

EILEEN
FISHER

**Annual Benefit
Corporation Report**
Fiscal Year 2017

About EILEEN FISHER

We are a company of over 1100 individuals that leads with purpose. Guided by our long-standing commitments to the environment, human rights, and women & 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 first public report, we drew on the 2017 B Impact Assessment, along with other company data, to detail the four specific benefits that we seek to provide through our work.

Our 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.

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.

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We've committed to working for the benefit of the public through 4 areas of our business.

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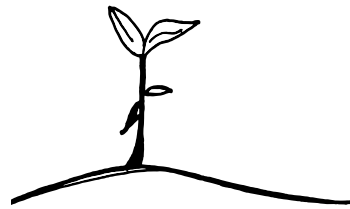
Benefit

1

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

Materials

We are a land use company: 90% of our materials come from the land.



Successes

Materials are our greatest area of environmental impact. That's why we selected materials as the key variable for our environmental QBL. We use a Material Ranking Tool (MRT) that measures the key eco impacts of fiber and chemistry, confirmed through external certification or verification. The MRT grew out of VISION2020, our sustainability strategy, through which we set a series of bold goals around fiber, chemistry, resources and conscious business practices.

Last year, we made a ten-point leap in our environmental QBL, from 48% of total eco materials produced in 2016 to 58% in 2017.

Here are a few highlights about the progress we made around key materials:

95% of our cotton used recycled or organic fiber.

94% of our linen was organic.

33% of our wood-based fiber was made with Tencel® lyocell (goal is to replace all viscose with Tencel® lyocell).

In 2017 we successfully sourced wool from responsible suppliers for several wool programs on our 2018 line.

Our core merino wool fiber from Argentina is both Responsible Wool Standard certified and comes from regenerative farmers. Our Stretch Merino wool is sourced from a network of farmers in New Zealand who meet the ZQ Merino standard, which is known for expert breeding and responsible animal welfare practices.

Challenges

Our challenges in moving to 100% sustainability center around cost and volume. (Organic fibers, for example, sometimes require higher prices and larger orders.) In 2017, we piloted Tencel® versions of viscose (one of our top-selling fabrics). Because Tencel® and viscose are not identical, getting the right handfeel and drape—the qualities the customer loves—is a challenge. We also face technical obstacles, such as quality and verification, in working with recycled fibers.

Chemistry

Our dyeing and finishing processes represent 40% of the MRT score.



Successes

In 2017, we used the bluesign® bluefinder tool to screen the dyes at 12 of our dyehouses, representing 52% of our 2017 volume.

52%

The volume of our 2017 product that uses verified responsible chemistry.

At seven of these dyehouses, we engaged third-party auditors to conduct comprehensive chemical and environmental assessments. When the results did not meet our Chemical Management Guidelines—a set of standards we send to all our suppliers—we worked with those suppliers to create a safer chemistry plan.

We worked with suppliers to create a safer chemistry plan.

Challenges

Working with the suppliers to replace chemicals with bluesign® approved chemistry is technical and time consuming for both EILEEN FISHER and the suppliers. Our goal is to have all dyehouses third-party certified to meet the strict bluesign® standard for their chemical, water and energy usage, but certification can be cost prohibitive. And when we are not the only client at a dyehouse, we have limited leverage.

Carbon

We are working to set science-based carbon targets for ourselves as part of a commitment to keep global warming below 2°C.



Successes

We track our emissions and reduce our impact in two ways:

100%

of our corporate and retail electricity consumption supports wind power through the purchase of Renewable Energy Credits.

100%

of our inbound shipping emissions are offset through a landfill gas capture project.

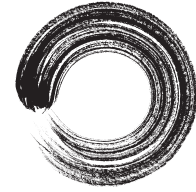
We're working to build longer lead times that allow for sea shipping.

Challenges

The biggest challenge we face in lowering our carbon footprint is shipping. Most of our imported product is air shipped from our global factories to our New Jersey warehouse. We are well aware that sea shipping is a more sustainable choice, but the need to respond quickly to consumer demand has intensified. We are working to change our ordering systems so that we build in longer lead times and maximize the opportunity for sea shipping.

RENEW

The “Take-Make-Waste” model has a negative environmental impact, so we’re committed to being circular.



Successes

In the US, 85% of clothing ends up in landfills. The fashion industry—one of the most polluting—creates 1.2 billion tons of greenhouse gas emissions a year. The traditional linear “Take-Make-Waste” model greatly contributes to this negative impact, so we are committed to developing a circular model.

We respect the finite resources used to create our product and take full responsibility for the lifecycle of our clothing, retaining the beauty and inherent value of our materials through a circular approach. EILEEN FISHER Renew is what happens to the clothing after it leaves the customer’s hands.

Beginning in 2009, we invited our customers to bring back their used EILEEN FISHER clothes. Since then we’ve received about 950,000 garments. We preserve the highest value for as long as possible, so first we think about the work through the lens of renewing garments—ultimately redesigning and remanufacturing those that cannot be restored.

Renewed in 2017:

- Renewed includes the resale of garments in good condition, as well as design solutions like visible mending of holes and tears, and overdyeing to camouflage stains.
- We took back 200,000 garments, 18% more than in 2016 and approximately 4% of new garments we make.
- **We sold 70,000 renewed units in 2017, 22% of the total renewed units we’ve sold since 2009.**

- We rebranded our initiative, formerly GREEN EILEEN, as EILEEN FISHER Renew.
- We launched eileenfisherrenew.com as a dedicated site to resell clothes from our take-back program. It joins our two brick-and-mortar Renew stores located in Seattle, Washington, and Irvington, New York.

200,000

Garments taken back in 2017.

70,000

Renew units sold in 2017.

Redesigning & Remanufacturing in 2017:

- We opened the Tiny Factory, our first wholly owned and operated factory, where a team of sewers uses fabric from the clothes we’ve taken back to create new Resewn designs.
- The Tiny Factory also houses an artist-run business called DesignWork. Damaged garments and scraps from our Resewn operation are fed into a felting machine to make beautifully colored, one-of-a-kind fabric for clothes, pillows and wall art. This is in the early prototype stage.

Our circular model.

Successes cont'd

Because we are pioneering a new business model that is on the leading edge in our industry, there are challenges. Renew grew organically, under the auspices of the EILEEN FISHER Community Foundation and was bought by EILEEN FISHER, INC. in 2014. Our take-back volume grows every year: We have supply challenges and need to intensify our efforts around distribution and design solutions. In addition, we need to build the appropriate systems, operations and infrastructure in order to scale this new business, as well as integrate it into the core business at the appropriate pace.

We are exploring ways of producing clothing on the main line, using less virgin material.

In addition to reselling or remaking our take-back clothes, **we are exploring ways of producing clothing on the main line, using less virgin material:**

- **Recycled fibers.** We recognize that our resources are finite and the impacts of clothing production are great, so we try to reduce the use of virgin materials. In 2017, we found more ways to explore recycled polyester, recycled nylon, recycled cotton and recycled cashmere in our main line. Our values-based holiday marketing in 2017 featured recycled cashmere.

- **Closed loop practices.** A collaborative team comprised of main line and Renew designers is working to eliminate the waste by collaborating with our manufacturing partners to create garments made from our pre- and post-consumer waste.

Here are two success stories:

- 1** A hemp organic cotton yarn made from cutting room scraps, some of which were waste from our garments.
- 2** Silk yarn that is spun in Europe from garments collected through our take-back program.

Challenges

Our challenges around this work are similar to those we experienced when we first committed to 100% organic cotton and linen. Our mills and factories need to set up new systems. As a medium-sized company we have limited leverage, but we are optimistic. We have seen resistance to organic fibers shift toward acceptance. With ingenuity and persistence, we expect to help turn the waste we create into tomorrow's raw materials.

Supplier Practices



We view social responsibility as an integral part of sustainability.

Successes, cont'd

In 2017, we sent our new Social and Environmental Implementation Guide to all our garment factories, mills and dyehouses. 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. In 2017, we also used existing tools (the Higg Index Facility Environmental Module, Laborlink surveys) to better understand our suppliers' successes and challenges.

We are evaluating how ethically our products are made, and evaluating our business decisions accordingly.

In 2017, we developed version one of a cutting-edge Social Product Score Tool. We collected data from suppliers representing 61% of our total volume.

This tool assesses whether a supplier:

- Pays a living wage.
- Has achieved SA8000 or Fair Trade certification.
- Makes a positive difference in workers' lives (collected through Laborlink's mobile phone self-report survey).

- Promotes EILEEN FISHER labor standards in their supply chains based on the Social and Environmental Implementation Guide.

Challenges

To move our work forward, especially in benchmarking living wages, we need to overcome data gaps. Worker-level data is hard to acquire and requires verification, which can contribute to audit fatigue. This is a challenge not only for us, but for the entire fashion industry. We hope to lead the effort to find ways of collecting this data, and bring other brands along with us in the process.

Benefit

2

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

An Inclusive Workplace

It begins with openness and transparency.



Successes

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 monthly meetings with 26 senior leaders in the company, we share more detailed financial and strategic information and encourage those leaders to share it with their teams.

Employees are included in the financial success of the company through profit sharing.

In addition to having visibility into strategic and financial information, employees are included in the financial success of the company through a profit sharing mechanism. And all employees are eligible to participate in our Employee Stock Ownership Plan, giving them an ownership stake in the company.

One specific example of transparency was how we shared information about our changing compensation process. As we revised our compensation system, we were open with employees about the process and shared the findings of an intensive compensation study.

In our efforts to be inclusive, we provide mechanisms for participation, engagement and relationship building. Here are some examples:

- An intranet that actively encourages comments and discussion about all postings.
- An emerging organizational structure (Circle Structure) that enhances transparency and information flow, and more broadly distributes involvement in decision-making.
- An orientation program that introduces new employees to company values, practices and all departments in the company.
- A mentorship program that links employees at different levels and from different functional areas in a year-long process of development and relationship building.
- Leadership practices documented in the Employee Handbook emphasize collaboration, participation, inclusion and the celebration of diversity.

Here are some steps we took in 2017 to put them into action:

- An initiative (PET, for Passions Experiences and Talents) that invites employees to share things about themselves, and their backgrounds, that others might not know. The intention is to tap into employees' full potential.
- Support for gay pride with "Love Is Love" store displays.

Women make up 84% of our employee population.

Successes, cont'd

- Store partnerships with community organizations that have a special focus on human rights and the empowerment of women and girls.
- Transportation for employees to attend the Women's March on Washington.
- Advocacy for the Family Leave Act.

Finally, in contrast to the business sector as a whole, our executive leadership team and our Board of Directors are two-thirds women.

Our executive leadership team and our Board of Directors are two-thirds women.

Challenges

Our workforce demographics show that **while women make up 84% of our employee population, they make up 77% of leaders (director and above).**

It's our challenge—and opportunity—to bring the gender composition of our leadership closer to that of our entire employee community.

In addition, 35% of our employee population identifies as persons of color, while 20% of our leaders (director and above) identify as persons of color.

It's both a challenge and an opportunity for us 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.

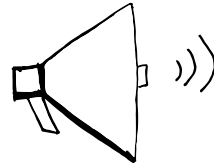
Benefit

3

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

Business for Good

Using our voice to amplify our values.



Successes

In 2017, we used our advertising to amplify our values. In Spring, we ran a Facts Matter campaign to draw attention to the ingredients that go into a garment. And in Fall we launched “Power. In the Words of Women,” a series of portraits featuring women whose work we admire, including Nyla Rodgers of Mama Hope and Amanda Gorman, the first Youth Poet Laureate of the United States.

We continued our partnership with the Choose Handloom project in 2017. The mission of Choose Handloom is to uplift and empower weaver communities in Phulia, West Bengal, where many of our scarves are woven. In 2017, we visited the India Ministry of Textiles in New Dehli, where we advocated for Weaver and Artisan Cards that would give social protections to artisans who work in our supply chains in Jaipur and Phulia.

Through in-store philanthropy in 2017, we supported 38 local organizations and a national partnership with Girls Who Code. **Our Black Friday promotion donated 100% of the sales of Peruvian product to the workers who make these fair trade, organic cotton knits and handloomed garments.** And our grant program continues to support women-owned businesses and nonprofits that help women and girls find their voices.

\$125K

Given in grants to 10 organizations.

EILEEN FISHER offers grants beginning at \$5,000 in support of nonprofit organizations that activate leadership qualities in women and girls, our program direction since 2010. In 2017, we gave \$125,000 through 10 grants to 10 organizations. Since 2010, we have given \$2,323,000 through 84 grants to 71 organizations. The grants serve organizations that bring about self-discovery and personal transformation, help women and girls find their inner strength and trust their intuition, or help women and girls navigate any life phase.

\$1.47M

Donated to 308 organizations.

In 2017, we gave a total of \$1,474,496 through our US, UK and Canada retail partnerships, as well as corporate donations and grants, **to 308 organizations whose focus is the empowerment of women and girls, supporting the fair treatment of all people or preserving the environment.**

Challenges

For greater impact, we also need to integrate our commitment to the environment, human rights and women and girls. There’s strength in leveraging the intersections between them. For example, water scarcity is directly connected to human rights. Women and girls are most adversely affected by climate change and hold the greatest potential for reversing its impacts.

Benefit

4

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

Helping Change an Industry

Our commitment to doing business for good is the result of deeply held values.



Successes

Our values have unexpectedly made us thought leaders in the clothing industry. We know we can't do this alone—it will take an industry to change the industry.

In 2017, we worked to share our knowledge and create change in the following ways:

Eileen. Though she's a self-described introvert, Eileen realizes that speaking out can help shift the industry. She accepted invitations from many venues, including the Cooper Hewitt Museum and NPR's popular podcast *How I Built This*. She was also honored at the 69th Annual Parsons Benefit and asked by Governor Cuomo's office to join the Steering Committee of the New York State Council on Women and Girls.

Open-door tours of the Tiny Factory. We have an open-door policy and are always pleased when industry representatives want to experience circularity firsthand at Renew and at our Tiny Factory in Irvington. This year, our guests included the New York State Chamber of Commerce, Textile Exchange and Niels Eskildsen, Chairman of the Danish Fashion Institute.

Designer partnership. In December 2017, streetwear designer Heron Preston did a weeklong apprenticeship in the Tiny Factory to learn about upcycling, circular design, supply chain innovation and how to apply general environmental consciousness to his operation.

Glasgow Caledonian University Fair Fashion Council.

We are part of this collaborative group of 35 CEOs who come together to prove the business case for sustainability by turning global issues into scalable business opportunities for change. Together, the CEOs represent 242 brands and about 11% of global fashion industry revenues.

Global Fashion Agenda. We signed the Global Fashion Agenda's 2020 Circular Fashion System Commitment, pledging to achieve the following by 2020 (with 2016 as our baseline):

- Increase the number of garments that have been remanufactured through EILEEN FISHER Renew by 50%.
- Increase the number of garments collected through our circular program by 20%.
- Increase the resale of used garments by 25%.
- Implement circular design principles to create a closed-loop product offering.
- Increase the volume of used garments recycled into textile fibers.

System-Wide Partnerships. In the course of our daily work, our teams partnered with B Corp, Business Action for Women, Canopy, Fashion Positive, Future-Fit, In Good Company, Organic Cotton Accelerator, Outdoor Industry Association Chemicals Management Working Group, Nest, Sustainable Apparel Coalition, Science Based Targets, Textile Exchange, American Sustainable

In the course of our daily work, we partnered with 27 like-minded organizations.

Successes, cont'd

Business Council, Business for Innovative Climate and Energy Policy, bluesign®, Brown and Wilmanns Environmental LLC, NativeEnergy, Planet Water, Leather Working Group, Global Fashion Agenda, Good World Solutions, Responsible Sourcing Network, Social Accountability International, Verité, Climate Ride, World Resources Institute and the Ellen MacArthur Foundation.

Challenges

Despite this long list, we struggle to collaborate when it comes to the production of our clothes. As a medium-sized company, we are often one of many clients at a factory or dyehouse and have less leverage than large brands to effect change. Forging connections at the supply chain level is a work in progress. Several of our initiatives—traceable leather, bluesign® approved chemistry and cashmere sourced from regenerative herders—can only be accomplished with multiple stakeholders and the support of like-minded brands, NGOs and academia.

Ownership & Compensation Disclosure

We are an employee-owned company with an Employee Stock Ownership Plan (ESOP). Eileen Fisher personally owns 59.5% of the company, and the rest of the ownership is held by the ESOP and 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. For 2017, the cash contribution amounted to \$1,100,000.

In addition to our ESOP and the traditional 401k retirement plan, the company distributes a large portion of our pre-tax profits back to our employees in the form of an annual year-end bonus. This bonus is distributed every December to all employees. All bonuses are paid on a sliding scale based on salary.

