

# Second-Party Opinion

## VF Corporation Green Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the VF Corporation Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds - Sustainable Products & Materials, Sustainable Operations & Supply Chain and Natural Carbon Sinks - are aligned with recognized categories of the Green Bond Principles 2018, namely eco-efficient and/or circular economy adapted products, production technologies and processes, renewable energy, energy efficiency, green buildings, sustainable water, pollution prevention and control, and environmentally sustainable management of living natural resources and land use. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance key UN Sustainable Development Goals, particularly Goals 7, 9, 12, and 15.



**PROJECT EVALUATION / SELECTION** VF Corporation's Global Responsible Sourcing & Sustainability Team will evaluate and determine project eligibility and is responsible for recommending the allocation of proceeds to the VF Finance department. This is in line with market practice.



**MANAGEMENT OF PROCEEDS** The proceeds from the Green Bond issuances will be allocated and managed by VF Corporation's Finance department. The department will track the allocation of proceeds in accordance with its internal systems. Pending allocation, net proceeds may be temporarily invested and/or held in cash or other short-term and liquid instruments, used to repay other borrowings, or other general corporate purposes until full allocation. This is in line with market practice.



**REPORTING** VF Corporation has committed to providing allocation reporting, including disbursements towards Eligible Projects, and impact reporting, including relevant key performance indicators where feasible; reporting will be made available on VF Corporation's website on an annual basis until full allocation. The reports will also be accompanied by management assertion regarding the amounts or percentages allocated to each Eligible Category, and a report by an external auditor on the examination of such assertion. This is in line with market practice.

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## Introduction

Founded in 1899 and headquartered in Denver, Colorado, United States, VF Corporation (“VF”, or the “Company”) is an American apparel, footwear and accessories company that operates more than 30 brands in 170 countries across three product categories: Outdoor, Active and Work.

VF has developed the VF Corporation Green Bond Framework (the “Framework”) under which it intends to issue green bonds and use the proceeds to refinance and/or finance, in whole or in part, new, existing, and prior projects that aim to improve environmental performance throughout the Company’s activities and to mitigate the impacts of climate change. The Framework defines eligibility criteria in three areas that have been categorized as follows:

- 1) Sustainable Products & Materials
- 2) Sustainable Operations & Supply Chain
- 3) Natural Carbon Sinks

VF engaged Sustainalytics to review the VF Corporation Green Bond Framework, dated February 2020 and provide a second-party opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2018 (GBP).<sup>1</sup> This Framework is included as an Appendix to this opinion (see Appendix 1).

As part of this engagement, Sustainalytics held conversations with various members of VF’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of VF’s Green Bond Framework. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the VF Corporation Green Bond Framework and should be read in conjunction with that Framework.

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<sup>1</sup> The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the VF Corporation Green Bond Framework

#### Summary

Sustainalytics is of the opinion that the VF Corporation Green Bond Framework is credible and impactful, and aligns with the four core components of the GBP 2018. Sustainalytics highlights the following elements of VF's Green Bond Framework:

- Use of Proceeds:
  - The eligible categories: Sustainable Products & Materials, Sustainable Operations & Supply Chain and Natural Carbon Sinks are aligned with those recognized as impactful by the GBP 2018, namely eco-efficient and/or circular economy adapted products, production technologies and processes, renewable energy, energy efficiency, green buildings, sustainable water, pollution prevention and control, and environmentally sustainable management of living natural resources and land use.
    - VF's Sustainable Products & Materials category includes expenditures related to the use of sustainable materials, in both its products and packaging. VF intends to purchase fabric containing at least 50% recycled nylon and polyester, materials containing at least 80% recycled content paper and corrugate, and fabric in which the cotton content consists of organic-certified cotton or Better Cotton Initiative (BCI)<sup>2</sup>-verified cotton. Sustainalytics recognizes that the use of sustainable materials in products and packaging plays an essential role in enabling the retail industry to increase its resource efficiency and contribute to a circular economy, and specifically notes favourably that fabrics will be used in products, not packaging.
      - As a use of proceeds, the purchase of fabrics that contain at least 50% recycled nylon and/or polyester is aligned with VF's overall sustainability strategy and supports a transition to more sustainable practices in the textile industry. Sustainalytics is of the opinion that a shift to 100% recycled materials is the preferred long term outcome, and notes that although the Framework does not mandate this level of recycled content, the Company's recently-announced "New Vision for Sustainable Materials" is in line with this objective. Sustainalytics also notes that there are currently technological and supply chain barriers to fully eliminating the use of all virgin nylon and polyester, and that a resolution to these challenges is required to achieve a fully circular economy.
      - Sustainalytics views the 80% recycled-content threshold for purchases of paper and corrugate to be meaningful, while encouraging VF to increase this percentage over time with a long-term ambition of fully recycled products.
      - Sustainalytics views positively the purchasing of organic cotton.<sup>3</sup>
      - Sustainalytics notes that the procurement of BCI-certified cotton promotes sustainable practices, in particular by providing capacity building and support to farmers. The BCI Standard<sup>4</sup> addresses principles which capture material sustainability issues related to cotton, such as crop protection practices, water stewardship, and labour rights. Through its multi-stakeholder approach, BCI aims to drive positive overall outcomes across the industry; the organization has published data suggesting that, overall, cotton produced under the programme uses less pesticides and synthetic fertilizer (ranging

<sup>2</sup> Better Cotton Initiative: <https://bettercotton.org/> (see Appendix 2 for Sustainalytics' assessment of the BCI certification)

<sup>3</sup> Organic Cotton will be certified in compliance with applicable local organic cotton standards (see Appendix 2 for Sustainalytics' assessment of the USDA Organic certification).

<sup>4</sup> Better Cotton Initiative, Principles and Criteria: <https://bettercotton.org/better-cotton-standard-system/production-principles-and-criteria/>

from 5-40%) than comparable non-certified crops.<sup>5</sup> Nevertheless, Sustainalytics notes that BCI does not impose stringent minimum attainment requirements compared to other sustainability standards commonly used in the green bond market,<sup>6</sup> focusing instead on encouraging the attainment of improved performance over time. Sustainalytics also notes that BCI allows for the use of genetically modified organisms.<sup>7</sup> Notwithstanding these drawbacks, and noting the positive ambition of the BCI scheme, Sustainalytics does not consider the use of BCI as an eligibility criterion to detract from the credibility of the Framework.

- Sustainalytics views positively and considers the “pro rata” approach for the purchasing of blended fabric to be robust; funds will be allocated in line with the percent of cotton in the fabric, so long as all cotton in the blend consists of sustainable cotton as defined above.
  - VF may invest in technologies that contribute to the creation of more circular product designs, solutions for collection, recycling, capacity-building, and materials development. Sustainalytics recognizes the impact of reducing the environmental impact of discarded materials and giving products another life, and therefore views positively this use of proceeds. Refer to Section 2 for a summary of VF’s sustainability efforts on circular design.
- The Company’s Sustainable Operations & Supply Chain category considers new or existing investments in a variety of initiatives across the Company’s operations and supply chain. Sustainalytics notes the following:
  - Renewable energy investments may include both the installation of on-site technology for renewables<sup>8</sup> or energy storage, or the procurement of renewable energy.<sup>9</sup> VF’s procurement of electricity will be based on long-term (at least ten years) Power Purchase Agreements (PPAs) and Virtual Power Purchase Agreements<sup>10</sup>, which Sustainalytics considers to be market practice.
  - VF may invest in a variety of specific technologies that provide increased energy efficiency, including, variable speed drives, energy-efficient HVAC and lighting systems, and motion detector conveyor systems. Sustainalytics views positively the upgrade of industrial equipment to become more energy efficient.
  - VF’s investment in sustainable buildings will include the construction of new buildings, including corporate offices and distribution centers, as well as renovations for existing buildings. The Framework specifies that buildings with LEED (Platinum and Gold) and BREEAM (Very Good and above)<sup>11</sup> certification shall be considered eligible; these standards are considered to be credible and robust (see Appendix 3 for Sustainalytics’ detailed assessment). Sustainalytics also notes positively the inclusion of a requirement of at least 30% in energy savings for all renovations of existing buildings, which is viewed to be in line with market practice.

<sup>5</sup> Better Cotton Initiative, Farmer Results, 2017-2018 season: [https://bettercotton.org/wp-content/uploads/2019/10/BCI-Farmer-Results\\_2017-18\\_Combined.pdf](https://bettercotton.org/wp-content/uploads/2019/10/BCI-Farmer-Results_2017-18_Combined.pdf)

<sup>6</sup> For example, in relation to pesticide use, BCI’s criteria requires only adherence to national regulations along with commitments to continuous improvement such as phase-outs of certain hazardous chemicals, and in relation to water the standard prohibits practices with severe negative environmental impact such as flood irrigation while not imposing quantitative water efficiency targets.

<sup>7</sup> The use of GMO crops is widespread within the cotton sector. Proponents note that higher yields can be attained, while other observers cite the potential dependency imposed upon farmers and the impacts on biodiversity. BCI has “adopted a position of being ‘technology neutral’ with respect to GM cotton”. See: <https://bettercotton.org/about-bci/frequently-asked-questions/>

<sup>8</sup> On-site renewable energy technologies may include solar photovoltaic, solar thermal, or energy storage on or adjacent to VF’s owned and/or leased properties and facilities across the supply chain.

<sup>9</sup> VF relies on RE100’s definition of renewable energy, which “considers the electricity generated from biomass (including biogas), geothermal, solar, water and wind as renewable energy sources”. Sustainalytics notes that best practice in the green bond market is to ensure that biomass, geothermal, and hydroelectric energy have lifecycle emissions below 100gCO<sub>2</sub>/kWh.

<sup>10</sup> A virtual PPA is a contractual arrangement between a generator and an energy buyer in which the renewable power is not “physically” delivered to the off-taker.

<sup>11</sup> Sustainalytics recognizes the overall positive environmental impacts of the levels of certification specified in the Framework, while noting that BREEAM Very Good may span a wide range of energy performances.

- Sustainalytics recognizes the environmental impact of diverting waste from landfills, and views positively VF's intention to achieve zero-waste status<sup>12</sup> for all its distribution centers.
  - VF may allocate proceeds to upgrading the wastewater quality across its supply chain. To determine eligibility, VF applies a Global Wastewater Policy which exceeds local laws in countries where VF does production and further ensures that all projects are in alignment with the Business for Social Responsibility (BSR) wastewater standards,<sup>13</sup> which aim to ensure responsible water use that meet or exceed local regulatory requirements. In all cases, VF will adhere to either legal requirements or its global policy, whichever is strictest. Sustainalytics views positively this investment area, and notes favourably the use of a global standard to supplement local requirements which may, in some jurisdictions, not guarantee safe water use.
- The Natural Carbon Sinks category considers expenditures related to enabling natural sources of carbon capture, including reforestation conservation projects, and investments in regenerative farming, grazing and ranching practices.
  - Sustainalytics views positively forest conservation initiatives.
  - VF has communicated to Sustainalytics that project assessment for investments in regenerative management practices will include consideration of the quantification of CO<sub>2</sub> mitigation under the Science-Based Targets framework, the materiality of the impact, and the scalability of the projects, as well as the credibility of partners. Sustainalytics recognizes the positive impacts of natural carbon capture through agricultural management, while also noting the potential net-negative environmental impacts of certain crops and livestock husbandry. Refer to Section 2 for a summary of VF's Science-Based Targets.
- Project Evaluation and Selection:
  - Representatives from the VF Global Responsible Sourcing & Sustainability Team will evaluate and determine project eligibility and will provide project descriptions and a recommendation on an allocation of proceeds to the VF Finance department. The Global Responsible Sourcing & Sustainability Team will provide final approval for all projects.
  - Based on the clear definition of responsibility for evaluation, Sustainalytics considers this to be in line with market practice.
- Management of Proceeds:
  - The proceeds from the Green Bond issuances will be allocated and managed by the VF Finance department. The department will track the allocation of proceeds in accordance with its internal systems. Pending allocation, net proceeds may be temporarily invested and/or held in cash or other short-term and liquid instruments, used to repay other borrowings, or other general corporate purposes until full allocation.
  - Based on the use of formal internal systems, as well as the disclosure of temporary investments, this is in line with market practice.
- Reporting:
  - VF has committed to making allocation and impact reporting available on its website on an annual basis, starting one year after issuance, until full allocation.
  - Allocation reporting will include the amount directed to Eligible Projects as well as, subject to any confidentiality considerations, additional descriptions of selected projects funded by Green Bond proceeds. The reports will also be accompanied by management assertion including the amounts or percentages allocated to each Eligible Project Category, and a report by an external auditor on the examination of such assertion.
  - Impact reporting will include, where feasible, relevant Key Performance Indicators (KPIs) in aggregate for each of the Green Bond Project categories. Sustainalytics highlights in particular the Framework has specified potential quantitative metrics relevant to each eligible category.
  - Sustainalytics considers this process to be in line with market practice.

<sup>12</sup> Defined as sites that divert 95% or more of their waste away from disposal through recycling, composting and reuse.

<sup>13</sup> BSR, Sustainable Water Group, Water Quality Guidelines: [https://www.bsr.org/reports/awqwg/BSR\\_AWQWG\\_Guidelines-Testing-Standards.pdf](https://www.bsr.org/reports/awqwg/BSR_AWQWG_Guidelines-Testing-Standards.pdf)

### Alignment with Green Bond Principles 2018

Sustainalytics has determined that the VF Corporation Green Bond Framework aligns to the four core components of the GBP 2018. For detailed information please refer to Appendix 4: Green Bond/Green Bond Programme External Review Form.

## Section 2: Sustainability Performance of VF Corporation

### Contribution of framework to VF Corporation's sustainability strategy

Sustainalytics is of the opinion that VF demonstrates a strong commitment to sustainability, as defined by its "Made for Change" strategy which draws on comprehensive reporting. VF's commitment to "creating value by making change happen" has been captured in its 2018 Sustainability & Responsibility Report,<sup>14</sup> which reports on targets and performance to date within the following three key pillars: (i) Circular Business, (ii) Scale for Good and (iii) Movement Makers.

The first pillar, 'Circular Business', focuses on three key areas: Circular Business Models, Second Life and Circular Design, and includes the following goals and progress indicators:

- The Company aims to lead the large-scale commercialization of circular business models through brand-led re-commerce and rental initiatives by 2030. The Company has since launched re-commerce initiatives such as 'The North Face Renewed' as well as rental pilots to provide high-quality camping gear.
- VF aims to increase takeback collection at Timberland and The North Face brand stores in Europe by ten percent by 2020. Since 2016, the Company has diverted approximately 14 tons of clothing from landfill in Europe alone since, and over 47 tons in 2018 worldwide. In 2018, the Company met its 2020 European target in just one year through an increase of 44% in the collection of clothing compared to the 2017 baseline.
- VF intends to train all European designers on circular design principles by 2020.<sup>15</sup> When designing for circularities, VF considers three fundamental philosophies: design products with recycled materials; design products to be repurposed and repaired; and design products to be recycled.

The second pillar, 'Scale for Good' includes reporting on goals within the following categories: Environment; Key Materials & Products and Responsible Sourcing & Worker Well-being:

- The Company's overarching key environmental goals are to a) halve its upstream environmental impact farm-to-front door and maintain carbon neutrality by 2050 as a signatory to the United Nations' Fashion Industry Charter on Climate Change, b) announce science-based climate change goals by 2019, c) ensure one-hundred percent renewable energy in owned-and-operated facilities by 2025 and d) ensure that all new major VF buildings meet U.S. Green Building Council's LEED certifications. The Company also set a goal for all 31 of its operated distribution centers to achieve zero-waste by 2020.
- The Company's key material goals are to: a) reduce the average impact of its key materials by 35% by 2025, b) 100% of all footwear leather will be finished in Leather Working Group certified tanneries by 2021, c) 50% of nylon and polyester will come from recycled materials by 2021, d) 100% PFC-free outdoor apparel by 2025, e) 100% Responsible Down Standard by 2019 and f) ensure that all cotton purchased by VF that is not from the U.S. or Australia is grown under a cotton growing sustainability scheme by 2025. In alignment with the Science-Based Targets, VF recently announced another goal: by 2030, VF commits that 100% of its top nine materials, accounting for approximately 90% of its materials-related carbon emissions, will originate from regenerative, responsibly sourced renewable, or recycled sources.
  - In 2018, VF sourced 83% of its cotton from sustainably grown cotton, while 11% of nylon and polyester was from recycled sources. In addition, 99% of footwear leather was finished in Leather Working Group Silver-or Gold-rated tanneries, and 34% of outdoor apparel was PFC-free. Lastly, 100% of down was RDS-certified in 2018, and North Face intends to introduce recycled down into its product lines in 2019.

<sup>14</sup> VF Corporation, We are Made for Change, Sustainability & Responsibility Report 2018:

<https://d1io3yog0oux5.cloudfront.net/vfc/files/documents/Sustainability/Resources/VF+2018+Made+for+Change+report+low+res.pdf>

<sup>15</sup> Global Fashion Agenda: <https://globalfashionagenda.com/>

- The Company's key worker well-being goals are to a) improve the lives of one million workers by 2025 and two million by 2030 and b) commit to achieving zero loss of life or harm to health as a result of its operations.
  - In 2018, 48% of VFs global supply chain factory workers received fire safety & evacuation training, and 210 of 259 inspected factories completed all health and safety audit remediations of cut and sew facilities. In total, VF reached 156,679 workers through its employee programs in 2017 and 2018.

The third pillar, 'Movement Markers' encourages its employees and consumers to create positive impact and live more sustainable lifestyles through three focus areas; Impactful Work; Impactful Brands and Impactful Interventions.

Sustainalytics is of the opinion that the VF Corporation Green Bond Framework is aligned with the Company's overall sustainability strategy and initiatives and will further the Company's action on its key environmental priorities.

### Well positioned to address common environmental and social risks associated with the projects

The use of proceeds from bonds issued under the Framework will be directed towards eligible projects that are recognized by the Green Bond Principles 2018 to have positive environmental impacts. Nevertheless, Sustainalytics is aware that, like any industrial activity, such eligible projects could also contribute to potential negative environmental and social outcomes. Some key environmental and social risks include those related to occupational health and safety, supply chain management, material procurement, waste management and land use and biodiversity issues associated with large-scale infrastructure development.

Sustainalytics is of the opinion that VF has procedures and policies that will help mitigate such risks, including:

- The Company has implemented several policies to mandate ethical behavior across its supply chain. These include: Animal Derived Materials, Conflict Materials, Cotton Fiber Sourcing, Forest Derived Materials, Restricted Substance List, Non-Retaliation Policy, Open Door Policy, Respectful Workplace Policy and North Korean Labor Prohibition.<sup>16</sup> VF also manages exposure to supply chain risk through a series of standards including its, Code of Business Conduct, VF Terms of Engagement, Global Compliance Principles, Factory Guidelines, Factory Audit Procedures, Green Buildings, Wastewater Standards and Modern Slavery Act Disclosure.<sup>17</sup> Sustainalytics has reviewed these policies and commitments and considers them to address relevant material issues.
- VF has created the CHEM-IQ<sup>SM</sup> program in order to help identify and eliminate potentially harmful and banned chemicals before they can enter VF's supply chain during the manufacturing process.<sup>18</sup>
- In 2018, VF audited 95% of the facilities of its contracted factories and used the results to designate factories as either: Rejected; Pending Rejection; Developmental; or Accepted. The factories were then provided with a corrective action plan (CAP), whereby continued and increased engagement with suppliers is based on their performance designation and improvement over time. VF's Sustainable Operations Team is responsible for working with suppliers to build factory capacity through trainings.<sup>19</sup> Sustainalytics views this ongoing compliance monitoring as a key risk mitigation measure in the garment industry.
- VF operates a global Anti-Corruption Program, promoting compliance with anti-corruption laws and providing guidance for practices in various areas, including: leadership engagement; oversight, autonomy and resources; setting clear policies and procedures; training, communication and advice; reporting and investigation procedures; and periodic monitoring, auditing and assessment of its anti-corruption efforts. In addition, every employee receives training on VF's Code of Conduct.<sup>20</sup>
- VF engages stakeholders regularly in order to identify business risks and expectations, and in 2017 conducted a thorough stakeholder engagement review and materiality assessment. VF used the

<sup>16</sup> VF Corporation, We are Made for Change, Sustainability & Responsibility Report 2018:

<https://d1io3yog0oux5.cloudfront.net/vfc/files/documents/Sustainability/Resources/VF+2018+Made+for+Change+report+low+res.pdf>

<sup>17</sup> VF Corporation, We are Made for Change, Sustainability & Responsibility Report 2018:

<https://d1io3yog0oux5.cloudfront.net/vfc/files/documents/Sustainability/Resources/VF+2018+Made+for+Change+report+low+res.pdf>

<sup>18</sup> VF Corporation, CHEM-IQSM, Chemical Screening Method:

<https://s3.amazonaws.com/content.stockpr.com/vfcsustainability/files/pages/resources/policies-standards/VF+CHEM-IQ+Method.pdf>

<sup>19</sup> VF Corporation, We are Made for Change, Sustainability & Responsibility Report 2018:

<https://d1io3yog0oux5.cloudfront.net/vfc/files/documents/Sustainability/Resources/VF+2018+Made+for+Change+report+low+res.pdf>

<sup>20</sup> VF Corporation, We are Made for Change, Sustainability & Responsibility Report 2018:

<https://d1io3yog0oux5.cloudfront.net/vfc/files/documents/Sustainability/Resources/VF+2018+Made+for+Change+report+low+res.pdf>

results from the materiality assessment to identify the key environmental priorities within its 2018 Sustainability & Responsibility Report 2018.<sup>21</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that VF has implemented sufficient measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

Sustainalytics has focused below on areas where the impact is specifically relevant in the industry's context.

#### The impact of eco-efficient products and materials in the apparel industry

According to the World Bank, global clothing consumption doubled from around 50 billion units of clothing sales in 2000 to over 100 billion units in 2015.<sup>22</sup> Such demand and growth has translated to increased pressure on natural resources, with studies stating that on an annual basis, the apparel industry consumes approximately 93 billion cubic meters of water<sup>23</sup> and accounts for approximately 20% of industrial water pollution globally<sup>24</sup> - roughly enough to meet the consumption needs of five million people. In 2019, it was reported to be the second largest-polluting sector in the world, responsible for approximately 10% of annual global carbon emissions; a figure that is expected to increase by more than 50% by 2030.<sup>25</sup> Studies show that nearly 100% of textiles and clothing are recyclable and that extending the average life of clothing by just three months would result in a reduction in carbon and water footprints, as well as waste generation by 5-10%.<sup>26</sup>

Heightened eco-awareness and shifting perspectives towards "fast-fashion" have led to consumers demanding greater transparency regarding materials used in the apparel industry, include footwear and equipment, as well as the afterlife of discarded garments. This has spurred industry leaders to reconsider business as usual operations and introduce new practices, such as the procurement of recycled and sustainably certified materials in supply chains and designing circular products and systems in order to extend the life of goods. Since 2018, VF has publicly committed to leading the commercialization of such circular business models through a number of key initiatives including clothing and equipment rental programs which seek to reduce the number of discarded garments, as well as circular design which focuses on designing products with recycled materials, and ensuring that they can be repurposed, repaired and recycled in the future. As a signatory to the Global Fashion Agenda, the Company is committed to providing its designers and product developers with circularity design training, ensuring that circularity begins at the ideation phase in a way that will enable materials to be recovered and repurposed at the end of its product life cycle.

Given the above, Sustainalytics is of the opinion that the use of proceeds in this category will yield significant environmental benefits and that VF is uniquely positioned to tackle sustainability issues as they pertain to the life cycle treatment of apparel goods.

#### The importance of energy efficiency and renewable energy in the textile industry

The textile industry is one of the most energy consumptive industries in the world, traditionally relying heavily on thermal energy sources.<sup>27</sup> As part of its commitment to reducing its own carbon footprint, VF is transitioning to renewable energy across its operations and is investing in energy efficient equipment in its owned-and-operated facilities as well as in its supply chain facilities. With approximately 19 factories, 31 distribution centers, 1,551 retail stores and 173 offices across 47 countries, VF's built environment accounted for approximately 82% of its Scope 1 & 2 emissions in 2018.<sup>28</sup> The Company has since deployed an enterprise

<sup>21</sup> VF Corporation, We are Made for Change, Sustainability & Responsibility Report 2018:

<https://d1io3yog0oux5.cloudfront.net/vfc/files/documents/Sustainability/Resources/VF+2018+Made+for+Change+report+low+res.pdf>

<sup>22</sup> The World Bank, Euromonitor international apparel and footwear 2016 edition (volume sales trends 2005-2015): <https://www.intechopen.com/online-first/sustainability-initiatives-in-the-fashion-industry#F1>

<sup>23</sup> The World Bank, 'How Much Do Our Wardrobes Cost to the Environment?': <https://www.worldbank.org/en/news/feature/2019/09/23/costo-moda-medio-ambiente>

<sup>24</sup> The World Bank, 'How Much Do Our Wardrobes Cost to the Environment?': <https://www.worldbank.org/en/news/feature/2019/09/23/costo-moda-medio-ambiente>

<sup>25</sup> The World Bank, 'How Much Do Our Wardrobes Cost to the Environment?': <https://www.worldbank.org/en/news/feature/2019/09/23/costo-moda-medio-ambiente>

<sup>26</sup> Small Business, Textile and Garment Recycling Facts and Figures: <https://www.thebalancesmb.com/textile-recycling-facts-and-figures-2878122>

<sup>27</sup> Energy conservation in textile industries & savings: <https://www.fibre2fashion.com/industry-article/3377/energy-conservation-in-textile-industries-savings>

<sup>28</sup> VF Corporation, We are Made for Change, Sustainability & Responsibility Report 2018:

<https://d1io3yog0oux5.cloudfront.net/vfc/files/documents/Sustainability/Resources/VF+2018+Made+for+Change+report+low+res.pdf>



wide approach to greening its buildings under a Green Building Policy and the VF Green Building Standards.<sup>29</sup> The policy requires that all major buildings meet U.S. Green Building Council's LEED certification while the standards apply to all new buildings or sites undergoing a major renovation, with mandated minimum certification requirements depending on whether the building is at the headquarters, a distribution center or an owned manufacturing site. VF also intends to design retail stores using sustainability criteria informed by LEED and BREEAM retail guidance, where feasible. In order to reduce its Scope 1 & 2 emissions, the Company is also using increased amounts of renewable energy and has set the goal of one-hundred percent renewable energy in owned-and-operated facilities. The Company also recognizes the energy-intensive nature of its supply chain facilities, and as such, works closely with suppliers to reduce their impact. Some of these initiatives include, Partnership for Cleaner Textiles (PaCT) in Bangladesh, the International Finance Corporation (IFC) in Vietnam and NRDC's Clean by Design in China.<sup>30</sup> VF is also working to divert waste from landfill through composting, recycling and reuse in its owned-and-operated facilities and has set a goal for all 31 of its operated distribution centers to achieve zero-waste by 2020.

Considering the outlined commitments and initiatives, Sustainalytics is of the opinion that the use of proceeds issued under this bond will create multiple environmental benefits, including a reduction in the Company's operational footprint, increase in renewable energy demand, as well as a reduction in waste.

### The impact of investing in natural carbon sinks

In recent years, studies have shown that the promotion of natural carbon sinks, such as forests, can play a key role in reducing the net releases of greenhouse gases.<sup>31</sup> In order to limit this phenomenon and reduce its own CO<sub>2</sub> and other emissions, VF is exploring new agricultural methods towards removing carbon from the atmosphere and storing it within soil in the form of natural carbon sinks. Examples of such projects include reforestation conservation projects as well as regenerative farming, grazing and ranching practices. VF's focus on reforestation and conservation is of particular import, as in the absence of adequate preservation and restoration efforts, forests can emit more carbon dioxide than they absorb, making them net contributors to greenhouse gas emissions.<sup>32</sup> These projects provide the opportunity for potential carbon-positive materials in the future. One of VF's current projects is the Timberland brand's tree-planting initiative that sequesters carbon from the atmosphere. Between 2000-2018, Timberland planted 10.2m trees, achieving their 2020 goal two years ahead of schedule. Since meeting its 2018 goal, the brand has started working towards scaling up investments in tree planting in 2019. In alignment with VF's sustainability strategy, and its subsidiaries' current efforts, Sustainalytics believes that the use of proceeds in this category will contribute to reducing GHG emissions and enhancing the Company's overall carbon sequestration efforts.

### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This green bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Sustainable Products & Materials	12. Responsible Consumption and Production	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment. 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.
Sustainable Operations & Supply Chain	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.

<sup>29</sup> VF Corporation, We are Made for Change, Sustainability & Responsibility Report 2018: <https://d1io3yog0oux5.cloudfront.net/vfc/files/documents/Sustainability/Resources/VF+2018+Made+for+Change+report+low+res.pdf>

<sup>30</sup> VF Corporation, We are Made for Change, Sustainability & Responsibility Report 2018: <https://d1io3yog0oux5.cloudfront.net/vfc/files/documents/Sustainability/Resources/VF+2018+Made+for+Change+report+low+res.pdf>

<sup>31</sup> Ecosphere, The Science of Climate Change: <https://ecosphere.plus/the-science-of-climate-change/>

<sup>32</sup> United Nations Economic Commission for Europe, Carbon Sinks and Sequestration: <https://www.unece.org/forests/outlook/carboninks.html>

	9. Industry, Innovation and Infrastructure	<p>9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.</p> <p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p> <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</p>
	12. Responsible Consumption and Production	
Natural Carbon Sinks	15. Life on Land	<p>15.1 By 2020, ensure conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.</p>

## Conclusion

VF Corporation has developed the VF Corporation Green Bond Framework under which it will issue green bonds and use the proceeds to finance and/or refinance projects in the areas of Sustainable Products & Materials, Sustainable Operations & Supply Chain and Natural Carbon Sinks. Sustainalytics highlights in particular that though the diversity of the projects financed VF aims to address the environmental impacts across its supply chain, including sourcing, manufacturing, and end-of-life.

The VF Corporation Green Bond Framework outlines a process by which use of proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Sustainalytics is of the opinion that VF has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds. Sustainalytics further believes that the VF Corporation Green Bond Framework is aligned with the overall sustainability strategy of the company and that the outlined categories will contribute to the advancement of the UN Sustainable Development Goals 7, 9, 12 and 15.

Based on the above, Sustainalytics is confident that VF Corporation is well-positioned to issue green bonds and that the VF Corporation Green Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018.

## Appendices

### Appendix 1: VF Corporation Green Bond Framework

#### VF Corporation Green Bond Framework

For potential future Green Bonds that VF may issue pursuant to this Framework, the following guidelines have been created that follow the four core components of the Green Bond Principles 2018. With any future issuance of Green Bonds, the Company will aim to support projects that seek to promote environmental sustainability across its value chain, from the sourcing of raw materials through the manufacturing, transportation, and marketing of its consumer products.

#### 3.1 Use of Proceeds

An amount equivalent to the net proceeds from future Green Bonds issued pursuant to this Framework will be allocated towards Eligible Projects, which will include new, existing, and prior investments, made by VF during the period from three years prior to the date of issuance of any such Green Bonds, through the maturity date of such Green Bonds.

In order to be eligible for allocation towards the Green Bond net proceeds amount, any project must fall in the respective categories outlined below. In addition, each category of Eligible Projects has been identified as aligning with the applicable SDGs.

#### Category 1: Sustainable Products & Materials

- i. **Investments or expenditures on identifying and/or developing innovative and more sustainable materials and/or sustainable packaging solutions, such as:**
  - a. **Purchases, directly or via our intermediary suppliers and product vendors, of fabric containing at least 50% recycled-content Nylon and Polyester for use in our products;**
  - b. **Purchases, directly or via our intermediary suppliers and product vendors, of materials containing at least 80% recycled-content Paper and Corrugate for use in our products and packaging;**
  - c. **Purchases, directly or via our intermediary suppliers and product vendors, of fabric in which the cotton content consists of organic-certified<sup>33</sup> cotton or Better Cotton Initiative (BCI)-verified<sup>34</sup> cotton for use in our products, based on a pro-rata allocation to the percent cotton in the fabric;**
  - d. **Investments in packaging reduction or elimination initiatives; and**
  - e. **Innovation expenditures and other investments that directly contribute to building the systems to create more circular product designs, such as:**
    - i. **Investments in chemical or mechanical recycling technologies, particularly those that can process blended fabrics and/or those that can separate and process trims and hardware;**
    - ii. **Investments in collection mechanisms to channel discarded products and materials into the proper recycling streams;**
    - iii. **Investments in training and capacity building for product designers and developers to create closed-loop products; and**
    - iv. **Research and development in materials innovation to enable closed-loop products**

<sup>33</sup> VF obtains certification for each bale in compliance with the applicable local organic cotton standards, to ensure cotton is non-genetically modified organism (GMO) and does not contain synthetic chemicals.

<sup>34</sup> <https://bettercotton.org/>

**Green Bond Principles Category:** *Eco-Efficient and/or Circular Economy Adapted Products, Production Technologies and Processes*

**UN SDG Alignment:** *SDG 12 – Responsible Consumption and Production*

**Category 2: Sustainable Operations & Supply Chain**

- i. **Investments in, or expenditures on the acquisition, development, construction and/or installation of, renewable energy production units or energy storage units, such as:**
  - a. **Solar photovoltaic, thermal or other renewable energy or energy storage technology installations, including those on rooftops, parking lot structures or adjacent land of owned and/or leased properties and facilities across the supply chain;**
  - b. **Investment in renewable energy through transaction vehicles such as Power Purchase Agreements (PPAs), Virtual Power Purchase Agreements (VPPAs), and any other investment vehicle that provides for the procurement of renewable energy through a long-term contract (at least ten years) aligned with the GHG protocol and accepted under the auspices of RE100<sup>35</sup> or SBTI.**
- ii. **Investments in projects to improve the energy efficiency and/or reduce the greenhouse gas (“GHG”) footprint of our operations and supply chain, such as, but not limited to:**
  - a. **Variable speed drives, energy-efficient HVAC and lighting systems, and motion detector conveyor systems; and**
- iii. **Investments in sustainable building design features, and in buildings that receive a third-party verified certification of LEED Platinum, LEED Gold, or BREEAM Very Good or higher, including:**
  - a. **Construction costs for new builds, including corporate offices and distribution centers; and**
  - b. **Upgrade costs for renovations of existing buildings, such as energy-efficient lighting, HVAC systems, and other related projects, that lead to energy savings of at least 30%**
- iv. **Investments to achieve the zero-waste status<sup>36</sup> for all VF’s distribution centers**
- v. **Upgrade costs for improvement of wastewater quality across the supply chain<sup>37</sup>**

**Green Bond Principles Category:** *(a) Renewable Energy, (b) Energy Efficiency, (c) Green Buildings, and (d) Sustainable Water and Wastewater Management, and (e) Pollution Prevention and Control*

**UN SDG Alignment:** *SDG 7 – Affordable and Clean Energy; SDG 9 – Industry, Innovation and Infrastructure; SDG 12 – Responsible Consumption and Production*

**Category 3: Natural Carbon Sinks**

- i. **Investments in “Natural Carbon Sinks,” which are designed to create and restore natural sources of carbon capture, such as reforestation conservation projects, and investments in regenerative farming, grazing and ranching practices**

<sup>35</sup> <http://there100.org/>

<sup>36</sup> Defined as sites that divert 95 percent or more of their waste away from disposal through recycling, composting and reuse

<sup>37</sup> VF applies a Global Wastewater Policy which exceeds local laws in countries where VF does production and follows the Business for Social Responsibility (BSR) wastewater standards, which are aimed to ensure that no matter where a supplier facility is located, water use and discharge to the surrounding community is conducted responsibly ([https://www.bsr.org/reports/awqwg/BSR\\_AWQWG\\_Guidelines-Testing-Standards.pdf](https://www.bsr.org/reports/awqwg/BSR_AWQWG_Guidelines-Testing-Standards.pdf)). In addition, VF’s Policy on Legal Discharge Limits and Discharge Permit Limits requires suppliers to comply at all times with applicable legal discharge limits and applicable wastewater discharge permits. The facility will ensure its wastewater is discharged within the limits set by VF in the Global Wastewater Discharge Standards or applicable legal discharge limits and wastewater discharge permits, whichever is strictest. The VF Global Wastewater Discharge Standards in no way supersede applicable legal discharge limits.

**Green Bond Principles Categories:** *Environmentally Sustainable Management of Living Natural Resources and Land Use*

**UN SDG Alignment:** *SDG 15 – Life on Land*

### 3.2 Process for Project Evaluation and Selection

Members of the VF Global Responsible Sourcing & Sustainability Team will assess and determine project eligibility based on the criteria described in Section 3.1. This team will recommend an allocation of the amount equivalent to Green Bond proceeds among Eligible Projects, as determined with input on project spend from various internal groups, such as supply chain, procurement, operations, and/or facilities teams, among others, to the VF Finance department. Final approval will be made by the Global Responsible Sourcing & Sustainability Team. The Global Responsible Sourcing & Sustainability Team will also provide project descriptions.

### 3.3 Management of Proceeds

An amount equivalent to the net proceeds from Green Bond issuances will be allocated and managed by the VF Finance department. The Finance department will track the allocation of proceeds to such projects in line with VF's internal systems.

Pending the allocation to Eligible Projects, net proceeds from Green Bond issuances may be temporarily invested or otherwise maintained in cash, cash equivalents, short-term investments, or used to repay other borrowings, among other general corporate purposes. Payment of principal and interest on the Green Bonds will be made from the Company's general funds and will not be directly linked to the performance of any Eligible Projects.

### 3.4 Reporting

#### 3.4.1 Allocation Reporting

Starting one year after issuing any Green Bonds, and until full allocation of the net proceeds, VF plans to publish an annual update ("Allocation Report" or "Green Bond Report") of its disbursements towards Eligible Projects. These reports are expected to include, subject to any confidentiality considerations, additional descriptions of selected projects funded with Green Bond proceeds. Allocation Reports will be made available publicly on the VF Corporation website. These reports will be accompanied by:

- An assertion by VF management as to how much of the net proceeds amount from a Green Bond offering were allocated to Eligible Projects, including the amounts or percentages allocated to each Eligible Project Category; and
- An assurance report from a nationally recognized firm registered with the Public Company Accounting Oversight Board in respect of its examination of VF management's assertion conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

#### 3.4.2 Impact Reporting

To the extent possible, in addition to its reporting on the allocation of Green Bond net proceeds amounts, VF intends to demonstrate the environmental impacts of the projects to which Green Bond proceeds have been allocated. Where feasible, the Company plans to report on the Key Performance Indicators (KPIs) in

aggregate for Green Bond project categories, together with the aforementioned allocation status in future Allocation Report(s). Examples of possible KPIs could include:

- Sustainable Products & Materials
  - Amount of recycled Nylon purchased for use in the Company's products
  - % of recycled Nylon used (relative to total Nylon)
  - Amount of recycled Polyester purchased for use in the Company's products
  - % of recycled Polyester used (relative to total Polyester)
  - % of recycled Nylon and Polyester used in products (relative to total materials used)
  - Amount of organic or other sustainably certified cotton (e.g. BCI) for use in the Company's products
  - % of organic or other sustainably certified cotton used (relative to total cotton).
  - Amount of recycled-content Corrugate and Paper materials purchased for use in the manufacturing or packaging of the Company's products
- Sustainable Operations & Supply Chain
  - % of VF energy use derived from renewable sources
  - Total and % reduction in / avoidance of GHG emissions from energy efficient upgrades
  - % of supply chain energy use derived from renewable sources
  - # of VF buildings that are LEED Platinum or Gold certified (or BREEAM equivalent) (and % of total VF buildings)
  - Total and % reduction in / avoidance of greenhouse gas (GHG) emissions from LEED/BREEAM certified building upgrades (in metric tonnes of CO<sub>2</sub> equivalent)
  - Annual energy savings in MWh/GWh (electricity) and GJ/TJ (other energy savings), and in %, from LEED/BREEAM certified building upgrades
  - % and/or # of VF distribution centers qualifying as Zero Waste
  - m<sup>3</sup> and % savings in annual absolute amount of wastewater treated onsite and offsite
- Natural Carbon Sinks
  - Total and % reduction in / avoidance of GHG emissions from carbon sinks (in metrics tonnes of CO<sub>2</sub> equivalent)
  - # of acres farms or ranches with established regenerative practices by material type
  - CO<sub>2</sub> impact reduction potential for each project



Finally, VF will seek to include anecdotal narrative reporting, to the extent possible, on the positive environmental impacts from selected Eligible Projects receiving allocations from Green Bond proceeds.

## Appendix 2: Cotton Production Certification Schemes

	<b>USDA Organic<sup>38</sup></b>	<b>Better Cotton Initiative (BCI)<sup>39</sup></b>
<b>Background</b>	The USDA Organic label is a US certification system overseen, administered and enforced by the National Organic Program of the United States Department of Agriculture. The US Organic label is regulated by the US Organic Foods Production Act of 1990 and involves input from the National Organic Standards Board (a Federal Advisory Committee made up of 15 members of the public) and the public.	The Better Cotton Initiative (BCI) is a global non-profit cotton sustainability program that seeks to (i) reduce the environmental impact of cotton products, (ii) improve livelihoods and economic development in cotton producing areas, (iii) improve commitment to and flow of Better Cotton through supply chain, and iv) ensure credibility and sustainability of the Better Cotton Initiative.
<b>Clear positive impact</b>	Promoting sustainable farming practices that improve water quality, conserve energy, increase biodiversity and contribute to soil health.	Transforming cotton production worldwide by developing 'Better Cotton' as a sustainable mainstream commodity.
<b>Minimum standards</b>	The USDA Organic seal sets strict production and labeling requirements: <ul style="list-style-type: none"> <li>• produced without genetic engineering, ionizing radiation or sewage sludge</li> <li>• produced using allowed substances based on a comprehensive list of authorized synthetic and non-synthetic substances overseen by a USDA NOP authorized agent</li> </ul>	In order to receive a license to grow 'Better Cotton', farmers must comply with a set of minimum requirements and "improvement" criteria across seven key principles: crop protection, water stewardship, soil health, biodiversity enhancement & land use, fibre quality, decent work and effective management. The principles and criteria form the global definition of what is considered 'Better Cotton'. In recognition of the differences in production methods and workforces, BCI distinguishes between the minimum requirements for three categories of farmers (smallholders, medium farms and large farms).
<b>Directly addressing social and environmental risk</b>	The USDA Organic system addresses key risks such as substance use through the regulation of synthetic and non-synthetic substances to preserve soil quality and in line with federal guidelines on animal raising practices, pest and weed control and the use of additives.	BCI addresses key risks through its requirements, including human rights, child labor, biodiversity use, water stewardship and pesticide use.
<b>Verification of standards and risk mitigation</b>	The USDA seal has a twofold enforcement mechanism, one by Organic Certifiers and one by the USDA Agricultural Marketing Services. The two bodies undergo audits to ensure compliance with criteria and continuous improvement at least once a year or unannounced.	BCI conducts supply chain monitoring and audits to ensure that companies sourcing cotton as Better Cotton comply with relevant Chain of Custody requirements, and to ensure continuous improvement.



<sup>38</sup> U.S. Department of Agriculture, USDA Organic: <https://www.usda.gov/topics/organic>

<sup>39</sup> BCI Principles and Criteria, Version 2.1: <https://bettercotton.org/wp-content/uploads/2019/06/Better-Cotton-Principles-Criteria-V2.1.pdf>

<p><b>Third party expertise and multi-stakeholder process</b></p>	<p>The USDA Organic seal is organized by the National Organic Program which develops the rules and regulations for the production, handling, labeling and enforcement of all USDA organic products. This process receives input from the national Organic Standards Board (a Federal Advisory Committee made of 15 members of the public) and the general public.</p>	<p>The WWF founded the Better Cotton Initiative in 2005. BCI partners with the following standards, which are all recognized by BCI as being equivalent to the Better Cotton Standard System: myBMP (My Best Management Practice) in Australia, ABRAPA (Associação Brasileira dos Produtores de Algodão) in Brazil, 'Cotton made in Africa' (CmiA) and 'Smallholder Cotton Standard' (SCS) of Aid by Trade Foundation (AbTF).</p>
<p><b>Performance Display</b></p>		
<p><b>Accreditation</b></p>	<p>80 certifying agents are USDA accredited and authorized to certify operations under the USDA organic standards. 48 of the 80 certifying authorities are US based and 32 are in foreign countries. Most certifying agents are directly accredited by the USDA National Organic Program, with an additional 21 members being officially authorized through recognition agreements between US and other governments.</p>	<p>Standard setting is aligned with the ISEAL Standard Setting Code.</p>
<p><b>Qualitative considerations</b></p>	<p>Under the USDA Organic seal, the US federal legislation allows three levels of organic foods, namely: purely organic products made entirely with certified organic ingredients and labeled 100% organic, and products with at least 95% organic ingredients. Both categories are allowed to be certified USDA Organic. A third category with at least 70% organic ingredients may be labeled as "made with organic ingredients", but cannot display the USDA Organic seal.</p>	<p>Global recognition across 21 countries. In 2018, 2 million licensed BCI Farmers produced 5.1 metric tonnes of Better Cotton, accounting for 19% of global cotton product. Some observers have cited the BCI's lack of commitment to a full phase out of synthetic chemicals among other social and environmental challenges.</p>



### Appendix 3: Green Building Certification Programs

	LEED <sup>40</sup>	BREEAM <sup>41</sup>
<b>Background</b>	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK. Used for new, refurbished and extension of existing buildings.
<b>Certification levels</b>	Certified Silver Gold Platinum	Pass Good Very Good Excellent Outstanding
<b>Areas of Assessment: Environmental Performance of the Building</b>	<ul style="list-style-type: none"> <li>• Energy and atmosphere</li> <li>• Sustainable Sites</li> <li>• Location and Transportation</li> <li>• Materials and resources</li> <li>• Water efficiency</li> <li>• Indoor environmental quality</li> <li>• Innovation in Design</li> <li>• Regional Priority</li> </ul>	<ul style="list-style-type: none"> <li>• Energy</li> <li>• Land Use and Ecology</li> <li>• Pollution</li> <li>• Transport</li> <li>• Materials</li> <li>• Water</li> <li>• Waste</li> <li>• Health and Wellbeing</li> <li>• Innovation</li> </ul>
<b>Requirements</b>	Prerequisites (independent of level of certification) + Credits with associated points These points are then added together to obtain the LEED level of certification There are several different rating systems within LEED. Each rating system is designed to apply to a specific sector (e.g. New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, Existing Buildings: Operation and Maintenance).	Prerequisites depending on the levels of certification + Credits with associated points This number of points is then weighted by item <sup>42</sup> and gives a BREEAM level of certification, which is based on the overall score obtained (expressed as a percentage). Majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their BREEAM performance score. BREEAM has two stages/ audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.
<b>Performance display</b>		
<b>Accreditation</b>	LEED AP BD+C LEED AP O+M	BREEAM International Assessor BREEAM AP BREEAM In Use Assessor
<b>Qualitative considerations</b>	Widely recognised internationally, and strong assurance of overall quality.	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus.

<sup>40</sup> USGBC, LEED: [www.usgbc.org/LEED](http://www.usgbc.org/LEED)

<sup>41</sup> BREEAM: <https://www.breeam.com/>

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		The minimum thresholds of the BREEAM certification are more flexible (and therefore potentially less strict) than the requirements for LEED certifications.
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## Appendix 4: Green Bond / Green Bond Programme - External Review Form

### Section 1. Basic Information

<b>Issuer name:</b>	VF Corporation
<b>Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i></b>	VF Corporation Green Bond Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	February 18, 2020
<b>Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i></b>	

### Section 2. Review overview

#### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

#### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other <i>(please specify)</i> :                        |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

#### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

#### 1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds - Sustainable Products & Materials, Sustainable Operations & Supply Chain and Natural Carbon Sinks - are aligned with recognized categories of the Green Bond Principles 2018, namely eco-efficient and/or circular economy adapted products, production technologies and processes, renewable energy, energy efficiency, green buildings, sustainable water, pollution prevention and control, and environmentally sustainable management of living natural resources and land use. Sustainalytics considers that the eligible categories will lead to positive environmental impacts and advance key UN Sustainable Development Goals, particularly Goals 7, 9, 12, and 15.

#### Use of proceeds categories as per GBP:

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy   | <input checked="" type="checkbox"/> Energy efficiency   |
| <input checked="" type="checkbox"/> Pollution prevention and control   | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input type="checkbox"/> Clean transportation   |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management  | <input type="checkbox"/> Climate change adaptation  |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                  | <input checked="" type="checkbox"/> Green buildings   |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other ( <i>please specify</i> ):   |

If applicable please specify the environmental taxonomy, if other than GBPs:

#### 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

VF Corporation's Global Responsible Sourcing & Sustainability Team will evaluate and determine project eligibility and is responsible for recommending the allocation of proceeds to the VF Finance department. This is in line with market practice.

#### Evaluation and selection

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives            | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories    |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |

- Summary criteria for project evaluation and selection publicly available       Other (*please specify*):

#### Information on Responsibilities and Accountability

- Evaluation / Selection criteria subject to external advice or verification       In-house assessment
- Other (*please specify*):

### 3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

The proceeds from the Green Bond issuances will be allocated and managed by VF Corporation's Finance department. The department will track the allocation of proceeds in accordance with its internal systems. Pending allocation, net proceeds may be temporarily invested and/or held in cash or other short-term and liquid instruments, used to repay other borrowings, or other general corporate purposes until full allocation. This is in line with market practice.

#### Tracking of proceeds:

- Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (*please specify*):

#### Additional disclosure:

- Allocations to future investments only       Allocations to both existing and future investments
- Allocation to individual disbursements       Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds       Other (*please specify*):

### 4. REPORTING

Overall comment on section (*if applicable*):

VF Corporation has committed to providing allocation reporting, including disbursements towards Eligible Projects, and impact reporting, including relevant key performance indicators where feasible; reporting will be made available on VF Corporation's website on an annual basis until full allocation. The reports will also be accompanied by management assertion regarding the amounts or percentages allocated to each Eligible Category, and a report by an external auditor on the examination of such assertion. This is in line with market practice.

#### Use of proceeds reporting:

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ):        |

**Information reported:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts     | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |  |

**Frequency:**

- |   |                                      |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

**Impact reporting:**

- |  |  |
|--|--|
| <input type="checkbox"/> Project-by-project            | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other ( <i>please specify</i> ):        |

**Frequency:**

- |   |                                      |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual                | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other ( <i>please specify</i> ): |                                      |

**Information reported (expected or ex-post):**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings   |
| <input checked="" type="checkbox"/> Decrease in water use   | <input type="checkbox"/> Other ESG indicators ( <i>please specify</i> ): Various metrics depending on category (see Framework in Appendix 1) |

**Means of Disclosure**

- |   |   |
|---|---|
| <input type="checkbox"/> Information published in financial report  | <input type="checkbox"/> Information published in sustainability report   |
| <input type="checkbox"/> Information published in ad hoc documents  | <input checked="" type="checkbox"/> Other ( <i>please specify</i> ): Green Bond report published on Company website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): |   |

Where appropriate, please specify name and date of publication in the useful links section.

**USEFUL LINKS** (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

**SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE**

**Type(s) of Review provided:**

- |  |  |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit                        | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):            |  |

**Review provider(s):**

**Date of publication:**

**ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP**

- i. Second Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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## Sustainalytics

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