership to (new) employees where relevant. This is mainly done by informal meetings and the sharing of existing documentation and Espresso's archives.
- Externally: The Sustainability Manager took part in a FWF seminar : implementing the FWF Code of Labour Practices at the FWF offices and had contact with the FWF verification staff.

4.2. Activities to inform agents

Espresso introduces the FWF code of conduct to every agent.

- The product manager (PM) provides the supplier with an information document about Fair Wear Foundation and the general CSR policy of Espresso.
- Espresso or our agent asks the supplier to fill out the questionnaire and to provide pictures of the factory. The PM takes all the effort necessary to introduce the FWF policy and to explain the procedure. We send the code of conduct in the right language to the supplier after signing the questionnaire.
 - The PM arranges meetings with the agent/supplier to talk very extensively about the requirements and to solve problems.

- There is also regular contact through email and telephone with the supplier and/or agent. When needed, we ask FWF to conduct a training for the management and/of the workers in the factory.

4.3. Activities to inform manufacturers and workers

Espresso introduces the FWF code of conduct to every manufacturer.

- The product manager (PM) provides the supplier with an information document about Fair Wear Foundation and the general CSR policy of Espresso.
- We visit most of our suppliers to meet them, see the production location, see the new materials and methods, and check the quality and to build up a good business relationship. Some suppliers visit Espresso regularly as well.
- Espresso or our agent asks the supplier to fill out the questionnaire and to provide pictures of the factory. The PM takes all the effort necessary to introduce the FWF policy and to explain the procedure. We sent the code of conduct in the right language to the supplier after signing the questionnaire.
 - The PM arranges meetings with the supplier to talk very extensively about the requirements and to solve problems.
 - There is also regular contact through email and telephone with the supplier. When needed, we ask FWF to conduct a training for the management and/of the workers in the factory.

5. Transparency and Communication

Espresso values CSR highly because we want grow our business and create beautiful products, but only with respect for people and the environment. We are certainly transparent about our CSR efforts, but we communicate about this very carefully. We communicate to both consumers and the press.

We recognize the need for increased transparency as a result from the growing consumer desire to know which brands are more sustainable than others. Therefore we are slowly communicating more about our CSR policy, which obviously includes our FWF membership of which we are very proud. Below you will find a list of our communications, articles and media in which our CSR policy or FWF membership were mentioned in 2011.

Fair Wear Foundation

We published our Annual Report on our own website as well as the Fair Wear Foundation website. The results of our Management System Audit are also posted on there.

CSR model and CSR brochure

As part of our Extra Fair Collection we worked together with Schuttelaar & Partners. This lead to the creation of a CSR model that is not only applicable to the XF collection, but to all of our CSR efforts in general. This model uses simple icons to illustrate our supply chain. We use it to communicate our CSR activities in each part of the supply chain.

The CSR Model was the basis of our new CSR Brochure we created in collaboration with Schuttelaar & Partners. The brochure will be launched in January 2012.

Website and email

We considerably changed the sustainability information on our website (expresso.nl/duurzaamheid) and we set up an email address specifically for CSR related inquiries from our customers and other interested parties (mvo@expressofashion.com).

Espresso Magazine

We continued to dedicate a section of the Espresso magazine to CSR related content. Every

edition of our Espresso magazine (which comes out four times a year) has a dedicated page with information about our responsibility efforts or tips on sustainable living. We hope this inspires our customers, while providing a higher level of transparency at the same time. In 2011, we further added a returning column by Espresso's Sustainability Manager.

Social Media

We regularly post updates on our social media pages (Facebook and Hyves) about sustainable activities such as our donations, to inform our readers and to try and engage them.

High rankings GoedeWaar.nl and Rank a Brand

We are proud to have received high rankings and scores on two websites that inform consumers about the sustainability of brands.

- GoedeWaar.nl annually sends us a very detailed questionnaire about the company, sourcing policies, used materials, certifications and licenses/memberships. We received 4 out of 5 stars and ranked number 16 in a list of 275 fashion brands. In 2011 they developed the mobile app Kledingchecker, which consumers can use to check the sustainability of their favorite brands on the go. We are also listed in there.
- Rank a Brand ranks companies on a scale from A to E, using the information brands make available to the public. We received a B ranking, which means they rate us as 55-77% 'correct'. We scored positively on 9 out of 16 questions.

Pepper Magazine

This magazine about CSR posted an article in the series 'The month of...' Espresso's Sustainability Manager wrote about what her job entailed in the summer of 2011.

Documentary Clean Clothes Campaign

One of our Production Managers and The Marketing Manager were interviewed by Spanish organisation Setem. They produced an international Clean Clothes Campaign financed by the EU to stimulate sustainable sourcing.

Participation thesis research students

The Sustainability Manager took part in four interviews with students for the purpose of their (Masters) thesis research. Subjects among other things were: the practice of sustainable fashion, challenges and successes, communication and transparency, supply chain management and rules and regulations.

Annex 1

Organizational Structure Espresso Fashion B.V.

