



Kontoor Brands Sustainability Report: 2019



Wrangler | Lee



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DISCLAIMER:

The data in Kontoor Brands' inaugural sustainability report includes the 2019 calendar year. Kontoor Brands became a standalone, publicly traded company in May 2019, therefore, some of the data in this report may not reflect only Kontoor Brands operations.

This report was not prepared in accordance with GRI Standards. For questions about this report, please contact sustainability@kontoorbrands.com or visit our website at [KontoorBrands.com](https://www.kontoorbrands.com).

CEO Welcome



"Our aspiration is to be a sustainability leader – not just based on what we say, but most importantly on what we do. This is hard work. It's never-ending."

Kontoor Brands is a global lifestyle apparel company built on two of the world's most iconic consumer brands – *Wrangler*® and *Lee*®. And with that standing comes responsibility.

Now with our first full year as a standalone publicly traded company behind us, we are pleased to provide a foundational report on our sustainability progress and goals, along with our promise for a continued commitment to providing transparency on our efforts to create a more sustainable business for our Planet, Product and People.

At the outset, we acknowledge that while we've accomplished much in a short period, there is much more work to be done.

To guide us, Kontoor's approach to sustainable business activities is founded on our commitment to be a purposeful business.

Within that context, we've affirmed our commitment to doing business responsibly and sustainably – balancing financial success while striving to meet the needs of the communities we serve and the planet we share.

One of our core values is: *We Do the Right Thing*. We stand for each other, our consumers, customers, partners, shareholders and the planet. And, we earn the respect of others because we do what's right, even when it is hard.

To achieve this, we will invest in sustainable business practices, we will test, we will learn, and we will share our breakthroughs with others so that our discoveries can be replicated and improved upon.

Our aspiration is to be a sustainability leader – not just based on what we say, but most importantly on what we do. This is hard work. It's never-ending.

Through regular reporting, we expect that our words and actions will be aligned and that our work in collaboration with others is making a difference.

We look forward to starting this new journey. Together, we will make the world a better place.

Scott H. Baxter
President & Chief Executive Officer

About Kontoor Brands

Kontoor Brands is a global lifestyle apparel company, with a portfolio led by two of the world's most iconic consumer brands: *Wrangler*® and *Lee*®. We design, manufacture and distribute superior high-quality products that look good and fit right, giving people around the world the freedom and confidence to express themselves.

Kontoor Brands is a purpose-led organization focused on leveraging its global platform, strategic sourcing model and best-in-class supply chain to drive brand growth and deliver long-term value for its stakeholders.

More about our organization can be found in our inaugural [2019 Annual Report](#).

15K

Employees

10

Internal manufacturing facilities located in the Western Hemisphere

164M

Units of apparel and accessories produced or sourced in 2019





Living Our Purpose

Our purpose, mission and values serve as our north star, guiding us on a journey to make a positive impact on the world.

Purpose

Why we exist

We are the common thread that inspires people to live with passion and confidence.

Mission

What we do

We grow our iconic brands through innovation, design and sustainable performance to excite more and more consumers.

Values

We Are Kontoor

We are one team and we embrace our unique differences. We understand, challenge, believe in and learn from each other.

We Win Together

We have passion to win. We set ambitious goals, consistently deliver and celebrate our success. We are built on a foundation of trust that ignites our entrepreneurial spirit and shapes our future.

We Do The Right Thing

We stand for each other, our consumers, customers, partners, shareholders, community and planet. We earn the respect of others because we do what's right, even when it's hard.

Our Approach to Sustainability

Our sustainability approach is aligned with our company's focus on innovation, design and sustainable performance. It underscores our purpose to inspire people to live with passion and confidence. Through our three strategic pillars: Planet, Product and People, Kontoor Brands emphasizes protecting the environment, sourcing products and materials from companies that share our values, and operating with the highest standards of ethics and transparency.

Kontoor's Global Sustainable Business Team leads our enterprise-wide sustainability efforts, working closely with our stakeholder groups globally to ensure progress toward our goals.

Our Stakeholder Groups

- Communities
- Consumers
- Customers
- Employees
- Governments, Multilateral Organizations & Regulators
- International & Local Organizations/Nonprofits
- Suppliers & their Employees
- Shareholders & Investors
- Trade & Industry Associations

Building Stakeholder Engagement Globally

Kontoor Brands values the voices of our internal and external stakeholders. Through regular dialogue with our global group of diverse stakeholders, we can maximize our impact and better align our business to social and environmental needs. We engage these stakeholders through one-on-one meetings, expert forums, roundtable discussions, industry coalitions, surveys and inquiries, and formal partnerships.

Governance

Kontoor Brands believes good governance is integral to achieving our sustainability goals and driving shareholder value. Sustainability is an enterprise-wide commitment informed by and integrated into our strategic priorities.

We focus on Planet, Product, People – key areas that align with our business strategy and where we can have the greatest potential for impact. Our north star is our Purpose, Mission and Values, which guide the actions of our 15,000 global employees.

Sustainability Council

The Kontoor Brands Sustainability Council champions our company-wide commitment to sustainability performance and transparency. The Council, which consists of members from our Executive Leadership Team, our Global Sustainable Business Team and select working group leaders, meets bi-annually. The Council promotes and guides progress toward Kontoor Brands' Global Sustainability Goals and fosters the company's culture of sustainability.

Policies and Standards

As a leader within the apparel industry, Kontoor Brands takes sustainability and responsibility seriously. We are committed to sourcing products and materials from companies that share our values for human rights, ethics and environmental responsibility. Our [Policies and Standards](#) can be found at [KontoorBrands.com](#).

Enterprise Risk Management Council

Our Enterprise Risk Management Council is organized to identify, evaluate and manage risk topics and issues, in alignment with Kontoor Brands' business priorities. The Council meets regularly and provides leadership on strategy, financial, operational, compliance and reputational risk.

Materiality Assessment

Kontoor Brands' materiality assessment utilized The Global Reporting Initiative's Principles for Defining Report Content* to identify our material issues, represented in the list below. The assessment was primarily based on a combination of internal and external stakeholder perspectives on material issues and their level of significance and priority.

There were three steps in the materiality assessment process:

1. Material Issue Identification and Design

Material issues brainstorm & breakdown:

Kontoor's Global Sustainability Business Team discussed the landscape of salient material issues and the best organization of the issues into understandable groupings to present to stakeholders.

Literature review of issues:

External subject matter experts analyzed over 300 contextually relevant articles on material issues and sustainability governance to inform the identification and organization of the issues. Additionally, specific reporting frameworks such as GRI, THESIS Index and SASB were reviewed for relevant material issues.

GRI materiality process & matrix review:

Kontoor's Global Sustainability Business Team reviewed GRI's stated objectives, guidance and requirements while also evaluating dozens of material issue presentations by our industry peers, as well as those outside our industry.

2. Eliciting Stakeholder Feedback

Internal surveys & interviews:

Kontoor's Global Sustainability Business Team deployed an internal survey to the top eighteen leaders. This survey was followed up with one-on-one interviews to discuss individual responses on how Kontoor Brands business operations impact the world.

External stakeholders:

Kontoor's Global Sustainable Business Team collaborated with Polecat Reputational Services to define and customize the hierarchy of material issues. Utilizing this defined hierarchy, Polecat conducted a 180-day analysis on the most relevant online and social media conversations related to the impact that a global apparel company has on the world. Kontoor will supplement digital global stakeholder perspectives with ongoing one-on-one discussions.

3. Responding to Material Issues

Internal discussion on results:

Kontoor Brands senior leadership were presented with the materiality assessment's results during an in-depth briefing about the specific thirteen issues.

Developing goals & strategies:

With guidance from Kontoor Brands senior leadership, the materiality assessment directly influenced Kontoor's sustainability goal setting process.

*The Global Reporting Initiative's Principles for Defining Report Content

Materiality Assessment

The process identified and evaluated thirteen material issues that reflect our economic, environmental and social impacts.

- Agriculture
- Animal Welfare
- Biodiversity & Ecosystems
- Business Ethics
- Chemicals
- Community Engagement
- Corporate Governance
- Energy & Climate
- Equal Opportunity
- Human Rights
- Waste
- Water
- Worker Health & Safety



Our Strategic Pillars

In 2020, we announced our strategic pillars and sustainability goals to address the environmental and social impact of our operations, supply chain, products and people. We identified three areas in which we believe we can make a positive impact: **Planet, Product and People.**

Planet

Our longstanding commitment to environmental stewardship and compliance unites with a vision of a more sustainable world.

Product


















We strive to use sustainable suppliers, materials and operations for each of the millions of products we produce each year.

People

We are committed to being active and engaged members of the communities where we operate and to collaborating with our suppliers for safe, secure workplaces for every person in our supply chain.

Goals

In 2020, we announced our first global sustainability goals to measure and manage our progress. Additionally, we have aligned our goals with the relevant [United Nations Sustainable Development Goals](#).

Pillar	Topic	Goal	Select Examples of Progress*	Relevant SDG
PLANET	 Energy	Power 100 percent of owned and operated facilities with renewable energy by 2025	<ul style="list-style-type: none"> Sign up for renewable energy power purchase agreements Evaluate on-site and community-based generation projects 	 
	 Climate	Establish a science-based target by 2022	<ul style="list-style-type: none"> Sign up for renewable energy power purchase agreements Retrofit owned facilities with energy efficient lighting, motors and HVAC equipment Research and publish carbon sequestration values for regenerative agriculture 	
	 Water	Save 10 billion liters of water by 2025	<ul style="list-style-type: none"> Build and regularly upgrade advanced wastewater treatment for owned manufacturing Require suppliers to monitor wastewater treatment and remediate violations Collaborate in the commercialization of innovative dyeing processes under Indigood™ Foam Dyed Denim 	
PRODUCT	 Materials	Source 100 percent sustainable raw materials, including Forest-Derived and Animal-Derived Materials by 2023, Cotton by 2025 and Synthetics by 2030	<ul style="list-style-type: none"> Require suppliers to meet comprehensive sustainable material policies Support regenerative agriculture research and training for cotton producers Procure sustainable cotton through various sustainable management frameworks 	  
	 Chemistry	Use 100 percent preferred chemistry by 2023	<ul style="list-style-type: none"> Require supplier compliance with Restricted Substance List Use advanced chemical screening procedures Replace unwanted chemistry with preferred solutions 	
PEOPLE	 Worker Well-being	Work only with factories that support a worker well-being or community development program by 2025	<ul style="list-style-type: none"> Require supplier conformance to global compliance principles Require supplier facility audits and corrective action plans when necessary Collaborate with local NGOs to support worker well-being and community development projects 	   

*Select examples of activities that Kontoor Brands has already accomplished or will continue to do as a part of meeting our global sustainability goals.

Planet

Preserving and Protecting our Planet

Our brands have a long history of environmental stewardship and compliance, but we know there is more to do.

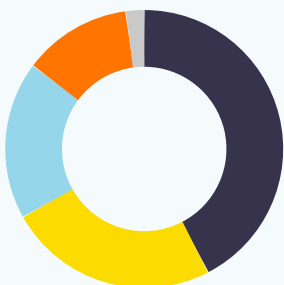
The world's resources are limited, and the climate crisis is impacting communities around the globe. We believe companies have a responsibility to use resources wisely, drive sustainable innovations, and preserve and protect the planet and communities where we work and live.



Our Energy Use

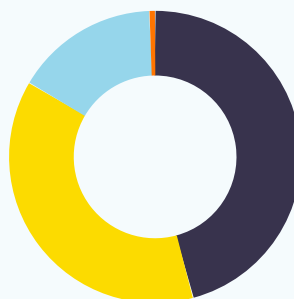
No corner of the world will be immune to the devastating consequences of the climate crisis. We have made it a priority to power our operations through clean, renewable energy sources.

Energy Consumption



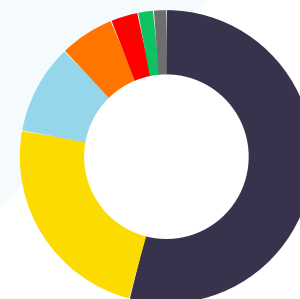
KTB Facility Type	Energy (MJ)
Manufacturing	227,177,461
Retail	131,238,333
Distribution Centers	98,437,180
Offices	67,780,619
Other	11,464,960

Electricity Consumption



Facility Owners	Energy (MJ)
Supplier Facilities Non-Renewable	595,351,885
KTB Facilities Non-Renewable	489,626,407
Supplier Facilities Renewable	8,216,466
KTB Facilities Renewable	206,833

Emissions



Supplier-Related	Emissions (MT CO2e)
Supplier Facilities (Tier 1)	372,818
Supplier Facilities (Tier 2)	368,480
KTB-Related	
Electricity	60,332
Natural Gas	2,198
Business Air Travel	1,633
LPG	85
Diesel	81



Power 100%
of owned and operated facilities
with renewable energy
by 2025

Establish
a science-based target
by 2022

Our Water Use

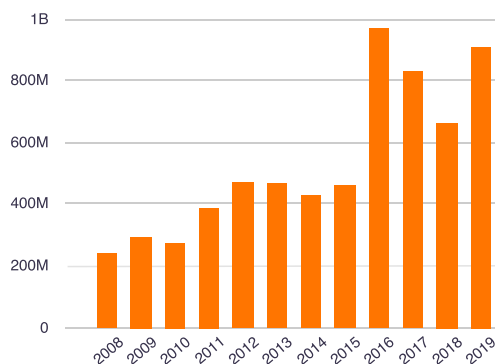
Water is vital to human life. It's our mission to strive to not only use water responsibly, but also to return it, clean, back into the communities that depend on it.



GOAL

Save 10 billion
liters of water by
2025

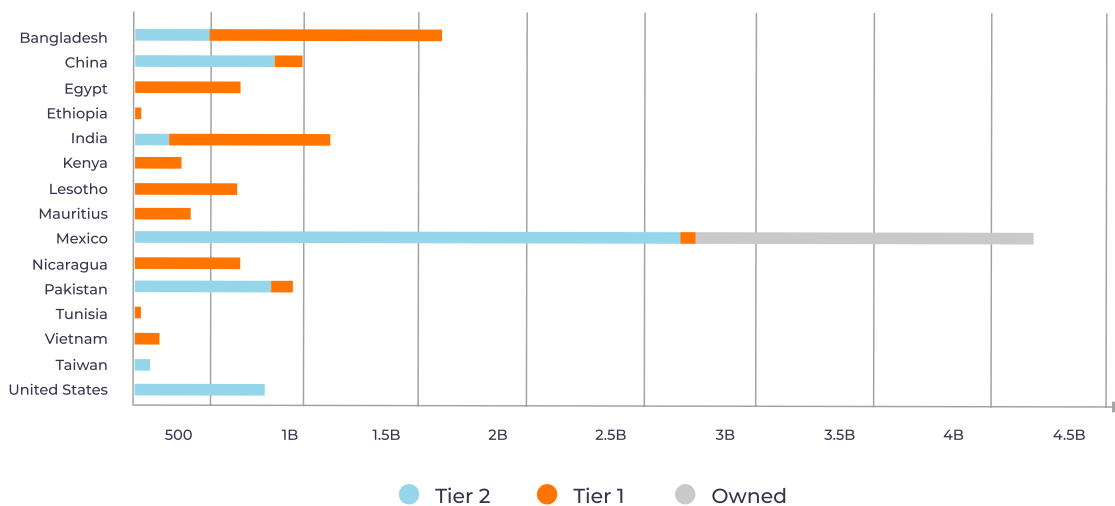
Water Savings Over Time
Total Liters (in Millions)



Owned Manufacturing
Average Water Efficiency

35
liters per pair

Water Consumption
by Supply Chain Tier



Our Waste

Overflowing landfills and depleted natural resources are caused by linear business models that generate waste. We are committed to reducing waste generation through prevention, reduction, recycling and reuse.

6
of Zero
Waste DCs

59%
Owned
Manufacturing
Diversion Rate

Waste Diversion Rates

Facility	Facility Type	2019 Diversion Rate
Hackleburg, Alabama	Distribution	99%
El Paso, Texas	Distribution	98%
Seminole, Florida	Distribution	100%
Luray, Virginia	Distribution	99%
Mocksville, North Carolina	Distribution	99%
Mexico City, Mexico	Distribution	99%
Torreon - Torreon Complex	Manufacturing	42%
Torreon- Coyote	Manufacturing	15%
Torreon - La Rosita	Manufacturing	26%
Torreon - San Pedro	Manufacturing	17%
Yucatan - Acanceh	Manufacturing	97%
Yucatan - Tekax	Manufacturing	53%
Yucatan - Izamal	Manufacturing	11%

Our Product

We produce millions of products each year globally. With this kind of scale, transparency and accountability are of utmost importance.

Kontoor Brands aims to source our materials and apparel in ways that are good for people and the planet. We are committed to sharing information about our suppliers, design process, innovative products, material sourcing, and preferred chemistry initiative.



Design and Innovation

Virtual Design

We put thoughtful care into designing every product with style, fit, quality and sustainability in mind. Using virtual design drastically reduces the environmental impact of product development.

Wrangler®
North America

50%

Lee®
North America

90%

Estimated Percentage of Products Designed Virtually

Innovation Product Spotlight



The Wrangler® Rooted Collection™:

Five farmers. Five States. Five 100% sustainable cotton jeans. The Wrangler Rooted Collection celebrates land stewardship and state pride in a limited, premium line of denim. Each piece was grown, milled, cut and sewn in the United States.

The Rooted Collection features five state-specific pairs of jeans: the Alabama Jean, the Georgia Jean, the North Carolina Jean, the Tennessee Jean and the Texas Jean. The sustainable cotton used for each state's jean is fully traceable to a family farm in that state. Each state's design includes a unique wash, as well as trim and patch details featuring the state's silhouette and other embellishments.



Indigood™ Foam Dye:

A revolutionary technique with no wastewater. Indigood™ Foam Dye entirely replaces the traditional water vats and chemical baths of conventional indigo dyeing, reducing by 100 percent the amount of water required to turn denim blue. The new process also reduces energy use and waste by more than 60 percent and results in no wastewater.

Our Materials

Our designers search the world to find the right materials for our apparel.

While our brands use a wide variety of materials for their products, we've identified four priority materials: cotton, synthetics, animal-derived, and forest-derived. Our goal is to source sustainably all four types by 2030.

Cotton: We plan to source 100% sustainable cotton by 2025. "Sustainable Cotton" is defined as traceable fiber with accompanying farm-level data, cotton grown under an approved management scheme or recycled cotton fiber.

Synthetics: We plan to source 100% sustainable synthetic fibers by 2030. We define "sustainable synthetics" as the use of recycled content, bio-based feedstocks, or additives to enhance biodegradability in polyester, nylon or spandex.

Forest-Derived Materials (FDM): Our FDM Policy will be in full affect by 2023. Forest-Derived Materials are considered sustainable when the content is 100% recycled, third-party certified or a combination of both.

Animal-Derived Materials (ADM): Our ADM Policy will be in full affect by 2023. "Animal-Derived Materials" are considered sustainable when the material comes from (a) an animal whose main purpose for slaughter was food production (e.g. leather as a byproduct from cow slaughter for beef), (b) humane extraction processes that don't necessitate animal slaughter (e.g. wool from sheep), (c) sources that that do not contain domesticated animals and (d) sources that that do not contain fur, exotic skins, or skins from vulnerable/endangered/threatened species extinct in the wild.

This year, due to the current state of our data infrastructure, we are unable to report absolute numbers of material content. We look forward to reporting on our materials goal as we develop our tracking systems.

Policies and Standards:

Read our sourcing policies and operation standards at [KontoorBrands.com](https://www.kontoorbrands.com).



GOAL

Source
100% sustainable
raw materials

Supplier Engagement

At Kontoor Brands, we own and operate world-class manufacturing sites and contract with hundreds of supplier factories to produce our products.

Our commitment to industry-leading manufacturing and sourcing is powered through our steadfast focus on Supplier Engagement, Factory Compliance and Product Safety.

Factory Compliance

To ensure social responsibility and environmental sustainability within our complex supply chain, we expect our contract supplier factories to comply with Kontoor Brands' [Terms of Engagement](#) and our [Global Compliance Principles](#), which are regularly audited by our internal and third-party auditors. These Principles are brought to life through our [Factory Facility Guidelines](#) and [Factory Audit Procedures](#). Our goal is for every supplier factory to operate with the same high standards as our owned manufacturing facilities.

Product Safety

Every day, consumers around the world have the opportunity to vote with their dollars by choosing which products they buy and where they buy them from. Producing safe apparel, whether through our owned manufacturing facilities or through third-party partners, is of the highest priority. Our teams utilize industry best practices, processes and controls to monitor the safety and quality of our products and are continually refining and improving our protocols every day.

Preferred Chemistry

From dyes to finishes, chemicals often play an essential role in building quality apparel. However, if not properly managed, the use of chemistry can contribute to negative environmental impacts and jeopardize worker safety.

Suppliers Screened
by CHEM-IQ

37

Chemicals Screened
by CHEM-IQ

430

View our Restricted Substance List on [KontoorBrands.com](https://www.kontoorbrands.com)



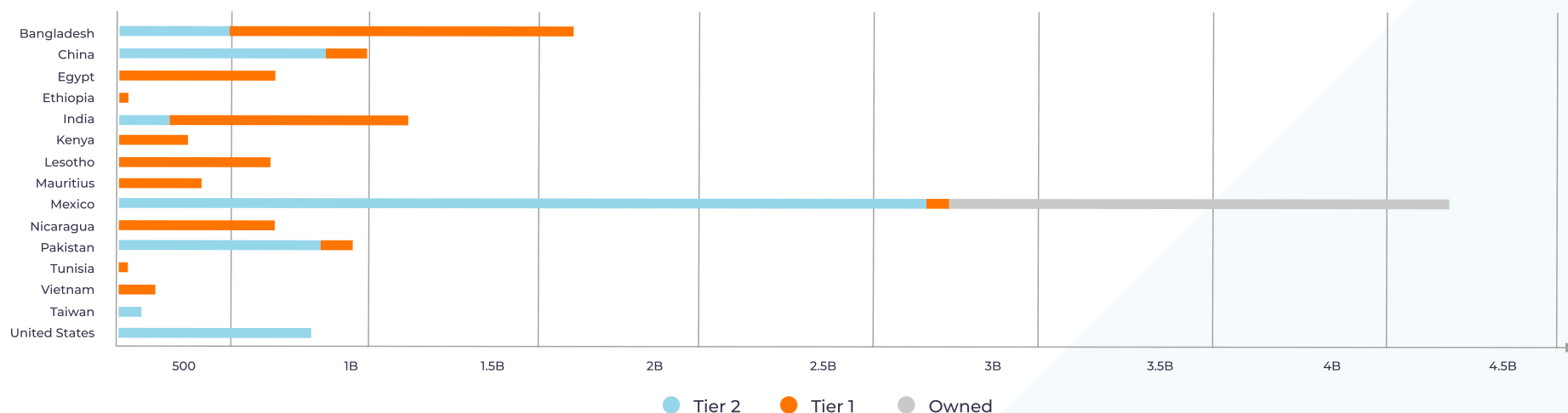
GOAL

Use 100%
preferred chemistry by
2025

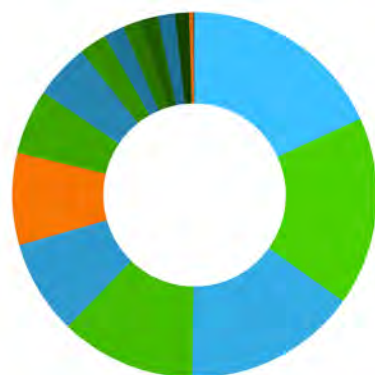
Supplier Environmental Impacts

We are committed to transparently reporting our environmental impacts. By 2023, we will only source from suppliers who complete the HIGG Facility Environmental Module (FEM). Below, we share our suppliers' energy and water use during the 2019 calendar year. This supplier list is updated as of December 2019 and may not reflect current suppliers.

Water Consumption by Supply Chain Tier



Energy Consumption by Supply Chain Tier



Tier & Type	Emission (MT CO2e)
Owned: Purchased Electricity	224,362,343
Owned: Natural Gas & related gasses	1,647,987
Owned: Diesel & Fuel Oils	1,647,987
Owned: Coal	<1
Owned: Hydroelectric & Thermal	<1
Owned: Purchased Steam & Chilled Water	<1
Owned: Solar Electric	<1
Owned: Wind Electric	<1
Owned: Biomass	<1
Tier 1: Natural Gas & related gasses	501,498,582
Tier 1: Biomass	331,987,820
Tier 1: Purchased Electricity	134,616,501
Tier 1: Diesel & Fuel Oils	49,390,913
Tier 1: Purchased Steam & Chilled Water	43,517,143

Tier & Type	Emission (MT CO2e)
Tier 1: Coal	41,267,663
Tier 1: Solar Electric	6,587,662
Tier 1: Hydroelectric & Thermal	423,217
Tier 1: Wind Electric	<1
Tier 2: Natural Gas & related gasses	2,288,432,668
Tier 2: Purchased Electricity	460,312,167
Tier 2: Coal	230,209,203
Tier 2: Biomass	67,970,578
Tier 2: Diesel & Fuel Oils	44,276,379
Tier 2: Purchased Steam & Chilled Water	34,611,747
Tier 2: Solar Electric	1,469,981
Tier 2: Wind Electric	158,823
Tier 2: Hydroelectric & Thermal	<1

People

Our global community of more than 15,000 employees fosters a culture of collaboration, performance and entrepreneurial spirit. For more than one hundred years, the *Wrangler*® and *Lee*® brands have built a reputation for humility, respect and a commitment to doing the right thing.

As Kontoor Brands, we take pride in our rich heritage and are excited for our future. Together, we are dedicated to creating quality apparel that is woven with care, style, and sensitivity to our planet and the people who help make our products.

With our workforce and operations in more than 65 countries, we embrace our differences and learn from the diverse experiences, passions and perspectives of our employees, communities, customers and consumers.



Inclusion & Diversity

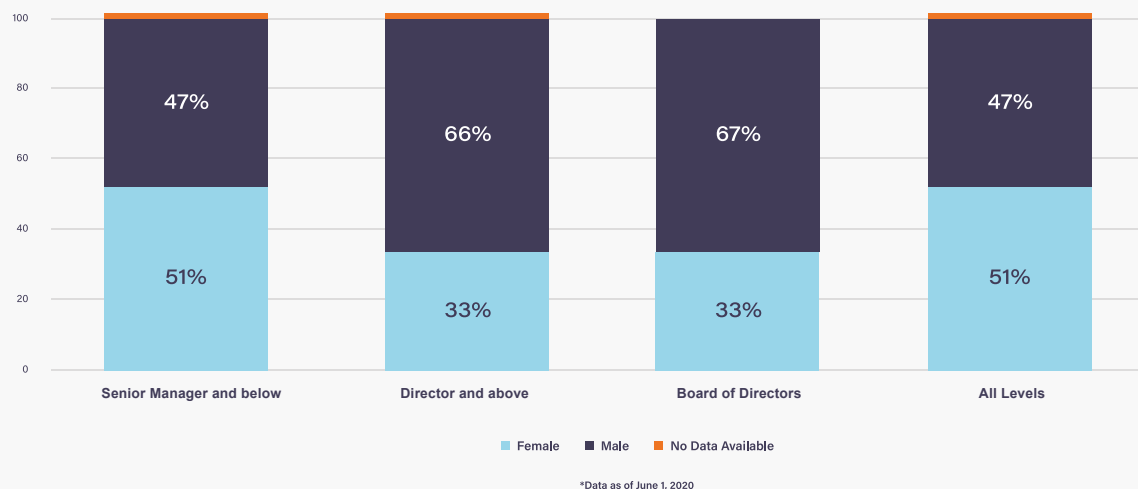
Inclusion & Diversity have been at the heart of our company and ingrained in our values since Kontoor was created. In 2020, we introduced our Inclusion & Diversity strategy and multi-year objectives. This will provide transparency with respect to our journey, establish measurable and visible objectives for the changes we seek to achieve, and put into motion detailed plans to get us where we need to be.

For more information on Kontoor Brands' Inclusion & Diversity strategy, please visit [KontoorBrands.com](https://www.kontoorbrands.com).

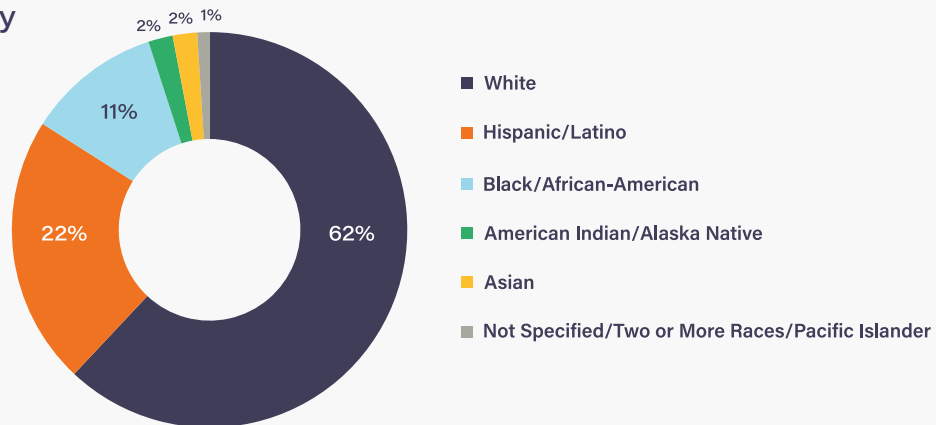
Demographic Data

Driving change starts with providing transparency in where we are in our Inclusion & Diversity journey today. We commit to sharing annual updates with our progress toward our strategic priorities and objectives.

Global Gender



Race & Ethnicity (U.S.)

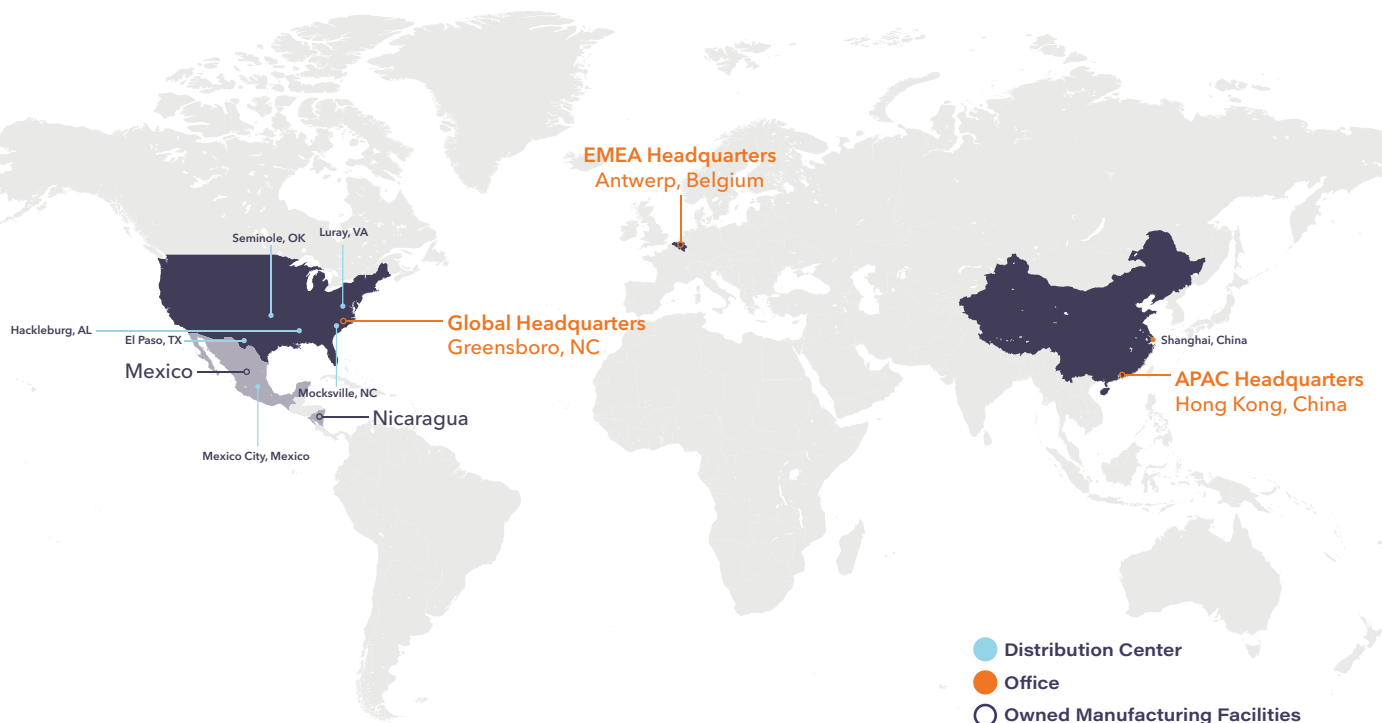


Our Communities

From our world headquarters in Greensboro, North Carolina, to the factory floors across the world, we're committed to being actively involved in the communities where our employees live, work and play. Living our values means giving back to the places where our employees, workers, and consumers live, paying fair wages and collaborating with our suppliers for safe, secure workplaces for every person in our supply chain.

Where We Work

Below are the core office locations, distribution centers and owned manufacturing facilities for Kontoor Brands.



Impact in Action Spotlight

Female Garment Workers Take Charge of Their Health with Support from Kontoor Brands and HERhealth™ Partnership

Prior to the COVID-19 pandemic, our Responsible Sourcing teams partnered with BSR's HERhealth™ project across Bangladeshi and Kenyan factory partners to increase healthcare knowledge, critical health services and products for women in factories that help produce products on behalf of Kontoor and its brands.

Kontoor and Wrangler® Make a Splash with Water Conservation Efforts

In celebration of the launch of Indigood™ Foam Dyed Denim and World Oceans Day, employees from across Kontoor volunteered in support of water conservation and protection. Employees at our EMEA headquarters in Belgium worked together to remove trash and debris from the Port of Antwerp. Employees at our World Headquarters in North Carolina removed more than 400 pounds of trash from a local waterway.

Read more examples of our impact in action on [KontoorBrands.com](https://www.kontoorbrands.com).



GOAL

Work only with factories that support a worker well-being or community development program by

2025

Appendix

Energy/ Climate

“Renewable energy” is defined as electricity that is generated from solar, wind, geothermal, small-scale hydro or tidal energy. Natural gas consumption and refrigerants are out of scope for this goal.

In addition to global facilities that are owned and operated, leased retail in North America and Europe are also included. Facilities associated with licensed products are exempt and open-air retail, “shop-in-shops,” are out of scope for this goal.

Science-Based Target will be submitted to the SBTi.

KTB’s future SBT includes both energy efficiency improvements and use of renewable energy.

Water

The scope of this goal includes water consumption used in natural fiber production, fabric production, and product finishing for Kontoor products globally, excluding licensee products.

Water conserved is tabulated annually, with a reported savings of 3B liters in 2016, an additional 5B liters in 2020, with a cumulative savings of 8B liters. With this goal, we plan to save at least 2B additional liters by 2025. The previously reported cumulative water savings are measured from a 2008 baseline from both absolute savings from 1) water recycling, which is measured in total liters recycled, and 2) water efficiency, which is measured in total liters avoided (through a normalized value of water use per pair). Future reporting associated with this goal will continue to use absolute savings from 1) water recycling and 2) water efficiency measures from a revised 2020 baseline.

Materials

Source 100% sustainable cotton by 2025

Sustainable Cotton” is defined as:

Traceable fiber with corresponding farm level-data that demonstrates positive environmental outcomes¹ over time that advance the principles of regenerative agriculture².

- KTB accepts sustainable cotton management frameworks and their certifications on a case-by-case basis. Currently, KTB recognizes cotton grown under one of the following programs: Organic, Better Cotton Initiative, BASF’s E3, Cotton REEL, and the U.S. Trust Protocol.
- KTB accepts recycled cotton from validated sources of postindustrial, and post-consumer recycled cotton.
- Alternative fibers based from biogenic sources aligned with regenerative agriculture, will be reviewed on a case-by-case basis (e.g. hemp, linen, flax, etc.).
- Must be in compliance with the social labor requirements outlined in our Cotton Fiber Sourcing policy.

Forest Derived Materials:

1. “Forest Derived Materials” are defined as products that are derived from wood including man-made cellulosic fiber (e.g. viscose), solid wood furniture and fixtures and pulp-derived products (e.g. paper, ticketing). Excludes licensee products.
2. Forest Derived Materials are considered sustainable when the content is:
 - a. 100% recycled
 - b. 100% 3rd party certified
(with a preference for FSC certification)
 - c. A combination of both
(e.g. 50% recycled content/50% FSC certified content)
 - d. Does not come from controversial feedstock sourced from Ancient and Endangered Forests

Animal Derived Materials:

1. “Animal Derived Materials” are defined as products derived from an animal for use in commercial products. Excludes licensee products.
2. Animal Derived Materials are considered sustainable when the material comes from:
 - a. An animal whose main purpose for slaughter was food production (e.g. leather as a byproduct from cow slaughter for beef)
 - b. Humane extraction processes that don’t necessitate animal slaughter (e.g. wool from sheep)
 - c. Sources that that do not contain domesticated animals
 - d. Sources that that do not contain fur, exotic skins, or skins from vulnerable/endangered/threatened species extinct in the wild

Chemistry

“Preferred chemistry” is defined as both process and product chemistry that reduces or eliminates the use or generation of hazardous substances. Excludes licensee products.

1. All suppliers review, sign and accept a Restricted Substances List.
2. Evaluate KTB’s strategic Tier 2 suppliers with an advanced CHEM-IQ testing process. Strategic suppliers constitute 90% or more of the product portfolio by weight.

Worker Well-being

This goal applies to both a worker well-being programs but also community development initiatives that improve a bigger geography of which the factory and workers are members.

Worker well-being programs and community development initiatives are not the same as complying with labor regulations but address local needs: Access to water and sanitation, adequate health and nutrition and accessible childcare and education.

KTB uses a decision matrix to determine the most relevant and needed service in a priority sourcing region and will not qualify a program or initiative that is not addressing a priority need. This is to ensure that the investments in programs and initiatives are focused on the most relevant and contextual need.

Qualifying programs or initiatives can either be managed by the factory under NGO supervision or managed by an NGO with factory participation. KTB provides an oversight and investment role.

Factories are defined as KTB’s Strategic Suppliers, both Tier 1 and Tier 2 are in scope and constitute 90% or more of the product portfolio by weight.

1. Positive Environmental Outcomes – meaningful (Yield improvements per acre/hectare, increased soil carbon (Organic Matter%), meaningful reduction in GHG intensity per KG lint (CO₂e per kg Lint), meaningful improved water quality (Edge of Field Ratings), or meaningful reduction in water consumption (liters pr KG lint) while otherwise farming in a sustainable manner.

2. Principles of Regenerative Agriculture mean farm practices that limit tillage, protect the soil, maintain living roots in soil, increase biodiversity, efficiently manage water, use integrated pest management, and rotate livestock when possible.



400 N. Elm Street / Greensboro, NC 27401 / Kontoorbrands.com