



# GBG

GLOBAL BRANDS GROUP



**FY2020 Corporate Responsibility Report**

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## About GBG

Global Brands Group (“GBG” or “the Group”) operates three business segments, selling branded products under its North America and Europe segments, and our global brand management business.

Operating primarily as a wholesale business, Global Brands sells its products through multiple distribution channels, including department stores, hypermarkets/clubs, off-price retailers, independent chains, specialty retailers and e-commerce sites. The Group benefits from a diversified licensed brand portfolio, without reliance on any one brand, product or demographic, or on any particular channel of distribution. The Group has a channel agnostic approach to distribution, allowing it flexibility and choice in terms of mapping the most appropriate product, pricing and distribution channel for each brand, in order to maximize the value of these brands in their respective lifecycles.

In addition to operating product licensing businesses within our North America and Europe segments, the Group continues to engage in its global Brand Management business as its third operating segment. Acting as a brand manager and agent for brand owners and celebrities, the Group offers expertise to expand its clients’ brand assets into new product categories, geographies and retail, and e-commerce collaborations, generating revenue by taking a percentage of the license fee or royalty paid by the licensees to the brand owner.

## About This Report

As our fiscal year ended, our business, like every other business in the world, was being impacted by Covid-19, the coronavirus pandemic initially impacting China that quickly spread to virtually every country on the planet. And while this initially was a health pandemic, it very quickly became apparent that the virus has affected our economies, our supply chains and workers’ livelihoods. Like other companies, Global Brands has taken steps to protect the health and safety of our employees and safeguard our operational viability from unprecedented supply-chain shock. Many of the initiatives that we have put in place over the past year have put Global Brands in a position to help weather this storm, but ultimately, we do not know what the long-term effects will be on our business.

Global Brands Group is committed to using the opportunity to reset after Covid-19 for reimagining our ways of working and improving our impact on key issues, and we will continue to be transparent and communicate our progress. Although we have previously reported on our environmental and social progress in our annual financial reports, this, our first standalone report, provides information and performance data on our operations during our FY2020, which ended March 31, 2020.

## CEO Statement



Dear stakeholder,

The world and our industry are going through a period of great change. As our people, communities and partners become more concerned with social responsibility and environmental impacts, Global Brands Group is committed to be a leader in that change.

Our organization has gone through significant changes in the last two years. With an opportunity to transform ourselves, we worked to create a purpose and set of values that truly represented our people and values. Through collaboration across the business, we developed our purpose of *"Impact the World with Brands People Love"*, which inspires our decisions in creating a more sustainable Global Brands Group and contributing to positive impact within our industry.

**Guided by our purpose, we see sustainability at GBG as four primary pillars: Our People, Our Communities, Our Supply Chain and Our Environment.**

### OUR PEOPLE

*Focusing on people and culture, we will work to empower our teams through purpose, values, inclusion and diversity.*

### OUR COMMUNITIES

*Through the GBG Gives Back program, we will improve and advance the lives of those in the communities where we live and work.*

### OUR SUPPLY CHAIN

*Working with our partners, we will work to improve human rights and worker well-being throughout our supply chain.*

### OUR ENVIRONMENT

*Recognizing the impact our business has on the environment, we will take steps to reduce our impact, including climate, water and waste goals.*

We took significant steps in FY2020 in advancing our sustainability pillars. In rebranding to People and Culture, our Human Resources team took steps to prioritize our people through collaboration and engagement. We saw expanded support to our impact campaigns that reflect the causes our people care about. We consolidated our supply chain, focusing on more strategic relationships to build collaboration. We increased our use of renewable energy to 21% of our total electricity use, and diverted over 16,000 pounds of single-use plastic and fabric waste from landfills.

While we are proud of our accomplishments, we realize that the vision of sustainability at GBG is a journey, not a destination. Working with a clear purpose and empowered people, we will continue to make progress in our journey. Recognizing that progress starts with transparent action and thought, I'm proud to present our FY2020 Corporate Responsibility Report.

**- Rick Darling**

*Chief Executive Officer*

## Governance

At Global Brands Group, sustainability means operating ethically and responsibly to deliver economic, social and environmental benefits to our stakeholders. It is a shared responsibility; it involves all Company divisions and colleagues at every level. Through proactive initiatives and good corporate governance, we strive for positive impact for our people, our supply chain, our communities and the environment. We are committed to comply, at a minimum, with the laws and regulations of the jurisdictions in which we operate and create shared value for all.

Our Board of Directors has overall responsibility for sustainability oversight. Management is responsible for integrating and prioritizing sustainability in our corporate objectives.

The foundation of GBG's culture lies in our history and values. The Group's Code of Conduct and Business Ethics provides the principles on the way we should conduct ourselves and our business openly, honestly and in compliance with applicable laws. Our Anti-Bribery Policy clearly states to all employees that we take zero-tolerance approach to bribery. Employees are also required to declare any conflicts of interest when they arise.

We regularly remind our employees to foster an ethical culture. Any concerns, including misconduct, impropriety or fraud in financial reporting matters and accounting practices, employees and any stakeholders can report in confidence to either senior management or the Group Chief Compliance and Risk Management Officer for fair and independent investigation. Under the Guidelines on Whistleblowing and Reporting of Concerns, we will not retaliate or take any adverse employment actions against the employees as a result of reporting any genuine concern. During the FY2020, no incident of fraud or misconduct was considered to have material effect on the Group's financial statements or overall operations. For more detailed information on our corporate governance practice, please see FY2020 Annual Report.

## CSR and Sustainability Policies

The Global Brands Group's [Code of Conduct and Business Ethics](#) sets out the standards of conduct we expect our colleagues to uphold in everything they do. This code is supported by policies and guidelines, internal training and awareness-raising activities. In FY2020, considering best practices and emerging issues and requirements, we have aligned with the Fung Group's updated [Supplier Code of Conduct](#) to incorporate strengthened standards related to safe workplaces, labor, human rights and environmental resilience. New provisions were also added for responsible recruitment in line with International Labour Organization ("ILO") general principles and operational guidelines for fair recruitment, as well as more stringent requirements on responsible chemical management and the treatment of hazardous wastewater. Training sessions and communications are planned for colleagues and suppliers once Covid-19 mandatory social distancing and closures in sourcing countries are lifted. If required, distance learning and other communication channels will be considered.

In addition to these formal policies, we have a range of guidelines that translate policies into practice. They help our colleagues and suppliers make the right decisions in areas such as restricted substances, safety, fire and emergency procedures among others.

## Our Sustainability Strategy

The world faces significant challenges including demographic and attitudinal shifts in the global workforce, persistent gaps in equality and the costly and devastating effects of climate change. Global Brands considers these trends and how they impact our stakeholders as we develop our sustainability strategy. We also recognize we are part of a much larger, collective journey to better the world. Improving our sustainability performance and enhancing our overall disclosure of information is integral to our business and to meeting evolving expectations for increased transparency. Since 2016, in coordination with our parent company, Fung Holdings (1937) Limited (“Fung Group”), GBG has aligned with the UN’s Sustainable Development Goals (SDGs), which aims to end poverty, protect the planet and ensure prosperity for all. Last year, the Fung Group expanded its reporting on how its publicly-listed companies are making progress to support the goals.

**We see opportunities to help address global trends and contribute to the SDGs in four areas:  
Our People, Our Supply Chain, Our Communities and Our Environment.**



- SDG 3 GOOD HEALTH AND WELL-BEING: *to ensure healthy lives and promote well-being for all at all ages*
- SDG 7 AFFORDABLE AND CLEAN ENERGY: *to ensure access to affordable, reliable, sustainable and modern energy for all*
- SDG 8 DECENT WORK AND ECONOMIC GROWTH: *to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all*
- SDG 10 REDUCED INEQUALITIES: *to reduce inequalities within and among countries*
- SDG 12 RESPONSIBLE CONSUMPTION AND PRODUCTION: *to ensure sustainable consumption and production patterns*

The Sustainable Development Goals and other issues relevant to our business and stakeholders shape our sustainability strategy and activities in FY2020 and will influence us as we continue our journey as responsible global citizens.

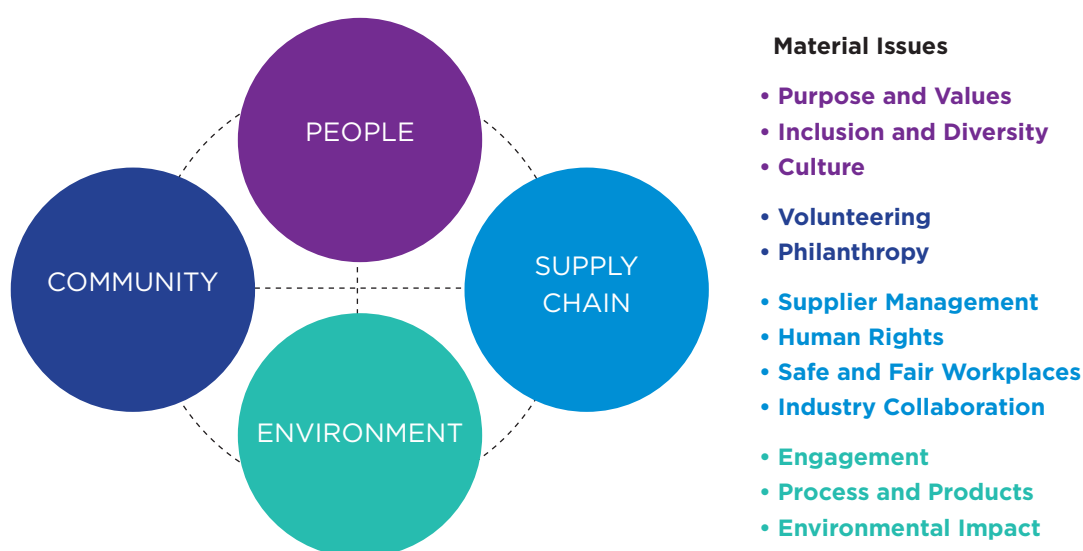
## Our Stakeholders

Our business relies on people and organizations around the world who help us take our brands into new markets, categories and geographies. We value our stakeholders' insights and opinions, and we engage them to help improve our approach to sustainability by understanding their concerns and how they change over time. Given our geographic breadth and diverse product portfolio, we take a decentralized approach suited to our business segment and functional needs. We use direct channels such as surveys, meetings and reports, and indirect channels such as websites and social media, to communicate our activities and gather stakeholder feedback.

| Stakeholder                                | How We Engage   |
|--|---|
| EMPLOYEES                                  | <i>Town hall and small group meetings, surveys, workshops, team meetings, intranet updates and regular email communications</i>   |
| CONSUMERS                                  | <i>Websites, social media</i>   |
| CUSTOMERS                                  | <i>Face to face meetings, email communication</i>   |
| SHAREHOLDERS & INVESTORS                   | <i>Investor meetings and dialogue. Investors, shareholders or other stakeholders can request information and feedback through our IR team: <a href="mailto:ir@globalbrandsgroup.com">ir@globalbrandsgroup.com</a></i> |
| SUPPLIERS                                  | <i>Periodic in-country meetings, audits, trainings, QC inspections, capacity building programs for factory managers and workers through partner organizations</i>   |
| INDUSTRY & TRADE ASSOCIATIONS              | <i>Committee and general meetings, partnership initiatives and projects in the supply chain</i>   |
| NON-GOVERNMENTAL & COMMUNITY ORGANIZATIONS | <i>Dialogue and meetings, partnership initiatives and projects in the supply chain</i>  |
| REGULATORS                                 | <i>Filing complying with relevant laws and regulations</i>  |

## Our Material Issues

To ensure our sustainability strategy is aligned with changing priorities of our stakeholders and the strategic priorities of our Company, we annually review and refine the issues most material to our business, which are presented below.



## OUR PEOPLE

As demographics shift, work and the workplace are evolving to address Global Brands employees' need for more flexibility, learning, collaboration and opportunities to work on meaningful projects. To attract and retain top talent, we continually refine our employee programs to meet people's needs while achieving business objectives.

### Our People Focus

Our Code of Conduct and Business Ethics and other policies implemented across our business, in conjunction with applicable government laws, rules and regulations in the countries where we do business, remain the foundation of how we operate our business. GBG is an equal employment opportunity employer with robust anti-harassment and anti-discrimination policies; maintaining a respectful workplace in support of international declarations on human and labor rights is of utmost importance. All new employees learn about the Code during orientation and ongoing training. We also have policies and guidelines for addressing the Code that are implemented in the acquisition of new businesses and through our ongoing recruitment, training, performance assessment, and disciplinary and grievance processes.



**Our People Focus, Continued...**

The safety and security of all our employees are of great importance to GBG. The Company complies with all laws, standards and rules regarding a safe place of employment and safe practices and does everything reasonable and necessary to protect the life, safety and health of employees. We strive to continually provide a safe, healthy and respectful workplace for colleagues. We are committed to sustaining a wellness initiative that reaches all employees and their families, with a focus on promoting general health awareness, improving overall health and wellbeing, and encouraging all colleagues to be proactive in maintaining a healthy lifestyle. During the reporting period there were no fatalities or incidences of noncompliance with relevant legal requirements in our workplaces globally; there were 29 lost days incurred due to work-related injury.

The GBG People & Culture team's role serves as our employees' partner and coach and acts as a conduit to connect their capabilities to the goals and strategies of the Company, to support and empower our employees along the way, and to provide them with a rewarding work experience.

The People and Culture team is here to inspire and support employees and give them the tools they need to be successful. We believe that when people are feeling challenged, utilizing their skills and focusing on things they love, it will positively impact their work and their personal life. GBG is honored to be alongside our employees on this journey.

We have created an inclusive environment where employees provide real-time feedback to build solutions impacting their personal and professional growth. This feedback loop provides a platform for our people to engage in the conversations that matter to them in driving critical decisions and exploring new ways of operating. The purpose of this open environment is to drive change that matters.

During the year, we are aligning our People Strategy under the following areas:

**Purpose and Values**

**Inclusion and Diversity**

**Culture**



*"Focusing on people and culture, we will work to empower our teams through purpose, values, inclusion and diversity."*

**Purpose and Values**

Coming on the heels of Company changes in FY2019, it was business critical to ground ourselves in a purpose and set of values that genuinely resonated with who we are and what we stand for. We partnered with an organizational change and transformation firm to engage with a broad group of employees encompassing all levels, groups, functions and tenure. We used this opportunity to home in on our core values, cultural norms, habits and behaviors to identify:

- Our core guiding behaviors;
- What it looks like when we are at our best;
- What motivated us to join Global Brands Group; and
- What we do exceptionally well.



**Purpose and Values, Continued...**

Through interviews and focus groups across six offices in the U.S. and Europe we reflected on these questions and others, and heard overwhelming similarity around four main themes:

- **A strong sense of family:** We have very strong team relationships here at GBG
- **Entrepreneurialism:** We see ourselves as resilient and resourceful across teams.
- **Authenticity:** We're down to earth people. We are genuine and approachable.
- **Expertise:** We have tons of expertise in this company to share and learn from.

These themes and additional feedback from focus groups were shared with the global executive team. Shortly after, our purpose statement and values, shared below, were unveiled at town hall meetings in the U.S. and Europe.

IMPACT THE WORLD  
WITH BRANDS PEOPLE LOVE

Be real

Keep evolving

Build it

Take care of each other

Our purpose and values are the lens with which each of us approach and execute on our work, how we make decisions and how we collaborate. As we continue working on the transformation of our business model, we can use our purpose and values to hold ourselves and each other accountable for our shared success.

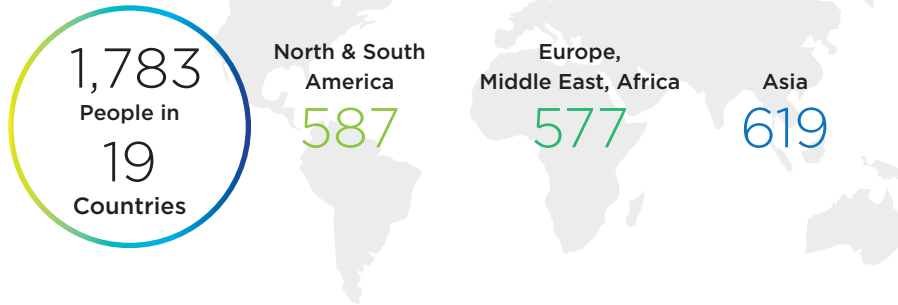


**Inclusion and Diversity**

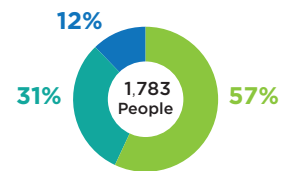
GBG is committed to creating a diverse and inclusive global workforce. Our employees thrive when we get this right. We strive to create a workplace that celebrates the diversity of our employees and customers. We endeavor to provide products that work for everyone by including perspectives from backgrounds that vary by race, ethnicity, social background, religion, gender, age, disability, sexual orientation, veteran status, and national origin. We hire local talent to fill local positions and give preference to current employees for advancement opportunities. Being a global company makes us inherently diverse. As of March 31, Global Brands employed 1,783 people in 19 countries.

# OUR PEOPLE

## Global Distribution



## Age Distribution



Average Age  
36

## Gender Distribution

Women  
1,223  
Men  
560



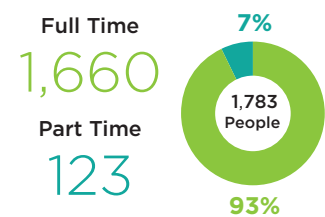
| LEVEL       | Women | Men   |
|-------------|-------|-------|
| SR MGMT     | 36.1% | 63.9% |
| MIDDLE MGMT | 70.0% | 30%   |
| OTHER       | 72.7% | 27.3% |

## Ethnic Distribution: US Only

Note: global information will be available with the FY2021 report.

| LEVEL            | Asian | Black or African American | Hispanic or Latin | Other Minorities | White |
|------------------|-------|---------------------------|-------------------|------------------|-------|
| SR MGMT          | 6.7%  | 4.0%                      | 5.3%              | 2.7%             | 81.3% |
| MIDDLE MGMT      | 10.1% | 6.7%                      | 11.8%             | 7.1%             | 54.3% |
| OTHER            | 6.7%  | 15.8%                     | 23.9%             | 4.8%             | 48.8% |
| TOTAL ALL LEVELS | 8.2%  | 10.0%                     | 15.7%             | 5.6%             | 60.5% |

## Full Time/ Part Time



Average Length of Service:  
4.6 Years

During FY2021 we have started an analysis of compensation across regions, gender and ethnicities, and will report on this information in our next annual report.

The People Team continues to look for ways to improve the overall employee experience at GBG; how we attract, retain and reward our employees will be critical areas of focus for us to lower our current turnover rates. For those employees who took maternity leave during the year, 100% returned to their job upon return.

## Culture

The GBG People & Culture team's role serves as our employees' partner and coach and acts as a conduit to connect their capabilities to the goals and strategies of the Company, to support and empower our employees along the way, and to provide them with a rewarding work experience.

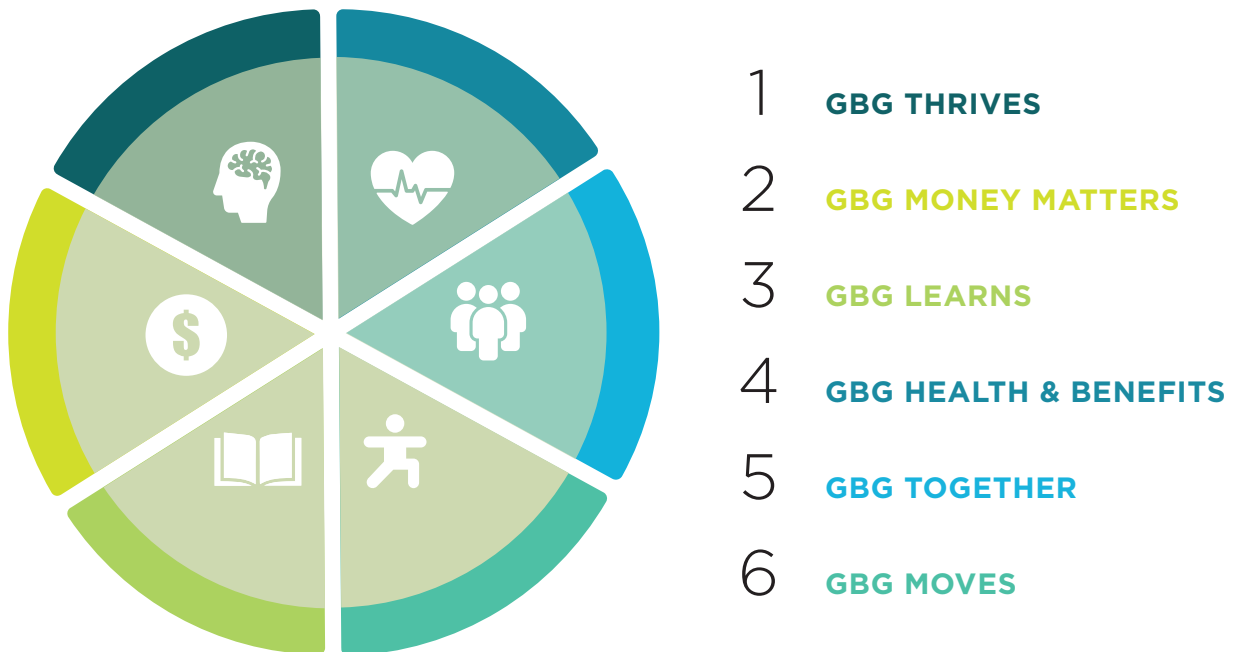
The People and Culture team is here to inspire and support employees and give them the tools they need to succeed. We believe that when people are feeling

challenged, utilizing their skills and focusing on things they love, it will positively impact their work and their personal life. GBG is honored to be alongside our employees on this journey.

With the rebranding of our Human Resources team to People & Culture, we are truly living our values. We have a high engagement level with employees that allows us to connect with them in all areas that are critical to their success and contribution to the organization.

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## PEOPLE & CULTURE: A HOLISTIC APPROACH



## PEOPLE & CULTURE: A HOLISTIC APPROACH

### 1. GBG THRIVES

Emotional well-being affects how we think, feel and act. Self-awareness, kindness and compassion are all part of a balanced life and GBG Thrives looks at ways to add emotional understanding to life's journey.

### 2. GBG MONEY MATTERS

Having financial knowledge, tools and resources can help fulfill short- and long-term budgetary goals. GBG Money Matters aims to help employees make informed financial decisions to achieve their personal economic needs. With links to in-depth information to help guide employees on their financial journey, these resources include information on topics such as retirement funds, unemployment, personal spending and budgeting websites, helpful government resources and FAQs.

### 3. GBG LEARNS

Keep Evolving, one of our core corporate values, challenges us to think and dream big. GBG Learns provides our employees with the resources to sharpen their skills and gain knowledge. The platform engages our employees with the latest industry trends that are critical to the success of our business. Additionally, as a member of the Fung Group, GBG has access to learning programs offered by the Fung Academy, such as courses focusing on leadership, personal resilience and inclusion.

With over 700 new employees during the fiscal year, nearly 1,500 hours of Company onboarding training were completed. Our employees also completed over 1,000 hours of sexual harassment prevention training.

### 4. GBG HEALTH & BENEFITS

Helping our employees enjoy a high quality of life is one of GBG's priorities. The Company offers a flexible work schedule with a competitive salary structure and a generous benefits package that includes benefits such as paid time off, medical coverage, insurance options and commuter programs, as well as discounts and employee sales, resources available through our employee assistance programs, and local health guidelines based on region.

### 5. GBG TOGETHER

Through building a sense of community and fostering engagement with internal and external communities, we are truly living our core value of Taking Care of Each Other. GBG Together encourages our employees to engage with colleagues and groups, sharing experiences and ideas to build a sense of community, understanding and mutual respect.

Within the GBG Together pillar, our program of GBG Gives Back, detailed below, provides a platform for our Company and our employees to help transform communities, making a difference to people's lives, including their own. Along with opportunities for charitable giving, this program provides access to volunteering opportunities on a local, regional and global basis.

### 6. GBG MOVES

Physical wellbeing impacts everything we do— from maintaining flexibility, to eating well, to thinking creatively. GBG Moves focuses on health awareness, improving overall health and maintaining healthy lifestyles. The Company provides numerous resources to promote physical wellbeing and overall health, including online workouts, yoga, meditations and corporate discounts for mobile app fitness platforms.

These offerings have expanded to allow greater flexibility as our employees work from anywhere across the globe. We also gather input from employees so we can continue to grow and explore this platform to continue to meet the changing needs of our employees.



## OUR COMMUNITY

Giving back to those in need is a fundamental pillar of our business. In 2015, we launched GBG Gives Back, to encourage active charitable giving from our leadership, employees, brands and partners. GBG Gives Back strives to improve and advance the lives of those in the communities where we live and work.

### Our Community Focus

GBG celebrates key charitable initiatives throughout the year. In FY2020, employees donated their time and resources to causes they cared most about, volunteering more than 1,400 hours and raising over US\$43,000. GBG gave more than US\$575,000 in cash and in-kind donations to charitable causes globally. Through volunteering, philanthropy and other giving initiatives, we are committed to supporting those in need.

#### Volunteering

We encourage our employees, brands, consumers and stakeholders to get involved through days of service, fundraisers, drives and other social impact initiatives.



#### Philanthropy

We leverage our financial and in-kind resources, brands and community partners to make an impact in our community.

IN FY2020, WE SUPPORTED THE FOLLOWING SOCIAL AND ENVIRONMENTAL IMPACT CAMPAIGNS:

#### PROTECTING THE PLANET

In celebration of Earth Day, GBG kicked off its global sustainability campaign to promote environmental awareness and to shape a more sustainable future for the planet through concrete action. With a company-wide town hall, GBG launched the elimination of single-use plastics in our offices around the world, the first of many initiatives designed to help protect the Earth. Offices began more robust recycling and composting programs and worked to divert trash from our ever-growing landfills. Several European offices also raised funds for World Wide Fund for Nature (WWF), the world's leading independent conservation organization.

#### HELPING THOSE RAVAGED BY NATURAL DISASTERS

GBG employees supported global efforts to help those impacted by natural disasters— from Hurricane Dorian to the devastating Australian bushfires— through generous donations to the American Red Cross, Australian Red

Cross and WIRES Wildlife Rescue, as well as matching funds from the Fung Hon Chu Foundation. GBG showed its concern for the people and animals harmed and displaced by forces beyond their control.

#### INSPIRING HOPE IN CHILDREN

GBG employees around the world celebrated and promoted the wellbeing of children by volunteering with organizations such as New Alternatives for Children (NAC), Ronald McDonald House and ChildHope.

#### CELEBRATING DIVERSITY IN THE WORKPLACE

As a global company, GBG is committed to creating a workplace that embraces our employees' differences, backgrounds, cultures and all the things that make them unique. Across GBG's global offices, employees recognized days of cultural significance, and participated in the Pride March in New York commemorating the 50th anniversary of the Stonewall uprising. >>

*"Through the GBG Gives Back program, we will improve and advance the lives of those in the communities where we live and work."*

Continued...

**TEAMING UP FOR BREAST CANCER RESEARCH AND AWARENESS**

GBG employees helped raise funds to benefit breast cancer research and education, including a matching gift from the Li & Fung Foundation. Employees volunteered and fundraised to benefit the American Cancer Society (in partnership with Mind. Body. Motion.) and Corri La Vita. Aquatalia hosted a two-day awareness event in New York and donated a percentage of select shoe sales during October to the National Breast Cancer Foundation.

**PROMOTING A SEASON OF GIVING**

GBG celebrated the holiday giving spirit with one of its signature social impact campaigns. Nearly 100 employees around the world prepared and served meals, made gingerbread houses, donated cosmetics and accessories, spearheaded food drives and fulfilled holiday wish lists for nonprofit organizations serving hundreds of people in need.

**ADVOCATING AND CELEBRATING WOMEN**

Across our offices, we recognized women for their achievements and participated in our new partnership with Ellevest Network, an organization of professional women focused on helping each other grow and succeed in their careers. Through this partnership, nearly 100 female employees became Ellevest members, giving them access to various professional development tools and resources, including a 12-week peer mentoring program. We also partnered with Habitat for Humanity for its annual Women's Build Day, gathering a team of GBG women to volunteer with the construction of one of Habitat's houses—providing deserving families in our communities with an affordable place to live.

**FEATURED PARTNERSHIPS:**

GBG partners with numerous charitable organizations globally each year. From corporate sponsorships and in-kind product donations to employee volunteering and fundraising, GBG is proud to support many organizations through our signature partnerships.



**A SIMPLE GESTURE**

Bimonthly since 2015, employees in our Greensboro office have volunteered with and donated food to the organization, supporting the local community through school programs and food pantries. In FY2020, our employees collected 675 pounds of food, enough to provide 825 meals for local families.



**AMERICAN CANCER SOCIETY**

Since 2016, GBG employees have been active volunteers supporting the organization. Through efforts such as fundraising for the annual Making Strides Against Breast Cancer walks, GBG is committed to the American Cancer Society's mission to free the world of cancer.



**CHILDHOPE**

GBG raised funds for our ongoing partnership with ChildHope, an organization providing access to education and basic healthcare to over 72,000 children globally, including those in many of our key sourcing countries such as Bangladesh and India. GBG offered financial support and clothing donations to a Grameen Unnayan Committee project in Bangladesh that ensures child, adolescent and female waste pickers are equipped with knowledge and skills to help improve their lives and their health. Additionally, through trivia nights, raffles, sample sales and a charity swim, our global offices raised funds, including a matching gift from the Li & Fung Foundation.



**DELIVERING GOOD**

GBG has supported Delivering Good's work in the community since 2005. As a founding member of the organization, GBG was among a group of industry leaders that received recognition for its contributions to the One Million Pairs of Socks campaign, which was honored with the charity's Delivering Good Impact Award. >>

Continued...



#### FEEDING AMERICA

Since 2016, GBG has been a proud partner of the largest domestic hunger relief organization in the United States. Since the partnership began, our Frye team has raised enough funds to provide 7.5 million meals to those in need through in-store campaigns, cause-related marketing and social media activation. This year, members of the Frye and Aquatalia teams also donated their time to help pack 500 boxes of food to provide Thanksgiving meals to New Yorkers in need.



#### GOD'S LOVE WE DELIVER

As a partner with God's Love We Deliver for over 10 years, GBG continued to help the organization provide home delivery of nutritious, medically-tailored meals for people too sick to shop or cook for themselves. Our employees volunteered to prepare meals and participated in the annual Race to Deliver four-mile run.



#### SMART WORKS

GBG launched a partnership with Smart Works, a UK charity providing high-quality clothes and interview training to unemployed women in need. Through personalized styling sessions, motivational coaching and interview training, the organization aims to help women gain confidence in job interview situations. GBG held several clothing drives—gathering clothes, shoes, jewelry and cosmetics—and donated a collection of Fiorelli handbags to the cause.



#### SOLES4SOULS

Driving both sustainability and charitable efforts, GBG teamed up with Soles4Souls, a nonprofit that distributes shoes to people in need around the world. GBG donated hundreds of single sample shoes to the effort with a pledge to continue in an ongoing partnership with the organization.





## GBG GIVES BACK HIGHLIGHTS

Here's a look at what our Gives Back program has accomplished in the last six years.



**\$7,626,000**

CORPORATE DONATIONS  
MADE TO ORGANIZATIONS  
GLOBALLY



**\$1,188,000**

RAISED OR DONATED BY  
EMPLOYEES



**9,400 HRS.**

VOLUNTEERED  
BY EMPLOYEES



**7,500,000**

MEALS PROVIDED THROUGH  
PARTNERSHIP WITH  
FEEDING AMERICA



**\$28,953,000**

VALUE IN KIND  
DONATED TO CHARITIES  
AND SCHOOLS



**\$1,000,000**

DONATED TO 7:  
THE DAVID BECKHAM  
UNICEF FUND



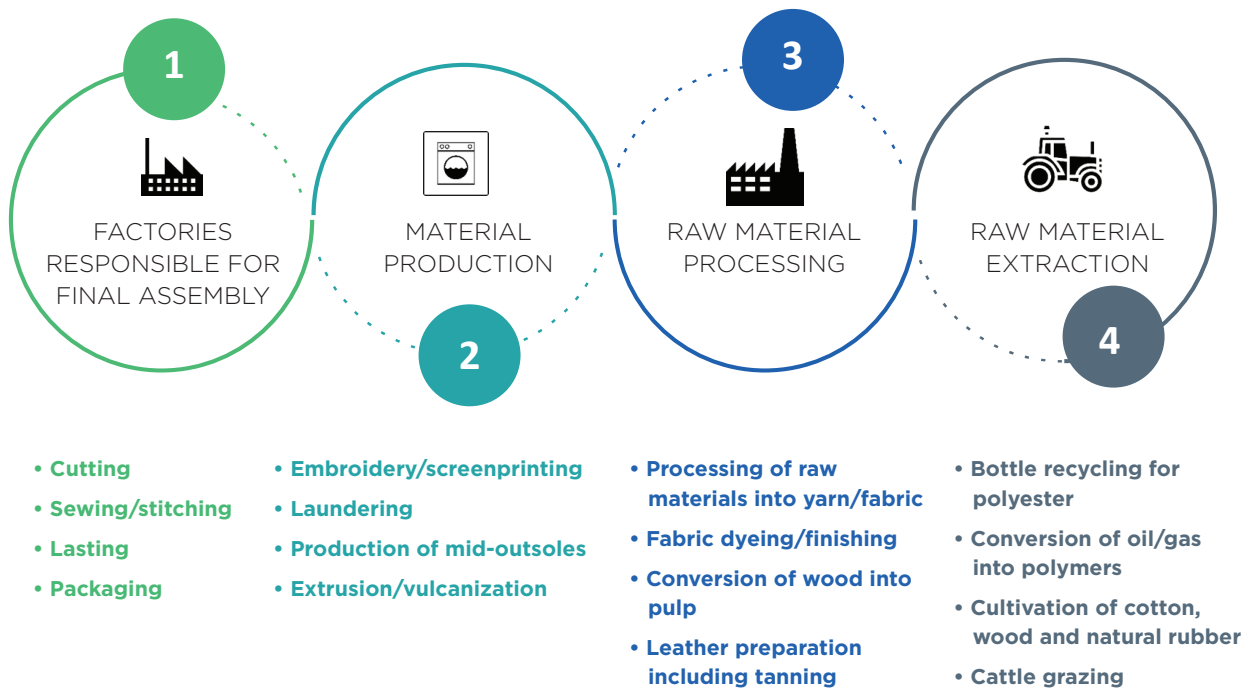
### TOGETHER WE CAN MAKE A DIFFERENCE

Across our brands and across the globe, the spirit of giving back is core to the Global Brands Group culture. Our philanthropic footprint leads from our global offices to our business partners to the factories manufacturing our products. Through the GBG Gives Back program, our Company and employees are helping to transform communities and are making a difference.

## OUR SUPPLY CHAIN

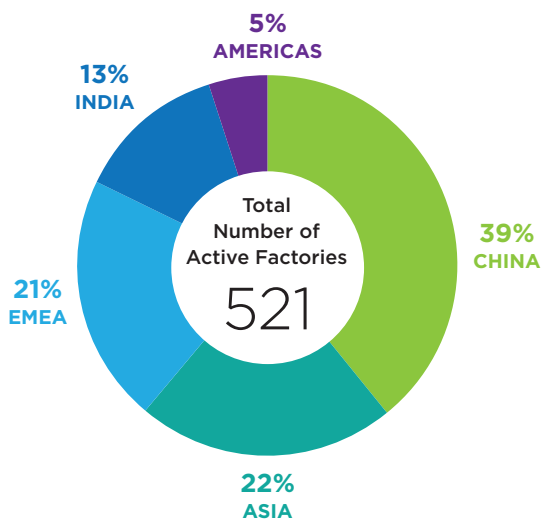
Supply chain management is critical to the apparel industry. We depend on suppliers in countries with varying levels of social and environmental standards, which can create risk. For GBG, the supply chain includes an extensive and geographically-diverse network of factories, agents, vendors and component part suppliers crucial to meeting our customers' and licensors' expectations.

### MANUFACTURING VALUE TIERS APPAREL & FOOTWEAR

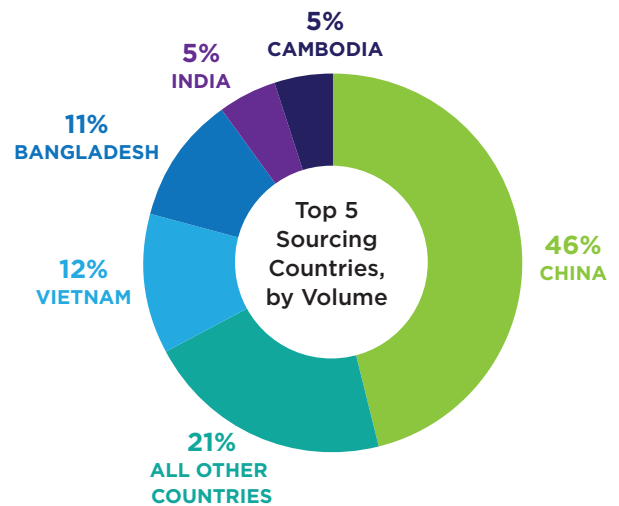


While we currently focus our monitoring efforts on our Tier 1 factories, we are working with our sourcing partners to extend our visibility further upstream in the supply chain and gaining significant visibility into our Tier 2 suppliers. This will be a continuing focus for us. Over the last twelve months, we have concentrated on streamlining the factory partners we use. As part of a continuous improvement loop, we are focused on creating or enhancing strategic relationships in our product categories and, where possible, reducing our factory base. We reduced our Tier 1 supplier base by 28% in FY2020, ending the fiscal year with 521 active factories.

ACTIVE FACTORIES BY REGION



ALLOCATION OF PURCHASE ORDERS



### Our Supply Chain Focus

We conduct our corporate activities on the basis of a clear [Supplier Code of Conduct](#) based on the UN International Labour Organization’s (“ILO”) core conventions and local and international laws and norms. We seek to work with business partners who share our commitment to sustainability and fair labor practices. We accept our role to help our suppliers comply with regulations, operate responsibly and positively impact their employees and communities. In conjunction with our sourcing partner, Li & Fung, we support continuous improvement in supplier performance by providing tools, training and guidance to further safe workplaces, respect for fundamental human rights, environmental responsibility and a high level of business transparency and ethics.

We look for supply chain partners who strive for compliance, efficiency and high standards in line with our own. We work closely with Li & Fung and our internal business units to monitor our suppliers’ operations, provide tools and programs to help them meet our standards, and work with them to correct issues and address concerns. We focus our efforts on:

- Supplier Management**
- Human Rights**
- Safe Workplaces**
- Supply Chain Industry Collaboration**



## Supplier Management

Increasingly, consumers, investors, licensors and other stakeholders require companies to monitor and report on their supply chains' social and environmental performance. Overall, supply chain transparency can help companies manage risk, realize efficiencies and deliver sustainable products, thus positively impacting sales and profits.

Our engagement with suppliers starts with our [Supplier Code of Conduct](#). The principles promoted in the Code are grounded in the UN Universal Declaration of Human Rights, the ILO's 1998 Declaration on Fundamental Principles and Rights at Work and local law. The accompanying standards incorporate guidelines on social, environmental and security standards as well as practical resources for implementing these standards within factory operations. All suppliers are required to adhere to these minimum standards as a condition of doing business with us.

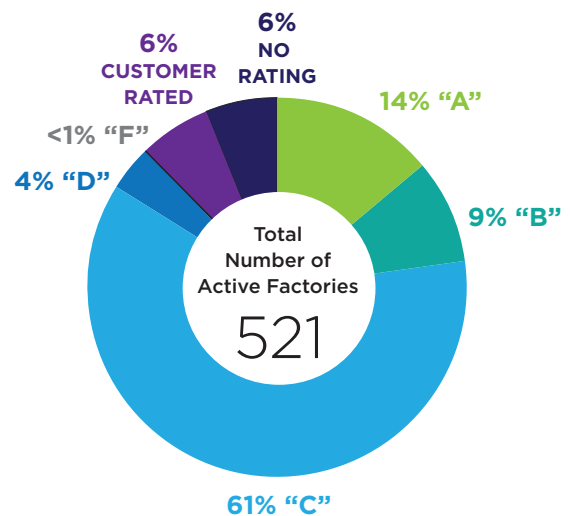
The Code and accompanying standards call for suppliers to be transparent in their operational policies and processes while ensuring their employees and managers are educated on their rights and responsibilities.

### Monitoring and Ratings

To verify compliance with our code elements, we engage a network of globally-recognized, unaffiliated third-party audit firms to conduct audits. In certain instances, a separate audit is required by our retail customers or licensors ("customers"). These customer audits are performed either in addition to or in lieu of the GBG audit. We continue to engage with those customers to find better ways to align to avoid duplication of audit efforts.

As a large percentage of our supply chain is managed through our sourcing partner Li & Fung, we aligned with the Li & Fung philosophy for independent audits. To conserve supplier resources and avoid unnecessary audit duplication, audits are accepted from twelve recognized social and/or environmental standards as part of the audit "equivalency" program.

FACTORY RATING DISTRIBUTION



*We measure supplier performance against our internal rating system. Criteria for rating factories is as follows:*

**BOTH A- AND B-RATED** rated factories may have one or more non-critical issues identified. A-rated issues are approaching compliance while those that are B-rated have non-critical improvement required.

**C-RATED** factories have one or more critical issues identified. Generally, C-rated non-compliances require financial investment or a longer period to remediate and sustain.

**D-RATED** factories have one or more severe issues identified.

**F-RATED** factories have one or more zero-tolerance issues that have not been systematically remediated or discontinued. Business is terminated with a responsible exit plan.

**CUSTOMER RATED** are those factories that had a customer proprietary audit approval in lieu of an industry standard or Global Brands audit.

**NO RATING** - factories that either have not yet been audited due to small order volume, or the audit expired and was not able to be re-audited due to Covid-19 related government restrictions.

### Supplier Management, Continued...

In general, non-compliances are identified through audits or other means and then discussed with the factory. The factory develops a Corrective Action Plan (CAP) with a root cause analysis and focus on systems to adequately prevent future non-compliances. In coordination with Li & Fung, we monitor and support the factory improvement process and verify the remediation of issues. After a follow-up audit, the factory must achieve a C-rating or higher to receive new business.

For non-compliances that involve underage workers, we work in partnership with the Center for Child Rights and Corporate Social Responsibility to develop a responsible solution that is in the best long-term interests of the child. Remediation follows available best practice and will seek to meet the educational, social and economic needs of any child concerned. In FY2020 we had two instances of underage workers that were required to be remediated in Bangladesh.

### Capacity Building

To support factories in their effort to improve performance, we continue to engage through a mix of capacity building and remediation and evolve our remediation to be more in line with international standards, including the UN Guiding Principles on Business and Human Rights.

The Li & Fung Sustainability Resource Center is a free online platform that is available to the factories sourced through Li & Fung, providing them with access to an extensive library of sustainability training, resource materials and toolkits, and learning videos that are also publicly available on YouTube.

In FY2020, our factories were offered general compliance training, training on the updated [Supplier Code of Conduct](#), zero tolerance issues and other specialized topics. 141 of our factories participated in training during the year.

### Human Rights

Our human rights framework is guided by the UN Guiding Principles on Business and Human Rights. We define human rights as those identified in the International Bill of Human Rights and the ILO's 1998 Declaration on Fundamental Principles and Rights at Work. These principles and, in particular, their application to national law and real-life contexts, help inform and shape our own human rights policies and processes.

Global Brands does not tolerate suppliers' use of any form of forced, bonded, trafficked, indentured or prison labor, or subjecting workers to discrimination, harassment, corporal punishment or other abuses. We carefully vet suppliers based on the expectations outlined in our Code and we avoid those who violate human rights. We work with third-party providers to monitor existing suppliers' practices and help them manage their social performance.

Where we can join with other industry organizations to effect change, we will do so. Joining with other apparel brands and retailers, we are a signatory to the Responsible Sourcing Network Uzbek Cotton Pledge, a commitment to not knowingly source Uzbek cotton.

We are aware of allegations of forced labor and the treatment of Uyghurs and other ethnic minorities in the Xinjiang Uyghur Autonomous Region of China, and elsewhere in China. The reported situation is of a scale, scope and complexity that is unprecedented during the modern era of supply chains. While we are unaware of violations of our Code, we take the allegations seriously, and will support government engagement and collective approaches to accurately assess the problem and find constructive solutions to protect the rights of workers.

Global Brands supports the Commitment to Responsible Recruitment, spearheaded by the American Apparel and Footwear Association and the Fair Labor Association. In response to this commitment, we have updated our Code to include a stronger commitment to Responsible Recruitment. >>

**Human Rights, Continued...**

In March 2020, we released an internally developed e-learning training to our colleagues, to share best practices and case studies on identifying and preventing modern slavery. The completion by all our sourcing and compliance colleagues will be completed during FY2021.

**Safe and Fair Workplaces**

We monitor our suppliers' business practices through auditing firms. We work to ensure our internal business units understand our Code so they can communicate them to our key factory partners, monitor compliance and influence them to improve.

Poor working conditions involving issues such as low wages, long hours or inadequate safety and health standards are admittedly too common in the global garment industry. While many of these challenges are universal and beyond any one company's capacity to solve, we communicate our expectations to suppliers and strive to help them improve.

As outlined in our updated Code, we require our suppliers to uphold high standards for employee safety and wellbeing to prevent accidents, injuries and illnesses at work. These standards are verified through the audit process. Factories shall also ensure housing is clean, safe and adequate for all employees when provided. Suppliers must pay their employees the minimum wage required by law, or more. They must follow applicable laws and regulations for working hours and any overtime, which must be voluntary.

**Industry Collaboration**

Since there are very few factories where we control 100% of the available capacity, we collaborate with industry peers to increase our influence. Global Brands has expanded its engagement with industry organizations under the umbrella of the Fung Group. In some cases, Global Brands was previously a member, but all memberships have rolled to the group level to expand the sphere of influence.

*"Working with our partners,  
we will work to improve  
human rights and worker  
well-being throughout  
our supply chain."*

Examples of our engagement are provided below:

**BETTER WORK** A partnership between the ILO and the World Bank Group's International Finance Corporation (IFC). Better Work is a partnership between governments, global brands, factory owners, unions and workers that reduces duplicate audits and conflicting remediation messages. This is achieved by rationalizing and centralizing assessment and corrective action approaches and training opportunities, thereby improving labor compliance standards within countries. Gender equality is a key component of Better Work. Empowering women is both the means and the end goal. Through our partnership, we are supporting Better Work to implement its five-year gender strategy, which will empower women, reduce sexual harassment and close the gender pay gap in the global garment industry.

**MEKONG CLUB** An association that brings together industry-specific working groups to encourage like-minded companies to share their experiences and work together in a safe environment to fight against modern slavery.

**SUSTAINABLE APPAREL COALITION (SAC)**

The apparel, footwear and textile industry's leading alliance for sustainable production. The SAC, in coordination with the newly-formed Higg Co, develops a standardized value chain measurement suite of tools for all industry participants.

**AMFORI** A leading European business association for open and sustainable trade, bringing together over 2,400 retailers, importers, brands and associations, working collaboratively to enhance human prosperity, use natural resources responsibly and drive open trade globally.



## OUR ENVIRONMENT

The world faces significant environmental challenges brought on by climate change, pollution and resource depletion. These threats impact our global supply chain, operational facilities, distribution network and consumers. To ensure we uphold our purpose and values to create a lasting positive impact for the world, we prioritize transparency and progress in addressing our environmental risks, including our greenhouse gas (GHG) emissions, direct and indirect water use, responsible products and waste generation. While we're inspired with the progress we've made, our biggest challenge is in front of us.

### Our Environmental Focus

We are working to create meaningful, sustainable change by focusing on a more robust engagement and collaboration strategy, rethinking our approach to product and process data and implementing emission reductions across our business. We've broken our environmental strategy into the following areas:

#### Engagement

#### Process & Products

#### Environmental Impact

### Engagement

Employee engagement is a foundation of our environmental focus. Driving awareness and progress with environmental sustainability starts with listening to and empowering our people to drive change. According to survey findings<sup>1</sup>, 51% of workers won't work for a company that does not have strong social and/or environmental commitments, and 74% say their job is more fulfilling when they are provided opportunities to make a positive impact at work. We strive to foster a culture that encourages our people to be champions of environmental responsibility. We took significant steps in FY2020 to increase engagement with our people, providing an opportunity to make an impact on the world both inside and outside of our operations. Our colleagues share best practices through our internal communication platform, One Global, and we feature stories on environmental initiatives, share videos and link to industry articles.

<sup>1</sup> "2016 Cone Communications Employee Engagement Study."

We started the year with CEO sustainability town halls across our offices that then transitioned into a screening of the film "A Plastic Ocean". The town hall was an important first step to reset our commitment to environmental sustainability, starting with a single-use plastic ban across all operations. A small but significant change, this action resulted in an estimated reduction in office waste of 1.42 tons or 2,840 pounds of plastic utensils and coffee straws, single-use cups, plates and/or bowls, and bottled water over the past year. To aid our people in this effort, we provided reusable utensils, water bottles, bamboo coffee mugs and reusable shopping bags.



**1.42 tons of waste avoids approximately  
82.13 metric tons of GHG emissions  
arising from local landfills, which is  
the equivalent of taking approximately  
18 cars off the road for a year!**

**Empowering Our People**

To empower our people, we have worked to provide the means in our operations to promote environmental responsibility. Our offices in Greensboro and New York launched green teams, advancing engagement and sustainable change through employee-led collaboration, such as field trips to municipal waste facilities, used clothing swaps and a visit to a Unifi recycled polyester manufacturing facility. We look forward to the creation of additional green teams next year in London, Colorado, Tennessee and more as we expand our people-led engagement.

Understanding that our operations produce a significant amount of waste, we worked to create multiple approaches to reducing the amount and impact of our office waste. We recycle paper and printer cartridges and promote collaborative technology programs to increase shared access to documents to allow for less printing. Each office set up battery take-back bins to recycle spent alkaline batteries. Following the lead of our European offices, we set up additional compost stations across the Company, including our two largest offices in New York and Greensboro. To further imbed composting in our New York office, we ran a “trash challenge” competition between our floors in our Empire State Building offices. For two weeks we measured the waste-to-landfill generated by each floor, to determine the average “trash intensity”, or trash generated per employee. Leaning on our people to lead, an employee in our Lebanon office, where no compost service was available, collects all office food scraps to compost at home.

Continuing with established partners, we work with third-party textile recycling programs or local non-profit organizations to ensure our fabric waste and samples never see a landfill. In New York, we partner with Fabscrap, a non-profit organization that picks up and recycles or reuses fabric scraps, samples, swatches and rolls. In Greensboro, North Carolina we work with Green Zone, a US textile reclamation operator, to host a Green Zone drop-off, promoting sustainability through the reduction of landfill waste and redirection of textiles to second-hand markets. The Sports and Lifestyle team in Boulder,

Colorado donates kids sample jackets to SOS Outreach, a program that provides outdoor experiences to children, no matter the social, societal or economic barriers. Our UK Nottingham office works with Shareware to use the donations to help support the homeless and refugees. Our German colleagues send all samples to organizations in Romania and Germany that support disadvantaged children, and our Florence, Italy office holds an annual sample sale, with all proceeds donated to a local children’s hospital. Our footwear and accessories divisions worked with Zappos for Good, Soles4Souls and Bags of Hope to donate sample shoes and bags. We estimate that over 14,000 pounds of fabric waste and samples was diverted from landfills during FY2020. As we transition our creation processes to 3D design and sampling, we anticipate the volume of fabric waste and physical samples to decrease.





## Training

Throughout FY2020, we provided training to engage our people on better ways to reduce and recycle waste. In New York, we hosted “*Let’s Talk Trash (and Recycling)*”, a panel of experts on trash, recycling and composting. In Greensboro, the office green team hosted our compost supplier, Gallins Farm, to speak on the science and process behind composting, and explain how our people can set up their own compost at home.



In collaboration with the Fung Group, GBG hosted training on the SAC’s Higg Materials Sustainability Index (MSI) in New York and London. The training focused on how to use the MSI, a cradle-to-gate material sourcing tool to empower product development teams to make more sustainable choices during the material design phase. With the Higg MSI, employees can create material and fabric blends as part of building a preferred material library, create sustainable custom designs and compare them to more conventional versions, export environmental data for all materials, and access environmental metadata and quantitative impact values. We anticipate expanding our training on the theory of a circular economy in fashion over the next year. We present the concept of a circular economy in fashion in the following *Process & Products* section.



## Process & Products

### Process

Working to ensure our products are consistently being designed with a goal of resource resiliency, we are committed to moving towards a circular economy. The vision of a circular economy, commonly referred to as circularity, works to design waste out of end products and allow the reuse of materials while building up the resiliency of the environment that provides resources. Described by [acceleratingcircularity.org](https://www.acceleratingcircularity.org), “In a circular economy, waste is designed out of the system from the beginning, and economic activity is decoupled from the consumption of finite resources. The aim is for resources in the system to cycle multiple times and across industries, depending on their highest utility and value. Ideally in this system, materials are constantly reused or recycled, and waste is eliminated.”<sup>2</sup>

Circularity starts with design. While there are still limiting factors in designing all waste out, we are working to increase our use of preferred fibers and materials. Preferred fibers and materials, according to Textile Exchange, are those that are ecologically and/or socially progressive and have more sustainable properties in comparison to other options.<sup>3</sup> We saw increases in the use of recycled polyester, organic cotton, preferred down, and cellulosic fibers across our divisions. By sponsoring training on the Higg MSI and working towards a more robust material and product data collection process, we will be able to assess the environmental impact of our products before production, allowing us to make conscious decisions. This ability will also be critical as we implement carbon reduction goals.

### 3D Design

We have started utilizing 3D design and sampling across our business. 3D Design allows us to quickly collaborate on concepts, designs, materials and product attributes with our customers and suppliers. This agility during the design process not only allows us to react to and meet our customers’ and suppliers’ needs, but avoids the

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<sup>2</sup> <https://www.acceleratingcircularity.org/insights>

<sup>3</sup> “2019 Preferred Fiber & Materials Report – Textile Exchange.”

*"Recognizing the impact our business has on the environment, we will take steps to reduce our impact, including climate, water and waste goals."*

#### **Process, Continued...**

environmental impact associated with physical samples, travel and waste in the production process. A study from the Fung Academy and Masters' students from the Hong Kong University of Science and Technology found that the use of 3D design and sampling reduces the overall lead time by 45%, reduces cost by 69%, and reduces environmental impact by 55% with substantive reductions in GHG emissions and water consumption. We expect to continue implementing 3D design and sampling across our business, eventually becoming our standard process.

#### **Products**

##### **Packaging**

For consumer-facing products, packaging is the first thing a customer sees, and an important part of brand messaging. In addition to the branding possibilities, packaging is necessary for regulatory purposes, protection and transportation. The rise in e-commerce has seen a corresponding increased use of packaging for the transportation and delivery of those products, which is an increasing concern to consumers and governments. Single-use plastic bags have been banned in many U.S. states and in the UK, and the UK will have additional reporting requirements around the manufacture or importation of plastics with less than 30% recycled content. Our business units have several initiatives to reduce the environmental footprint associated with the packaging for our products.

Our Frye footwear brand has eliminated all plastic from its packaging, only using cardboard and paper that is 100% recyclable. Other footwear brands have reduced or eliminated the use of plastic where the integrity of the product can be maintained during transportation. For example, our GOATS footwear brand created a one piece, 100% recycled content shoebox that doubled as the shipping carton, eliminating the use of an outer carton during shipping to the end consumer.

Our apparel brands continue to evaluate the need for packaging, with an eye to reducing or eliminating when possible. Our Ely & Walker brand has redesigned its

packaging to reduce the amount of plastic used, and our Spyder outdoor brand uses biodegradable bags. Across all businesses, we look to reduce the thickness of any polybags used without sacrificing the protective benefit, and to consolidate product into one polybag per carton for overall reductions. Packaging will continue to be a focus, and we look forward to additional packaging footprint improvements.

##### **Product**

The future of our product pipeline relies on using more sustainably-sourced materials, establishing reuse, recycling and circularity processes and reducing waste along the supply chain. To have an impact, we will need to aggressively scale our use of preferable materials, in conjunction with our use of 3D design and sampling.

***During the past year, we have increased our use of preferred materials and fibers including organic and certified cotton, recycled polyester, responsible down and enhanced chemical certifications, but we realize we need to do more.***



Our Frye footwear line is grounded on the same principles since the company was founded in 1863; bench crafting footwear that is strong, simple, honest and built to last generations. Frye boots are crafted by skilled artisans, using only the best leather and materials, resulting in quality that has become an American tradition. Many Frye leathers are sourced from the Leather Working Group (LWG) network of tanneries, and many of our boots are crafted with a goodyear welt, which allows for them to be re-soled repeatedly. Although our data is not mature enough to report exact quantities, we estimate that more than 50% of our Frye footwear leathers are from LWG tanneries.



In our other footwear and accessories businesses, we offer an eco-conscious collection of handbags from Fiorelli supporting the British Beekeepers Association, to help promote the importance of bees in the environment. During fall/autumn 2020 Fiorelli will launch Recover, a line of

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**Product, Continued...**

handbags made with a minimum 90% of recycled material content. Our Private Label footwear business has started to use Higg MSI sustainability scoring in sales conversations to encourage more sustainable design decisions amongst our partners, and the GOATS brand utilized 100% recycled polyester in its shoe linings.



GBG's Sports & Lifestyle division is building sustainability into its brand DNAs across all product categories. Efforts include enhanced use of preferred materials including recycled polyester, responsible down, organic cotton and Primaloft™ post-consumer recycled material for high-performance insulation. Spyder performance outerwear features GORETEX™ that is free of PFCs (perfluorocarbons, a type of GHG), which is of environmental concern. All GORE-TEX™ fabrics are Oeko-tex certified for product safety and many GORE-TEX™ materials are bluesign system approved, meaning they adhere to sustainable production methods. Spyder uses only Responsible Down Standard down, a traceability standard ensuring the material does not come from animals subjected to unnecessary suffering.



Our North America apparel division launched bNY, “a responsible and conscious brand, rooted in sustainable and eco-friendly practices”. Products are sourced with preferred fibers and materials, such as more responsibly-sourced cotton, recycled polyester and Lenzing™ Tencel. Tencel lyocell and modal fibers are produced by environmentally-responsible processes from sustainably-sourced natural wood.



In our European apparel and accessories business we have expanded our use of sustainable and certified cotton, accredited by the Global Organic Textile Standard (“GOTS”). GBG Italy, in partnership with its customer OVS, produced a women's and kid's sleepwear and intimate collection made with 100% organic cotton. In partnership with National Geographic, we designed a NatGeo Capsule using preferred materials and fibers, recycled paper hangtags, and recycled polybags.



Our European businesses have started to utilize the Showpad system to significantly reduce paper use during the design process.



Our GBG Italy apparel business received GOTS certification during the year. GOTS has become the leading standard for the processing of textile goods using organic fibers, including environmentally-oriented technical as well as social criteria. The standard stipulates requirements throughout the supply chain for both ecological and labor conditions in textile and apparel manufacturing using organically-produced raw materials and balances the industry's need for one global standard with the consumer's need for transparency.



### Quality Assurance

We are committed to product quality, compliance and safety, which begin with sourcing and design and continue throughout the manufacturing process. Our efforts are supported by robust policies and procedures regarding product health and safety, and labelling. Because many of our products are for children, we enforce strict quality assurance processes early in the product lifecycle.

We continually strive to produce affordable products that not only meet customer and consumer demand, but also comply with federal, state and local regulations. This is especially complex when selling the same products in multiple geographic locations with differing regulations. Currently, we focus on adhering to applicable laws and regulations that affect our business. This includes, but is not limited to:

- U.S. Consumer Product Safety Commission regulations
- Consumer Product Safety Improvement Act
- California Proposition 65, which protects the state's drinking water sources from contamination
- GB 18401 to control hazardous substances in textiles in China
- REACH, which governs registration, evaluation, authorization and restriction of chemicals in the European Union



We test all products to meet applicable global compliance standards.

Going beyond regulatory compliance, a significant portion of products we produce for the European market meet Oeko-Tex certification. Oeko-Tex testing covers legally banned and controlled substances, chemicals that are known to be harmful to health but not legally controlled, and parameters for health protection.

### Animal Products

We support an animal welfare policy to ensure the responsible sourcing of raw materials that are of animal origin, such as leather. Of note, we do not design or manufacture our products using fur, ostrich, angora (rabbit) or wool from mulesed sheep.

## Environmental Impact

### Climate

Climate change presents one of the most challenging and complicated issues we face. It will impact every aspect of our business, from our global supply chain and operational facilities to our distribution channels and consumers.

We have a responsibility to reduce our carbon emissions in transitioning to a low-carbon economy, in line with The Paris Agreement and the United Nations SDGs. In FY2020, we worked to baseline our environmental footprint. Based on the best available data, we know that at least 95% of our environmental footprint resides in our purchased goods and services for both our customers and our own operations<sup>4</sup>. Next year we will focus on building a more robust material and product data collection process that allows our business to better assess how our products and processes impact our environmental footprint.

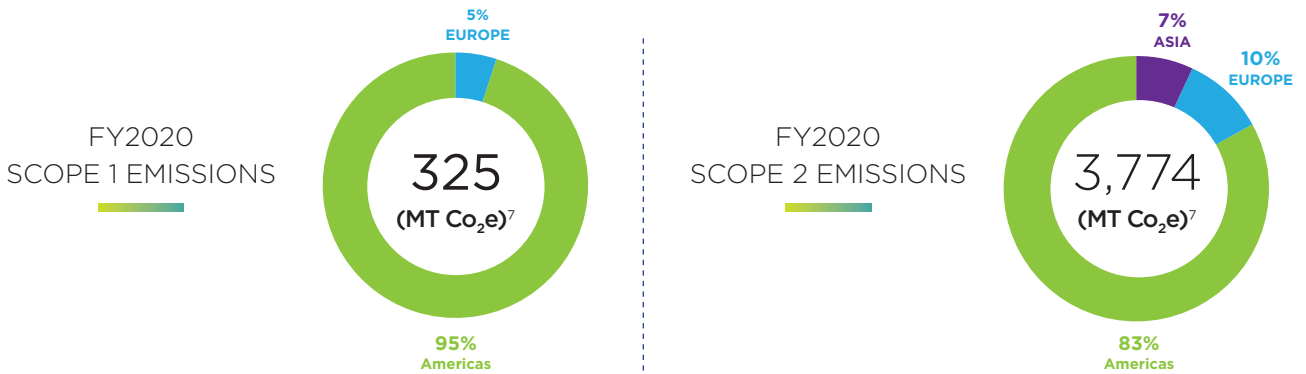
**Created during the United Nations Framework Convention on Climate Change, the Paris Agreement established limits on global warming to avoid the dangerous impacts of climate change.**

For reporting GHG emissions, we use the [GHG Protocol Corporate Accounting and Reporting Standard](#) (GHG Protocol) that categorizes a company's emissions into direct and indirect emissions. In coordination with the Fung Group, we use a sustainability platform from the Turnkey Group (Turnkey). Turnkey is used to collect, calculate, internally validate and report our environmental data.

<sup>4</sup> "Measuring Fashion."

**Scope 1 & 2 Emissions**

Scope 1 emissions are direct emissions from owned or controlled sources like Company-owned vehicle use or natural gas combustion onsite for heating. Scope 2 emissions are indirect emissions from the generation of purchased energy. All locations that GBG has operational control over on the last day of the current fiscal year are captured in the GHG Scope 1 and 2 accounting. Locations over which we have operational control, as defined by the standards of the GHG Protocol, are those where GBG has the full authority to introduce and implement its operating policies at that operation.<sup>5</sup> For locations where we were unable to acquire all utility invoices, we either extrapolated or used intensity factors from the United States Energy Information Administration (US EIA) Commercial Buildings Energy Consumption Survey (CBECS)<sup>6</sup> to estimate energy use. **The figure below shows our FY2020 Scope 1 and Scope 2 emissions by region.**

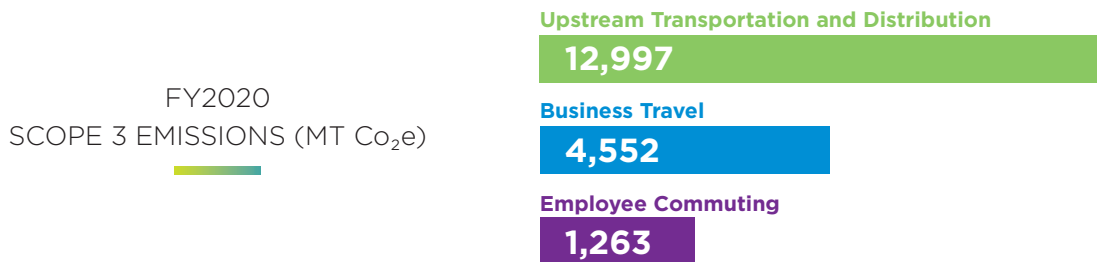


We will use FY2020 as our baseline moving forward for setting all scope 1 and 2 emission reduction goals. We have previously not established a baseline given the organization’s significant evolution over the last several years.

**Scope 3 Emissions**

Scope 3 emissions are indirect emissions created in support of an organization’s products or services that occur in the value chain, including both upstream and downstream. For GBG specifically, this includes indirect emissions from purchased goods and services, upstream transportation and distribution, business travel, employee commuting, waste generation, use of sold products, and end-of-life treatment of sold products. Based on external reports for the apparel and footwear industry, we know that 95% of our environmental footprint resides in our Scope 3 emissions, primarily from purchased goods and services.<sup>8</sup>

To meet our goal of transitioning to a low-carbon economy, we need to track and reduce our Scope 3 emissions. In FY2020, we started tracking emissions for business travel, employee commuting and upstream transportation and distribution shown below in metric tons of (MT Co<sub>2</sub>e).



<sup>5</sup> Ranganathan, “GHG Protocol Initiative Team.”

<sup>6</sup> “Energy Information Administration (EIA)- About the Commercial Buildings Energy Consumption Survey (CBECS).”

<sup>7</sup> metric tons of Co<sub>2</sub> equivalents

<sup>8</sup> “Measuring Fashion.”

**Scope 3 Emissions, Continued...**

In pursuit of Scope 3 emissions for goods and services, we aim to develop our baseline using a spend-based estimate. This will allow us to establish carbon reduction targets in line with the requirements of the Science Based Target Initiative (SBTi). The SBTi provides guidance in setting carbon reduction goals in line with the Paris Agreement. We expect to have our Scope 3 baseline validated and SBTs approved by FY2022.

Realizing that a spend-based estimate is only the first step, we are laying the foundation to a more robust material and product data collection process. In FY2020, we are requiring all Tier 1 cut and sew factories and specific Tier 3 strategic mills to complete the Higg Facility Environmental Module (FEM). The Higg FEM informs GBG on the environmental performance of our supply chain, so we can set specific carbon reduction targets. By FY2025, all strategic mills will be required to complete the Higg FEM. Aggregated data from the Higg FEM will allow us to form a more accurate baseline of our indirect emissions. By continuously improving the accuracy of our Scope 3 baseline, specifically for purchased goods and services, we can track and anticipate how our current and future products and processes impact our environmental footprint.

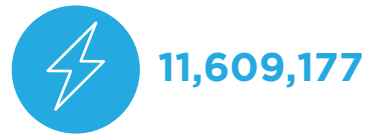
**Renewable Energy**

We closely monitor the amount of energy used across our operational footprint, consistently identifying opportunities to increase our renewable energy mix. A growing number of our offices, stores and distribution centers are utilizing renewable energy. An estimated 21% of our total electricity is from renewable sources with the total electricity and renewable quantities shown below in kilowatt hours (kWh).

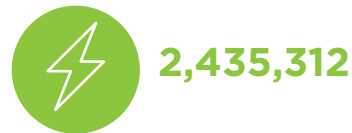
While this is not significant compared to the organization’s overall environmental impact, the ability to source renewable energy is an initiative over which we have direct control. For example, our logistics team was successfully able to increase its renewable energy mix in our Redlands, CA distribution center. This change was done without any meaningful increase in energy costs through negotiation with the local utility.

As part of the organization’s sustainability strategy developed this past year, we commit to going carbon neutral in all GBG operationally-controlled locations by 2030. We will accomplish this goal through utility engagement, strategic procurement and targeted reduction strategies across our operations.

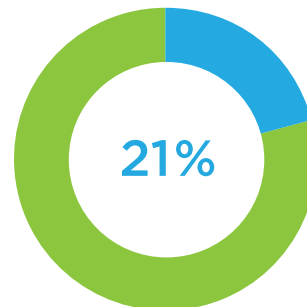
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FY2020 TOTAL kWh USED



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FY2020 TOTAL RENEWABLE kWh USED



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SCOPE 2  
FY2020 RENEWABLE ENERGY



**Where We Work**



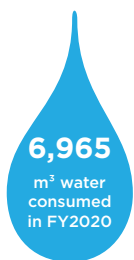
For our operations, we adopt best practices wherever possible to enhance the sustainability of our workplaces. Our facilities prioritize the use of LEED and BREEAM certified spaces, including our headquarters in the Empire State Building in New York City, GBG Europe's main office at White City Place London and our Redlands, CA distribution center. Additionally, we integrate sustainability features into how we design, build and renovate our operations. This allows us to reduce our footprint and maintain a healthy, safe and aesthetically-pleasing working environment for our people. For example, the GBG Sports and Lifestyles team in Boulder, CO, utilized reclaimed wood and installed both LED lights and doubled-glazed, tinted windows during its office renovation in FY2020. Our human resources team set up employee incentive programs to encourage the use of public transportation and reassessed our policies to increase remote working, realizing the benefits of both programs for our people and the environment.

**Managing Resources Responsibly**

**Water**

Water scarcity and quality is a significant global risk for the communities and supply chain we rely on. To ensure we are working towards reducing the amount used and increasing the quality of water discharge in our supply chain, we have established goals around increasing certified cotton use, recycled polyester as well as facility and product level chemical certifications.

In FY2020, we began requiring all Tier 1 cut and sew facilities and specific Tier 3 strategic mills to complete the Higg FEM. Understanding that our Tier 3 strategic mills have significantly more impact on our indirect water use, all Tier 3 strategic mills will participate in the Higg FEM by FY2025. These actions allow us to baseline usage and establish reduction goals for indirect water use in the future.



With respect to our own operations, our water consumption was estimated to be 6,965 cubic meters (m<sup>3</sup>) with a yearly



water intensity of 8.56 m<sup>3</sup> per employee in FY2020. Only GBG operationally-controlled locations were included in our water consumption estimates. We are continuously working to reduce operational water use with most of our offices using water-efficient faucets, fixtures and fill devices.

**Waste**

GBG continues to seek creative ways to minimize waste generation, reuse materials and recycle. In FY2020, we launched a single-use plastic ban for all operational locations that reduced office waste by 1.42 tons compared to FY2019. Following the lead of our European offices, we provided additional compost stations across the Company, including at our three largest offices in New York, London and Greensboro. We engaged our workforce to reduce their waste at home and the office through trash challenges, landfill tours and seminars from composting and recycling experts. All locations continue to provide recycling streams specific for paper and cardboard, recycling an estimated 14.5 and 574.2 metric tons, respectively in FY2020. We continue to partner with external companies and suppliers to verify the treatment and/or disposal of common operational hazardous waste like fluorescent lightbulbs, computer equipment and batteries in accordance with local regulations. We recycled a total of 1.3 tons of electronics in FY2020. As many of our offices are in multi-tenant buildings where waste is commingled, we are unable to track data from our waste streams.

Over the last year, we have also taken multiple steps to reduce internal fabric waste from our design process. Through the third-party textile recycling programs, FABSCRAP and Green Zone in New York and Greensboro, respectively, we have recycled a total of more than 14,000 pounds of fabric waste. Our divisions collaborated with non-profits like SOS Outreach, Shareware, Zappos for Good, Bags of Hope and Soles4Souls to donate sample volumes, diverting fabric waste from landfills.

*OUR PURPOSE*

**IMPACT  
THE WORLD  
WITH BRANDS  
PEOPLE LOVE**

*OUR VALUES*

**BE REAL**

**KEEP EVOLVING**

**BUILD IT**

**TAKE CARE OF EACH OTHER**

