

EILEEN
FISHER

Annual Benefit Corporation Report

Fiscal Year 2018

About **EILEEN FISHER**

We are a company of over 1200 individuals that leads with purpose. Guided by our long-standing commitments to the environment, human rights, and women and girls, we build our brand every day, decision by decision.

In 2015, we became a Certified B Corporation, joining like-minded companies in formally committing to using business as a force for good. In 2017, we took an additional leap and became a New York State Benefit Corporation. Our performance is measured through the third-party standard, B Corporation Certification, which is facilitated and verified by the nonprofit B Lab.

For this second public report, we were informed by the metrics contained in the B Impact Assessment—a third-party framework that measures a company’s impact on workers, community, environment and employees—along with other company data, to detail the four specific benefits that we seek to provide through our work.

Manifesto

Our Purpose

We grow clothes.

We grow people.

We grow business for good.

We make clothes.

Simple, well-crafted clothes.

We believe in great design. That great design takes time.

We design through observation and empathy. With curiosity about the world and the women around us, guided by our own experience.

We make clothes that bring life into focus. Her life.

We make clothes for her.

Clothes that move her. That move with her. That create confidence through comfort, freedom through ease. Clothes that make getting dressed easy.

Clothes designed as a system of simple shapes that work together—from one look to the next, from one year to the next. We remove what's extraneous to reveal what's essential.

We rely on materials with integrity. Fabrics and yarns that work and wear with one another, that express who we are. From first thread to final garment.

We make clothes we want to wear. And we want to wear clothes that feel good, made in a way we feel good about. Clothes we can live in for a long time.

We make clothes for life.

We make work a place of purpose.

Where what you give is as important as what you get.

Work is most fulfilling when it is meaningful to you. When your life's purpose intersects with your worklife's purpose.

We thrive at work when we connect with those around us. And delight in what those connections create. (cont.)

Manifesto

Our Purpose

When we make work a place of creativity, where innovation is invited, and discovery is essential.

Not everyone will find what they're looking for here. But when those who can do, we become something greater—a workforce for change.

Change doesn't come easily. Becoming the kind of company we want to be takes work, and it takes care. From you, from us.

We want work to be a place we want to work. A place of reflection, experimentation, collaborative action.

A place defined by purpose.

We make life the center of business.

We do business differently. Purposefully. Consciously.

Profit is important. It sustains us. But doing business purposefully takes more than profit. It takes new ideas, new practices.

It means that we place people before profit.

That we seek to empower women through our business, because they are our business.

It means that we manufacture our clothes with absolute regard for the communities we partner with and the people we prosper with.

That we confront the true cost of our business at every step of the garment's life—in the fields, in the mills, in the dyehouses, in the factories, in our stores. That we take responsibility for the garment's next life.

It means encouraging conscious consumption, asking our customers to choose well and rely on what they buy, even as we work to succeed as a business.

Doing business consciously demands rising to the challenge of a world faced with crisis and constraint. Working with others to find real solutions to complex problems. Recognizing competitors as partners, and consumers as allies.

Our clothing can change the lives of those it touches, but we can go further. We can change the lives of those who arrive long after we're gone.

This is business as a movement.

A Holistic Approach to Social Consciousness

As a B Corp, we are driven not only by profitability, but also by our responsibility to the environment and the people throughout our value chain (offices, stores, warehouses and supply chain). We consistently incorporate social and environmental impact into decision-making because we consider it important to the success of our business.

As part of our commitment to being a force for good, we measure our impact across four areas: Financial, Environmental, Social and Employee Well-Being. This Quadruple Bottom Line (QBL) is supplemented by VISION2020, a sustainability strategy with bold goals around fiber, chemistry, resources and conscious business practices.

Reaching our VISION2020 goals is a holistic effort that extends to all departments—from shipping to sales, design to manufacturing, marketing to social media. The Social Consciousness Team serves as a central resource for all initiatives. Senior leadership and our Board of Directors consider social and environmental objectives as integral factors in their decision-making.

Benefit 1:

We are committed to designing clothing that creates minimal environmental and social harm.

1a. MATERIALS

OVERVIEW

Our approach to sustainable materials is heavily focused on responsible land use; 93% of the linen, cotton, wool and other materials that we used in 2018 came from either plants or animals that directly impact soil, water and the environment.

We have set strong materials goals in our VISION2020 commitments:

- Source 100% organic linen and organic cotton by 2020.
- Transition our core merino wools to supply chains that support both animal welfare and environmental stewardship.
- Design with TENCEL™ Lyocell instead of rayon viscose due to the lower impact of forestry and chemistry.
- Replace nylon and polyester with recycled fibers.

To track our progress, we use a Material Ranking Tool (MRT) that measures key impacts based on external certification or verification. We incorporate Life Cycle Assessment, looking at our materials from source to store, and we factor in chemical inputs and resource use—air, water, and energy consumption—as well as waste and emissions.

We work with a range of third-party certification standards to verify the integrity of the materials and chemistry we use including Global Organic Textile Standard (GOTS), Organic Content Standard (OCS), Global Recycled Standard (GRS), Responsible Down Standard (RDS), Responsible Wool Standard (RWS), ZQ Merino, bluesign® and OEKO-TEX®.

SUCCESSSES

In 2018, 69% of the materials in our collections were eco-preferred—an 11-point increase from 2017.

- **98%** of our cotton was organic and **1%** was recycled, up from a total of **95%** in 2017.
- **96%** of our linen was organic, up from **94%** in 2017.
- **39%** of our wood-based fiber was made with TENCEL™ Lyocell, up from **33%** in 2017.
- **50%** of our top 25 fabrics used eco-preferred materials.

In 2018 we made substantial progress on our responsible wool program—54% of our wool was certified by the Responsible Wool Standard (RWS), a voluntary global standard that addresses the welfare of sheep and the land they graze on. Of our RWS-certified wool, 82% came from a network of regenerative farms in Argentina called Ovis 21. This group of wool producers has implemented a holistic management approach to improve the health of their land. By managing their flocks' grazing patterns, natural biological cycles are restored, which in turn increases plant growth, biodiversity, water infiltration and even soil carbon sequestration.

Our next biggest supplier was a network of New Zealand farmers certified by the ZQ Merino standard. Like Ovis 21 and our Australian suppliers for RWS-certified wool, these farms prioritize expert breeding and responsible animal welfare practices.

EF Sustainability Goals (by Volume)	2014	2015	2016	2017	2018
Eco-Preferred Materials: 100% by 2030	39%	46%	48%	63%	69%
Cotton: 100% Organic or Recycled by 2019	67%	88%	93%	95%	99%*
Linen: 100% Organic by 2019	62%	72%	85%	94%	96%
Tencel™ Lyocell: 100% of Regenerated Cellulosic Fibers by 2025	8%	20%	24%	33%	39%
Wool: 100% Responsibly Sourced or Recycled by 2025	0%	0%	0%	37%	54%
Feather Down: 100% Certified to the Responsible Down Standard (Goal was met in 2017)	0%	0%	0%	100%	100%

CHALLENGES

Like many in our industry, we face challenges around cost and volume, as well as integrity and supply. Organic fibers are not widely available—globally, close to 99% of cotton and linen is conventionally grown. We work with multicountry supply chains that have an array of middlemen, and verification remains an issue for all materials we use. We often have little visibility into conditions beyond the certification we receive from our suppliers.

To dig deeper and increase our view into our supply chain, we are building strategic relationships with key supply chain partners and NGOs:

- Alvarez Farms. In 2017 we began looking for a farm we could designate as a primary supplier of extra-long staple organic cotton. In partnership with our spinner, we interviewed two farmers to learn more about their challenges and best practices. We were immediately enthusiastic about Alvarez Farms in New Mexico. Dosi Alvarez, a third-generation cotton farmer, was in the process of transitioning 178 acres of cotton cultivation to organic. We stepped in to buy Dosi's 2017 transitional crop, despite the fact that it didn't meet our VISION2020 goal of 100% organic cotton. We did this because supporting crops in transition (that is, cotton in the multiyear process of becoming certified organic) allows us to support farmers who have committed to organic practices but need the time to fully convert their land—a barrier to entry for many.
- Organic Cotton Accelerator (OCA). We continued to support OCA, an organization whose mission is to ensure that organic cotton farmers in India are paid fairly and have access to seed that is not genetically modified. We also partnered with OCA on a sourcing project to increase traceability for select organic cotton programs in 2020.
- Fox & Lillie. We have begun sourcing responsible wool from Fox & Lillie, an innovative Australian supplier of RWS-certified wool. Fox & Lillie created a responsible wool farm network to provide brands with farm-to-garment traceability. In 2018 we laid the groundwork for a relationship that will ensure a steady supply of traceable, RWS-certified wool. In Fall and Resort 2019, a number of our best-selling fabrics will contain wool from Fox & Lillie.
- Canopy. We continued to partner with the nonprofit Canopy Style to ensure that producers of our viscose fiber are verified as low risk for sourcing wood from ancient, endangered or controversial sources.

Finally, while our work was guided by global averages for fiber impact—as is the case for most in our industry—we recognized that this was no longer sufficient. As a result, we began evolving our system of measurement to be more holistic and supply chain specific. In Argentina, our wool supplier, Ovis 21, is developing a methodology for sustainable wool that measures land health through biodiversity, water retention rates and ground cover, all of which are indicators of increased carbon sequestration.

For farmers, these indicators double as tools to assess pasture quality and soil fertility so that they can better manage their farm and livestock.

1b. CHEMICALS

OVERVIEW

Chemical management is a major concern in the fashion industry, particularly at the dyeing and finishing levels. At EILEEN FISHER, these processes represent 40% of our MRT score.

To address our chemical impact, we have created a set of Chemical Management Guidelines, which specify chemicals of concern and contain a Restricted Substances List (RSL). We partner with our suppliers to set goals for reducing and eliminating chemicals of concern and regularly monitor their compliance with the RSL to ensure none of the specified chemicals are used in our garments.

The work we do to limit the use of harmful chemicals stretches beyond the dyeing and finishing stage into every aspect of our business. For example, our focus on sourcing organic cotton and linen eliminates use of synthetic herbicides and pesticides at the agricultural level, and our transition to recycled materials reduces pollution.

The industry has a long way to go and we believe that we will get further by working with others; therefore we push collaboration whenever we can. We are continuing to engage other brands to create demand for responsible chemistry. We are doing all we can to make collaboration the industry norm so that we can see more change faster.

SUCCESSSES

In 2012, we introduced the world's first bluesign® certified silks. Since then we've dyed over 4.5 million garments without hazardous chemicals, using less water and less energy. Within the fashion industry, we're proud that our early adoption of bluesign® has helped to differentiate the program and encourage other brands to use its tools.

In 2018, we expanded the use of the web-based bluesign® bluefinder tool to screen the dyes and chemicals at nine of our dyehouses, allowing us to be informed about chemicals used in our supply chain and helping suppliers convert to bluesign® approved chemistry, reducing the use of hazardous substances. Several of our best-selling fabrics—Organic Handkerchief Linen, Fine Tencel Jersey, Viscose Jersey—were dyed leveraging the bluesign® tool. We have since verified the chemistry behind these fabrics through independent tests and third-party factory audits.

Also in 2018, we completed an assessment of all EILEEN FISHER products to determine which materials and what restricted substances need to be tested in the future. We are satisfied that of the samples tested, none contained harmful azo dyes or other recognized cancer-causing/sensitizing dyestuff. This assessment will continue with selected styles every season.

CHALLENGES

Our VISION2020 goal calls for all dyehouses to adopt robust systems for managing their chemical, water and energy usage. The best available solution for them is to adopt the bluesign® standard. We recognize that certification can be cost prohibitive and we have limited leverage in encouraging this course of action when we are not the only client at a dyehouse. Implementing our own safer chemistry program can be both technical and time consuming for our staff and our suppliers. Because we recognize the importance of this issue, we continue to forge ahead to find creative solutions that are beneficial for all players in this space.

In 2018 a shifting supply chain added to our challenges. New dyehouses were chosen for their alignment with our values, but in many cases we had to start the bluesign® screening, assessment and certification processes from scratch.

1c. CARBON

OVERVIEW

By 2050, the global economy is projected to consume three planets' worth of resources annually!¹ To change that trajectory, we're committing to less—especially when it comes to carbon emissions. We're investing in renewable energy and cutting our reliance on air shipping.

We measure and manage our greenhouse gas (GHG) emissions within the context of our company and our industry. We use the Greenhouse Gas Protocol to measure carbon emissions, reference our MRT and the Sustainable Apparel Coalition's Higg Materials Sustainability Index to determine material impact and consult Life Cycle Assessment data to calculate product impact.

SUCCESSSES

In 2018, we expanded the amount of data we are measuring in our carbon accounting, adding two elements—corporate travel and a carbon footprint analysis of our 2017 styles.

- With the help of our travel booking platform, we determined that total business travel emissions amounted to 1690 tons CO₂e during our first year of measurement.
- With the help of our logistics partners, our total emissions from courier shipments and e-commerce business amounted to 1,090 metric tons of CO₂e during our first year of measurement.
- The carbon footprint of our 2017 collection will serve as a baseline for our carbon goals. Guided by new technical resources from the Science Based Targets initiative, we plan to create and publish our targets by the end of 2019.

In 2018, our carbon footprint was as follows:

- Our total calculated supply chain emissions were 10,151 tons CO₂e. This is a 33.9% increase from 7584 tons CO₂ in 2017, due to the addition of newly tracked business travel and courier/e-commerce shipments.
- Our indirect emissions, including energy usage across all retail stores, office buildings, and distribution center, were 1839 tons CO₂. This is a 4.8% decrease from 1932 tons CO₂ in 2017.
- Our value chain emissions, including transportation emissions from inbound freight shipments, courier shipments, e-commerce, and business travel, were 8312 tons CO₂e. This is a 47% decrease from 5652 tons CO₂ in 2017.

¹Source: UN Environment <https://www.unenvironment.org/ru/node/2033>

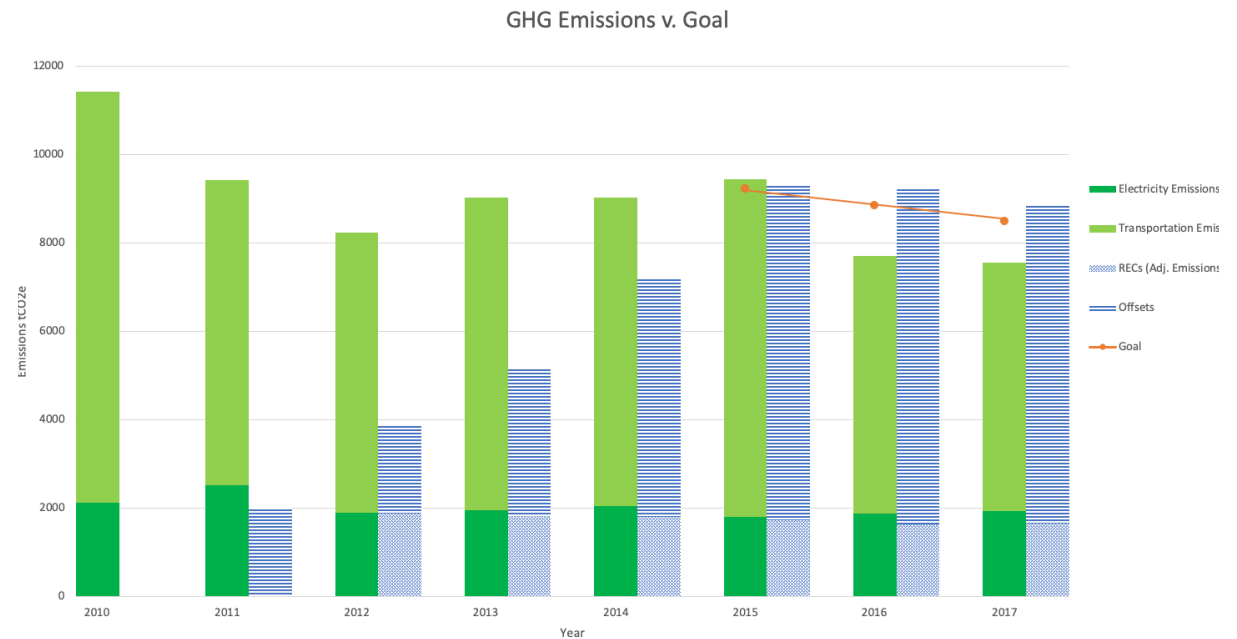
We continue to reduce our carbon impact in these ways:

- 100% of our corporate and retail electricity consumption supports wind power through the purchase of Renewable Energy Credits.
- 100% of our inbound shipping and business travel emissions are offset through a landfill gas capture project supported by NativeEnergy.

Employee engagement and education has been a core focus of our carbon reduction strategy, as it is often the actions of individuals that increase our emissions. Our efforts seem to be paying off. In an April 2018 employee survey, 85% of respondents said they had a good or deep understanding of EF's environmental sustainability work.

CHALLENGES

Shipping continues to be a major challenge in lowering our carbon footprint. We rely heavily on air shipments to import product from our global factories to our New Jersey warehouse in order to meet consumer demand. We made significant strides between 2015 and 2017 to rely less on air shipments and reduce transportation emissions. However, the recent shifts in our supply chain resulted in a greater reliance on air shipments in 2018. To address this issue, more than 20 teams are examining our product purchasing practices in order to establish longer lead times and maximize the opportunity for sea shipping.



1d. WASTE

OVERVIEW

The philosophy behind our clothes is simple: Buy quality pieces designed to be timeless, wear them as long as possible—and when you’re done with them, pass them on to someone else. That’s why in 2009 we created EILEEN FISHER Renew, our signature take-back and resale program, and why we later introduced DesignWork, an art studio that has the potential to reuse 80% of all unsellable materials through the craft of needle felting.

The foundation of these programs is our recycling program. Worn or torn, we take it back. Customers and employees bring back their EILEEN FISHER clothing for store credit, then our Recycle Centers in New York and Seattle check the quality of each item. Clothes that are in excellent condition are resold to maximize their useful life span. Anything that can’t be resold is saved for future use. Because we believe that today’s waste is tomorrow’s raw material.

SUCCESES

We reached a significant milestone in 2018 when our Renew take-back program passed its one million garment mark. Since 2009, we have received a total of 1.17 million garments.

Here are some other Renew highlights from the year:

- We took back 220,234 garments—up 9% from our 2017 figure of 200,626. This represents approximately 4% of all new garments made, which is consistent with 2017.
- 2018 saw a 42% increase in Renew units sold—96,129 as compared to 68,572 in 2017.
- In 2018, we increased the availability of Renew product to seven EILEEN FISHER stores, all EILEEN FISHER Company Stores and two dedicated Renew stores, one in Seattle and one in Irvington, New York. It is also sold at eileenfisherrenew.com.
- We offered customers a chance to buy “Not-Quite Perfect” (NQP) garments with a series of warehouse sales and pop-ups. These items have small flaws but are still beautiful and wearable, so we believe they should be resold. Initial results are encouraging; we sold 8,000 NQP garments through six such events throughout the year.
- We continued to work with our textile mills to give a second life to unsellable clothes. In 2018, we recycled silk and linen garments collected through Renew and blended them with new fibers. The result is unique material that will appear in our 2019 collections.

DesignWork also met with considerable success in 2018:

- “Waste No More,” a display of DesignWork wall hangings, debuted at the Salone del Mobile in Milan in 2018. The media response was positive, with 175 million impressions generated across channels.
- The Cooper Hewitt museum store and ABC Carpet & Home, two NYC design destinations, carried DesignWork products ranging from pillows to eyeglass cases and trivets.

CHALLENGES

When we started Renew, we were venturing into uncharted territory. It is extremely difficult to create and scale a business that is dependent on take-backs. We never know what or how many items our customers will recycle. Our supply could drop, or it could double. We can’t stock our stores with multiple sizes of the same style because almost everything we receive is unique.

Surmounting these challenges requires new systems, operations and infrastructure in order to scale a new type of business—and keep it integrated into everything else we do as a brand. We continue to see progress and we are thrilled that other brands have approached us for advice on similar initiatives within their companies. This is another example of how our focus on collaboration is helping shape industry-wide practices that are sustainable.

1e. SUPPLY CHAIN PRACTICES

OVERVIEW

We view social responsibility as an integral part of sustainability. Our clothes are not made by machine alone. They require the deft hands of thousands of workers, whom we value for their part in our brand. Through our Human Rights efforts, we’re committed to improving the livelihoods of the workers in our supply chain.

As a starting point, we supply all of our garment factories, mills and dyehouses with our Social and Environmental Implementation Guide. Available in five languages, the Guide explains our minimum standards—and makes it clear that we aim to partner with suppliers who go above and beyond. The guide includes a Statement of Commitment for social and environmental compliance, which covers working hours, freely chosen employment, compensation, prohibitions on child labor, freedom of association, health and safety, use of materials, products’ environmental impact and information on how the code is monitored and reviewed. We require that suppliers comply with Social Accountability International’s SA8000 labor standard.

We screen our suppliers against these guidelines on a regular basis, both through third-party audits as well as through worker surveys. We use a proprietary Social Product Score Tool to assess whether

a supplier complies with our Social and Environmental Implementation Guide, pays a living wage, has achieved SA8000 or Fair Trade certification and makes a positive difference in workers' lives. In 2018, we also used Laborlink technology, which allowed us to hear directly from workers via mobile phone self-report surveys.

When we discover that suppliers are not in compliance, we follow a remediation process that involves reporting breaches to senior management, formulating a corrective action plan with goals and timeline for improvement, providing training and education and holding suppliers accountable to a deadline for fixing issues.

Additionally, we engage our suppliers to complete the Sustainable Apparel Coalition (SAC) Higg Index Facility Environmental Module (Higg FEM). In addition to providing us with valuable data, the FEM also feeds into SAC's industry-wide data repository, which provides the apparel sector with crucial insight for moving factories along a path of continuous improvement. Evaluating this data helps us better understand the environmental challenges that factories encounter, be it regulatory, with management, due to awareness or stemming from technology—which allows us to be more thoughtful in our approach to supporting suppliers on their journey.

We recognize that EILEEN FISHER can be a vehicle for economic empowerment, especially among women. For some styles, we source directly from artisanal, underserved and economically disadvantaged communities. We are well aware that adequate visibility and responsibility needs to be brought to this production system. In addition to working with our vendors, we partner with the nonprofit organization Nest to provide capacity building strategy around social and environmental practices as well as to provide support and training on quality and quality assurance, notably at our artisanal dyehouses in Phulia and Jodhpur, India.

Like many in the industry, we are striving to secure a living wage for all people who work in our supply chain. To determine whether living wages are paid to workers in our traditional factories, we ask our third-party partner to collect detailed raw wage data and compare the numbers to best available benchmarks. These benchmarks vary by geography but include the Global Living Wage Coalition, MIT Living Wage Calculator, Asia Floor Wage, Fair Wage Guide, trade union collective bargaining agreements and Clean Clothes Campaign statistics.

SUCCESSSES

AUDITS AND VERIFICATION. With every EILEEN FISHER supplier, we strive to conduct either third-party audits or worker mobile phone surveys to ensure that our manufacturing partners meet our social and environmental guidelines. Over the last two years we verified the practices of nearly all our top suppliers—we work with 57 knitting or sewing factories and 13 account for 81% of our clothes. In 2018 we were able to audit a total of 49% of our first-tier factories.

SOCIAL PRODUCT SCORE (SPS) TOOL. In consultation with internal and external stakeholders, including FutureFit, UN Foundation and like-minded brands such as Patagonia and Levi's, we have been actively updating our Social Product Score Tool. Called SPS 1.5, it includes more robust criteria for qualifying as a "socially responsible" factory. Using these enhanced metrics, 16.8% of all 2018 units were made at factories that met our benchmark, up 3.8% from 2017.

ARTISAN COMMUNITIES. We partnered with Nest to create an Artisanal Addendum that will be attached to all EF Purchase Order Terms and Conditions. This document will be sent to all vendors with small workshops or homemaker supply chains in 2019. The Artisanal Addendum enables us to trace our supply chain right into individual villages. It also lets us understand the nuances of production capacity, artisanal standards for quality, child protection, worker health and safety and management systems.

THE HANDLOOM PROJECT. We continue to work to empower weavers in rural communities in Phulia, West Bengal, India, where many of our scarves are woven. In 2018, following advocacy from EILEEN FISHER and community partners, the India Ministry of Textiles agreed to issue Weaver ID Cards that give social protections and economic opportunities to artisans who work in our supply chains. A total of 714 women weavers have so far received these cards. Additionally, 600 women participated in financial literacy training after which 100 women opened bank accounts.

SIGNATURE PROGRAMS. In 2018 we also continued our work on several signature programs, including training workers to voice their rights in China and investing in an alternative supply chain in Peru that pays fair trade wages.

CHALLENGES

Due to supply chain shifts in 2018, organizing screenings and third-party audits was more difficult than in years prior. Fortunately many of our new manufacturing partners are larger and have more mature management systems and human resources in place to support human rights initiatives. Other challenges include data gaps, especially around verified worker-level data and living wage benchmarks. We are also cautious about audit fatigue, a challenge that faces the entire industry.

1f. PRODUCT LIFE CYCLE

OVERVIEW

Over the past few years, members of nearly every team in the company have come together to examine our product life cycle. Our goal: reduce the time it takes for a garment to be designed, manufactured and shipped to a store. By eliminating inefficient processes, we will save money and reduce our environmental impact—tight turnarounds mean we need to ship items by air instead of sea. We will

also improve the lives of factory workers by eliminating the need to work overtime in order to meet punishing deadlines.

Additionally, we have joined several industry-wide initiatives focused on purchasing practices and efficiencies. We are a part of Better Buying, a global initiative run out of the University of Delaware that provides retailers, brands and suppliers with a cloud-based platform to obtain data-driven insights into purchasing activities. We have also partnered with Harvard University's SHINE Initiative to evaluate the downstream effects of purchasing practices on the well-being of factory workers.

SUCCESSSES

In 2018, we hired an external consulting group to study our product life cycle and take a deep dive into our business practices. We also partnered with NGOs to evaluate our purchasing practices. As a result:

- We built an annual calendar of product milestone dates to share with our vendors. Our hope is that by creating this timeline—and sticking to it—we can set accurate expectations, strengthen vendor relationships and allow ample time for sea shipments, lowering carbon emissions in the process.
- We reduced the number of samples by involving sales and buying teams earlier. We also tested 3D digital samples as a means of further reducing both time and sample waste.
- We began looking for a third-party color subscription vendor to standardize our colors and take the guesswork out of the process for our manufacturing partners.

To gather data on our efforts, we began a three-year pilot program with Harvard SHINE that will evaluate how purchasing practices impact worker well-being on the factory floor. We also worked with Better Buying to engage our suppliers to evaluate our purchasing practices in the second and fourth quarters of 2018.

CHALLENGES

Creating more efficient life cycle practices will take at least two years to implement in a meaningful way. Our focus on collaboration—one of the core values of our company—will need to be balanced with new systems that ensure accountability and timely decision-making.

Benefit 2: **Inclusive Workplace**

We are committed to creating an inclusive workplace that respects and honors differences in gender, age, race, ethnicity, religion, sexual orientation and political views.

2a. AN INCLUSIVE WORKPLACE

OVERVIEW

Our approach to inclusion begins with openness and transparency. We strive for a joyful workplace that fosters individual growth, both personally and professionally. As a company, we value creativity and encourage employees to feel inspired about their work and to find meaning and innovation in their individual roles.

In our efforts to be inclusive, we provide mechanisms for participation, engagement and relationship building:

- An intranet that actively encourages comments and discussion about all postings.
- An orientation program that introduces new employees to company values, practices and other departments. Sustainability principles and practices are integrated into new employee and new manager training, as well as ongoing employee and management awareness through product education and intranet communication.
- A mentorship program that links employees at different levels and from different functional areas in a year-long process of development and relationship building.

To promote transparency, we hold at least three company meetings annually and use them to share and discuss business strategy, trends and emerging issues in the company. We openly share financial information about the company budget, financial performance, expense trends, financial forecasts, areas of investment and how profits are directed. Through quarterly meetings with senior leaders in the company, we share more detailed financial and strategic information and encourage those leaders to share it with their teams.

PEOPLE AT EILEEN FISHER

- Across the US, UK and Canada, we employed 889 full-time workers and 313 part-time workers.
- 83% of our employees identify as female while 17% identify as male. Within our director-level and above group, 79% identify as female and 21% identify as male.
- 67% of our employees identify as white while 33% identify as people of color. Within our director-level and above group, 79% identify as white and 21% identify as people of color.
- Board of Directors: 87.5% identify as female. Of the eight directors, one is a person of color; the others are Caucasian.

DATA VISUALIZATION:

GENDER DIVERSITY—TOTAL EMPLOYEE POPULATION

- Company Wide: 83% female / 17% male
- Corporate: 70% female / 30% male
- Stores: 95% female / 5% male

RACIAL DIVERSITY—TOTAL EMPLOYEE POPULATION

- Company Wide: 67% white / 33% people of color
- Corporate: 56% white / 44% people of color
- Stores: 77% white / 23% people of color

DIRECTOR-LEVEL AND ABOVE EMPLOYEES

- 79% female / 21% male
- 79% white / 21% people of color

BOARD OF DIRECTORS

- 87.5% female / 12.5% male
- 87.5% white / 12.5% people of color

SUCCESSSES

In November 2018, our senior leadership structure shifted. We now have co-CEOs, Eileen Fisher and Jonci Cukier, with a senior leadership team consisting of Eileen, Jonci, Chief Financial Officer Vincent Phelan and Chief Brand and Culture Officer Hilary Old. At the same time, EILEEN FISHER's Board of Directors grew to eight members, seven of whom are women, and met six times during the year. We are proud to be a women-led organization—a rarity in the apparel sector—and we are confident that our new leadership structure will equip us for further growth and impact.

Through these changes, we continue to promote open communications about the strategic direction of our company to all employees. In July, we held our first-ever Brand Leader Meeting, a unique opportunity to bring together more than 200 people from our three commerce channels (Wholesale, Retail and Digital) as well as supporting partners. This was a chance to share knowledge, build connections and identify opportunities for future success. A digital livestream of our company meeting allowed 400 additional employees to participate.

We encourage employees to partner in a collaborative, dynamic way as members of both departmental and cross-company teams. One example was the Brand Momentum Team, which was formed to tap the talents of diverse corporate and retail employees and focus on brand differentiation and activation. Through experiential learning, idea generation and exploratory time, associates from all parts of the company were able to experiment with ways to strengthen our brand and drive brand engagement in a way that wouldn't have occurred otherwise.

In 2018, we invested in digital tools that made it easier for employees to collaborate more meaningfully. We invested in a new intranet platform that includes collaborative “community” spaces, social and engagement features and robust search functionality. We also introduced Webex Teams, a secure unified communications solution that makes it easy to connect with any employee, anytime, anywhere, from any device.

We also encouraged employees to participate civically in the communities around them. In November, we partnered with a coalition of nonpartisan organizations to encourage our employees to make time to vote during the 2018 election cycle. The company carved out two hours of paid time off for all US EF employees to head to the polls. We also supported employee participation in 2018 Women's March events happening globally. Acknowledging the volatility of our current political climate, we issued a statement on “Talking Politics in EF” to encourage respectful and considerate discourse.

Finally, it is vital that EILEEN FISHER remain a safe place to work. In compliance with recently introduced New York State and New York City laws to combat sexual harassment, we prepared mandatory online training on sexual harassment to provide to all employees in January 2019.

CHALLENGES

Our workforce demographics show a slight improvement between the proportion of women in our employee population (83%) and the proportion of women director-level and above (79%) in 2018 (in 2017, those figures were 84% and 77% respectively). We continue working to bring the gender composition of our leadership closer to that of our entire employee community.

In addition, 33% of our employee population identifies as persons of color, while 21% of our leaders (director and above) identify as persons of color. We recognize the opportunity to attract more diverse candidate pools in our hiring process, to support and celebrate diversity, to benefit from greater diversity in the company as a whole and to better align diversity in our leadership ranks to the diversity of our entire employee community.

To reach the most diverse population possible, we now post all open positions on Indeed.com and LinkedIn, and we use ZipRecruiter, which sends jobs to 100+ job boards to attract a wide array of talent. We intentionally sought a broader range of candidates for our 2018 Summer Internship Program, which was more racially diverse than in past years. We attended the Hustle Summit by FindSpark to connect with diverse young professionals and we met with Greyston Bakery to learn about their groundbreaking Open Hiring Model, which promotes inclusive and nondiscriminatory hiring practices.

Our challenge is to understand where barriers to inclusion may still exist in our workplace, and to identify ways that we can ensure our commitment to connection and collaboration remains true throughout the organization. We know that our individual voices create a richer whole, and we must invite employees to express different perspectives and other points of view.

2b. BENEFITS & WELLNESS

OVERVIEW

EILEEN FISHER was created to inspire simplicity, creativity and delight through connection and great design. Our approach to employee benefits and programs reflects our commitment to living the company mission. Employees enjoy a collaborative environment, welcoming atmosphere and benefits designed to provide opportunities for personal and professional growth, as well as to support the health and well-being of both employees and their families.

We believe that thoughtful benefits—especially around parental leave and wellness—are key to an inclusive workplace. When employees feel supported by their employer, they become empowered to bring their whole selves to work. This is particularly important when we consider the needs of employees with families, who might feel pulled to exit the workforce because of demands from home.

OUR CORE BENEFITS INCLUDE:

- Medical
- Dental
- Flexible Spending Accounts
- Short-Term and Supplemental Disability
- Long-Term Disability
- Life Insurance
- 401(k) Employee Savings Plan
- Paid Time Off
- Employee Assistance Program
- Employee Discount

SUCCESSSES

Beyond our core benefits, we offer a number of unique benefits that demonstrate our commitment to employee well-being:

- Our Employee Stock Ownership Plan (ESOP) provides company stock to full-time and part-time employees so that they benefit from the value they help to create. Information about the plan is available to all employees.
- Our Profit Sharing Bonus is awarded to eligible employees based on the company's after-tax profits. The concept behind the program is to share profits among all employees in recognition of their contributions and to enhance a sense of teamwork and fairness. In contrast to most profit-sharing programs, ours also extends to junior and hourly employees. This bonus is distributed every December to all employees. All bonuses are paid on a sliding scale based on salary.

- Paid time off is provided to new parents as a way to support them during the early stages of bonding with their child. The company also provides eligible employees with reimbursements to help pay the cost of adoption.
- We provide medical and dental insurance coverage for domestic partners of the same and the opposite sex. This coverage also extends to the children of domestic partners.
- To foster employee well-being, EILEEN FISHER provides a reimbursement of up to \$1,000 per year for wellness-related expenses, including massage, acupuncture, gym memberships, exercise equipment and wellness retreats.
- We also encourage personal growth through learning with an additional reimbursement of up to \$1,000 per year for classes, workshops and trainings.
- Designed to show appreciation for employees and honor their tenure with the company, our Service Awards program recognizes service milestones with cash awards and extra time off.
- Because we want employees to enjoy and feel proud of our product, everyone receives an allowance to be applied toward the purchase of EILEEN FISHER clothing.

Because we realize it can be challenging for employees to find the time in their busy lives to take care of themselves, we have created a culture of well-being at our offices. Opportunities to “stop, stretch, breathe” are built in. Among the programs offered are free yoga, Pilates and tai chi classes; mindfulness and financial well-being workshops; quiet space for meditation and ten-minute deskside neck and shoulder massages. We also offer one-on-one sessions with a variety of therapeutic practitioners, including massage, acupuncture, reflexology, astrology, hypnotherapy and nutrition, for which employees can use their wellness and education reimbursement benefit.

We are committed to making sure our employees are able to meaningfully share in the company’s success. In addition to providing an Employee Stock Ownership Plan and Profit Sharing Bonus, we are also taking a close look at our compensation system after conducting an intensive compensation study. In 2018, we created salary ranges for all our positions to ensure wages are market competitive, factoring in geographic differentials for high-cost cities. We also introduced a new approach to salary increases, enabling managers to adjust individual salaries for employees paid on the lower end of their salary range. This differs from our approach in the past, when all employees were eligible for common shared increases. Salary ranges were shared with employees in an effort to be as transparent as possible throughout the process. Through these efforts and others, we are working toward providing competitive compensation that recognizes the unique contributions of everyone who works with us.

CHALLENGES

We recognize that there is a difference between a minimum wage and a living wage, especially in the retail sector. The calculation of a living wage can be complex, factoring in various methodologies that vary from city to city, and even neighborhood to neighborhood. We use the MIT Living Wage Calculator in the US and the London Living Wage benchmark as reference points in determining what our own living wages should be. In areas where the living wage for specific cities was not available, we looked at the county living wage—which might be misleading if the cost of living in a city is higher.

While it is a complex issue, we are committed to tackling it because we believe that everyone who works for us should be financially able to live well. In 2018, our calculations showed that 91.3% of employees are paid at or above the respective living wage in their communities (up -1%, relative to 2017). We are working to close the gap, starting with this year's salary increase program.

Benefit 3: **Business for Good**

We believe in conducting business in ways that empower women and girls, support the fair treatment of all people and preserve the environment.

3a. BUSINESS FOR GOOD

OVERVIEW

At EILEEN FISHER, we have a longstanding commitment to do business in a way that matches our values. Our corporate citizenship program involves a range of programs and activities, including:

- Charitable donations and in-kind contributions
- Ongoing philanthropic commitments with partner organizations
- Paid time off for employee volunteerism, including company-facilitated community service projects like In Good Company volunteer trips and Climate Ride fundraising experiences
- Pro bono services and facilities for charitable organizations
- Matching gift program for employee donations
- Marketing and advertising campaigns amplifying the values behind our clothes

The majority of our investments and event programs benefit the communities where we operate and from which we source. Our employee-run Caring Committee identifies and fundraises for local nonprofits, and we have formal and informal ways of gathering input from our employees on which charities to support. For example, our Community Partnerships Grant Program utilizes an employee review committee to evaluate and fund nonprofits that align with EILEEN FISHER's mission and specifically focus on the needs of their local communities.

SUCCESSSES

In 2018, we donated more than \$1.4 million to 183 organizations and grantees across our philanthropic areas of focus:

- Environment = \$573,692.47
- Human Rights = \$120,654.20
- Women & Girls = \$651,614.08
- Other = \$91,073.94
- TOTAL = \$1,437,034.69

Note: These totals represent all US, UK and Canada operations. Donations data in other currencies has been converted to USD. These figures do not include in-kind donations, such as clothing.

In 2018, we hosted nationwide in-store giving campaigns benefitting these nonprofits:

- Ignite! received donations on International Women's Day
- Planet Water was the beneficiary of our spring event
- Kiva partnered with us on Giving Tuesday
- Girls Who Code received proceeds from our special-edition T-shirt featuring "The Future Is Female" in Morse code, a print designed by textile artist Maggie Dimmick and featured in a capsule collection of other "The Future Is Female" products.

We empower our stores to support their own charitable causes and host their own events throughout the year. In 2018, these included:

- Our Chestnut Hill, Massachusetts, store partnered with the sustainable fashion class at MassArt for the fourth year, providing damaged garments for students to transform into new clothes. We also donated to a sustainable fashion scholarship in Eileen Fisher's name.
- Two of our stores in California hosted an all-day "Clean Out Your Closet" event to support Dress for Success, which empowers women to achieve professional success.
- In July, our Manchester, Vermont, Company Store partnered with local B Corps including King Arthur Flour, Seventh Generation and Cabot Cheese to host a "B the Change" Day, where local business owners and consumers could learn about the B Corp movement.

CHALLENGES

We realize that for greater impact, our approach to philanthropy needs to integrate our commitment to the environment, human rights and women and girls. In 2018, we temporarily halted our Women-Owned Business Grant and Activating Leadership in Women & Girls Grant programs so that we could better connect our grant portfolio to our company's mission. We want to acknowledge all that these programs achieved:

- Activating Leadership in Women & Girls Grant (2010-2017). There are many ways to lead, many styles of leadership and many kinds of effective leaders. By activating the natural leadership qualities within themselves, women and girls are able to find their unique voices, build inner strength and develop the confidence to pursue what really matters. In support of nonprofit organizations championing the activation of leadership qualities in women and girls, the company awarded more than \$2.5 million through 91 grants.
- Women-Owned Business Grant (2004-2017). Inspired by Eileen's journey as an entrepreneur, the Women-Owned Business Grant launched as part of the company's 20th anniversary celebrations to support women entrepreneurs that use their businesses to create positive social and environmental change. Over the program's 14 years, more than \$1 million was awarded to 66 businesses, representing 89 female founders around the globe.

A new grant program will launch in 2019 focused on the connection between women and environmental justice.

Benefit 4:

We strive to work collaboratively and transparently with other companies in the fashion industry to advance ethical business practices.

4.1 HELPING CHANGE AN INDUSTRY

OVERVIEW

Our focus on women, sustainability and circular design has made us a thought leader in the clothing industry. And it has afforded us the opportunity to both mentor and learn from like-minded brands. We are eager to connect and collaborate because we have long believed that, as Eileen likes to say, “business can be a movement.”

SUCCESSSES

In 2018, we worked to share our knowledge and create change in the following ways:

PARTNERSHIPS. In the course of our daily work, our teams partnered with 27 organizations that are similarly committed to changing the way business is done. This list includes the American Sustainable Business Council, B Corp, bluesign®, Brown and Wilmanns Environmental LLC, Business Action for Women, Business for Innovative Climate and Energy Policy, Canopy, Climate Ride, Cradle to Cradle Products Innovation Institute’s Fashion Positive, Future-Fit, Global Fashion Agenda, Good World Solutions, In Good Company, Leather Working Group, NativeEnergy, Nest, Organic Cotton Accelerator, Outdoor Industry Association Chemicals Management Working Group, Planet Water, Responsible Sourcing Network, Science Based Targets initiative, Social Accountability International, Sustainable Apparel Coalition, Textile Exchange, Verité, and the World Resources Institute.

DESIGN COLLABORATIONS. In December 2018, the streetwear savants behind Public School brought their aesthetic to EILEEN FISHER Renew. Inspired by a tour of our Tiny Factory, Dao-Yi Chow and Maxwell Osborne worked with the Renew design team and used damaged garments from our take-back program as the raw material for their own designs. The zero-waste Public School x EILEEN FISHER collection was comprised of three re sewn ready-to-wear designs and one hat: Each piece was one of a kind.

ADVOCACY. We are committed to using our voice to fight for the issues we believe in. This extends to policy and pushes for industry-wide change. We took the following actions in 2018:

- We committed to full supplier factory disclosure, as part of the International Corporate Accountability Roundtable's Apparel and Footwear Supply Chain Transparency Pledge. The factory list will appear on our website by mid-2019.
- We published an opinion piece in Crain's New York about the need for a carbon tax in New York State, penned by Vice President of Social Consciousness Amy Hall.
- We signed a letter to the then Governor of California, Jerry Brown, calling for an end to all fossil fuel extraction.
- We joined with 40+ signatories on a letter calling for more investment in transportation and public transit networks and acceleration of the electrification of the automotive sector.
- We participated in BICEP Federal Advocacy Day to focus on Climate and Clean Energy policy, together with Gap, Levi's, L'Oreal, Outdoor Industry Association and others.

SPEAKING AND CONVENING. We believe in the power of creating space for conversations that matter. In April 2018, we hosted the first-ever gathering of women B Corp CEOs, drawing almost 70 leaders from across the country. The event was designed so that these leaders could meet each other in an intimate setting, spark a conversation about accelerating business as a force for good and grow a movement through the power of women's leadership. We asked: What was the world these women envision for their children and future generations?

Eileen, a self-described introvert, continued to speak out in hopes that her voice could help shift the clothing industry. Among her engagements in 2018: Eileen participated in the Aspen Ideas Festival along with Patagonia CEO Rose Marcario and Shark Tank's Kevin O'Leary. She helped moderate a discussion on the importance of investing in businesses founded by women.

CHALLENGES

Though we consistently collaborate with like-minded organizations on issues we care about, we have less success in finding other brands that will join forces to improve either the environmental or social aspects of clothing production. We are a medium-sized company, which means that we are often one of many clients at a factory or dyehouse and have less leverage than large brands to effect change.

These are a few of the areas where our success has been limited and where partnerships with multiple stakeholders, academics and NGOs could help create change:

- Encouraging traceable leather
- Increasing bluesign® certification of chemistry
- Finding a verifiable and responsible cashmere supply chain

OWNERSHIP + COMPENSATION

We are an employee-owned company with an Employee Stock Ownership Plan (ESOP). Eileen Fisher personally owns 58% of the company, and the remaining 42% is held by the ESOP and related trust. This is distributed among employees, past and present, with none holding 5% or more of the outstanding shares. The company makes cash contributions to the ESOP on a periodic basis.

BUSINESS FOR GOOD

Our vision is for an industry where human rights and sustainability are not the effect of a particular initiative, but the cause of a business well run. Where social and environmental injustices are not unfortunate outcomes, but reasons to do things differently.

“We don’t want sustainability to be our edge.
We want it to be universal.”

