

**ENVIRONMENT,  
SOCIAL & GOVERNANCE  
ANNUAL PROGRESS  
REPORT**

**2019**

# ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

## ENVIRONMENT

grow | reduce | divert

## SOCIAL

comply | develop | give

## GOVERNANCE

policies | practices | board

We embrace our role in contributing to a healthy planet and equitable society for the benefit of future generations. We are committed to providing our customers with quality, value and style while striving to minimize our environmental impact and have a positive social influence in our supply chain.

The Children's Place is part of a global business community working to achieve similar goals. We utilize international frameworks to assess risk and guide our ESG strategy. In addition to resources such as the Paris Agreement, the UN Sustainable Development Goals (SDGs), the ILO core conventions, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises, we have modeled our strategy under the Sustainability Accounting Standards Board's (SASB) guidelines for apparel and footwear.

## OUR ESG PRIORITIES

Through our risk and materiality assessments, we have mapped our ESG initiatives and goals to the SASB guidelines for apparel and footwear and the United Nations Sustainable Development Goals. Our ESG initiatives support the Sustainable Development Goals where we believe we can have the most impact.

SASB Topic	Management of Chemicals in Products	Environmental Impacts in the Supply Chain	Labor Conditions in the Supply Chain	Raw Materials Sourcing
The Children's Place Commitment	<b>REDUCE</b> and improve chemical usage in manufacturing processes	<b>REDUCE</b> water and energy use across our value chain  <b>DIVERT</b> the amount of our waste sent to landfill	<b>COMPLY</b> safe and fair working conditions in the supply chain  <b>DEVELOP</b> worker well-being programs with our manufacturers	<b>GROW</b> the use of more sustainable materials throughout our business
United Nations Sustainable Development Goals (SDGs)				

## STAKEHOLDER ENGAGEMENT

Stakeholder engagement and accountability are central to having a long-term, sustainable ESG approach. The challenges faced by our industry are complex. We believe that collaborating with external stakeholders and experts, value chain partners and investors who share our goals will help us more effectively contribute to finding solutions. We seek to work with those in the supply chain who prioritize sustainability and implement responsible sourcing strategies, and we consult with stakeholders to gain new perspective as we shape our ESG initiatives. In 2019, we set our first public ESG targets to demonstrate accountability to our commitments and drive progress in our strategic focus areas. We will continue to strive for higher ambition and greater impact as our ESG strategy evolves.

### OUR INITIATIVE PARTNERS



# GROW

The use of more sustainable materials throughout our business

Our commitment to having a positive environmental impact starts with the materials used to create and package our product. In 2019, our sustainable materials program launched with a focus on our largest raw material input: cotton. Cotton is a crop that requires large amounts of agrochemicals and water during cultivation, as well as the conversion of habitat to agricultural use. Cotton farmers can be at risk for health issues related to pesticides and may face challenges from decreasing crop yields and market practices.

In 2019, we joined the Better Cotton Initiative (BCI) to reduce the impact of our cotton sourcing. By **converting from conventional to responsibly sourced cotton** through BCI, we can help alleviate issues in its cultivation through better management of water, pesticide use and workplace standards for farmers.

Since becoming a BCI member we have trained our internal teams, set up the systems needed to obtain and track Better Cotton and engaged with our mill vendors on sourcing increasing amounts of Better Cotton. We are proud of our progress to date and plan to increase our Better Cotton usage to 30% by 2022.

## OUR GOAL: BETTER COTTON USAGE BY 2022

# 30%



Cotton is only one of the raw materials used in our business and we need to expand our strategy to continually improve our environmental performance. In 2020, we started exploring opportunities to use alternative fibers, such as recycled polyester, which will help us transition away from virgin polyester. Polyester derives from petroleum so moving to recycled decreases dependence on oil, reduces energy use and cuts the related carbon footprint. We are also working to reduce material-related chemical and water impacts by moving to more sustainable inks, paints and finishes of product components, such as hardware and trims.

Product sustainability includes not only the product itself but also the marketing materials attached to it. We are increasing the use of recycled paper sources in our product ticketing, labeling and packaging. Along with our waste focus area, these initiatives will help reduce the amount of waste going to landfill.



BCI licenses farmers through the Better Cotton Standard System, which provides training and learning opportunities for farmers to adopt more environmentally, socially and economically sustainable production practices. The cotton moves through the supply chain through a model called Mass Balance, which functions similar to buying renewable energy. Mass Balance encourages vendors to buy and use more Better Cotton in a fast and cost efficient manner because it does not require physical segregation along the full supply chain. Since BCI cotton can be mixed with conventional cotton before manufacturing, The Children's Place cannot state that a specific product contains Better Cotton. However, through our support of the BCI program, The Children's Place is supporting more sustainable cotton all the way to the farm level. As stated by a BCI farmer, "Since starting the Better Cotton program we have significantly reduced our pesticide use, which increases our profits and is better for our health and our environment."

# REDUCE

Water, chemical and energy use across our value chain

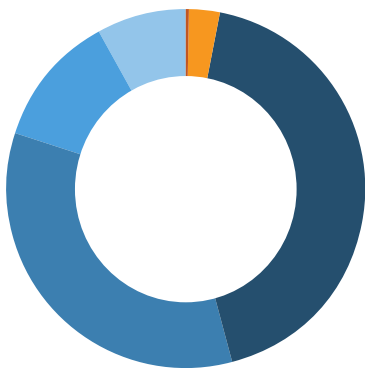
Our commitment to having a positive environmental impact extends to resource consumption throughout our business. Energy, water and chemicals are inputs used extensively throughout our operations and supply chain and therefore are areas where we are focused on impact reduction.

## ENERGY

The Children's Place joins the global business community in **combating climate change** by committing to science-based greenhouse gas (GHG) targets. Since we need to understand our greenhouse gas footprint in order to reduce it, in 2020 we completed our first greenhouse gas inventory to set an emissions baseline for our owned and leased operations (scope 1 and 2) and value chain (scope 3). We determined that in our

base year of 2018, The Children's Place emitted a total of approximately 1,734,137 metric tons of carbon dioxide equivalent (mtCO<sub>2</sub>e) – 54,297 mtCO<sub>2</sub>e scope 1 and 2 market-based emissions from our global operations, and 1,679,840 mtCO<sub>2</sub>e scope 3 emissions from our value chain. Our 2018 scope 1, 2 and 3 greenhouse gas footprint is equivalent to emissions from almost 370,000 passenger vehicles driven for one year.

### 2018 TCP GHG EMISSIONS



<b>Scope 1</b>		
● TCP Direct Operations		0.3%
<b>Scope 2</b>		
● TCP Indirect Operations		2.8%
<b>Scope 3</b>		
● Purchased Goods and Services		43%
● Use of Sold Products		34%
● Upstream and Downstream Transportation and Distribution		12%
● Other		7.9%

### TOTAL ENERGY USE BY FACILITY TYPE

<b>S</b> Store	105,735 MWh
<b>DC</b> Distribution Center	20,181 MWh
<b>WS</b> Warehouse/Storage	8,448 MWh
<b>O</b> Office	3,616 MWh

TOTAL TCP ENERGY USE: 137,980 MWh

### OUR 2030 GREENHOUSE GAS REDUCTION GOALS FROM 2018 BASE YEAR:

# 30%

reduction in absolute scope 1 and 2 market-based GHG emissions

reduction in absolute scope 3 GHG emissions from purchased goods and product transport

In 2015, the international community developed the Paris Agreement to accelerate the actions needed to limit global temperature rise. To ensure our greenhouse gas emission targets align with the Paris Agreement's level of ambition in combating climate change, we submitted our targets for approval to the Science-Based Targets Initiative (SBTi). The SBTi, a collaboration between CDP, World Resources Institute, the World Wide Fund for Nature, and the United Nations Global Compact, promotes best practice by assessing corporate greenhouse gas reduction goals against the latest climate

science. We are proud to announce that SBTi approved our goals in December and will publish our targets to their website in January 2021. Our approved goals align with the important goal of reducing global greenhouse gas emissions to the well-below 2°C target recommended by the science community. We intend to achieve our greenhouse gas reduction targets through a variety of energy reduction initiatives, including energy efficiency upgrades and engagements with our partners and suppliers.

## WATER AND CHEMICALS

Water is an important natural resource for our industry, particularly in raw material sourcing and garment production. We intend to contribute to **lessening the impact of water scarcity** in our sourcing countries by working with vendors to reduce water consumption in manufacturing. We also aim to work with vendors to implement wastewater practices that reduce water pollution and other chemical impacts. The Children's Place utilizes a product restricted substance list (RSL) by AFIRM Group and a manufacturing restricted substance list (MRSL) by Zero Discharge of Hazardous Chemicals (ZDHC). Use of these industry-endorsed lists helps us manage unwanted substances both in our finished goods and during manufacturing.

In early 2020, as a first step to launching reduction initiatives in this focus area, we set a goal to receive a commitment on the reduction of water, chemical and energy use from our third-party vendors managing the top 20 factories producing denim and

woven bottoms for The Children's Place. We selected this group of manufacturing partners due to the amount of water, chemicals and energy used in the manufacturing of these product categories and the potential for positive environmental impact. As of this Q3 2020 update, the vendors have given signed commitments covering 95% of the top 20 denim and woven bottoms factories and as a result, we have set new end of fiscal 2023 goals to work with them on specific reductions in water use and the establishment of comprehensive chemical management systems. Moreover, we continue to engage with vendors on establishing specific energy reduction goals in line with our greenhouse gas emission targets. We completed a 2018 baseline analysis of water and chemical use in the vendor factories, and going forward will measure and verify progress on reduction of these inputs through the Sustainable Apparel Coalition's Higg Facility Environment Module.

### OUR 2020 VENDOR COMMITMENT GOAL:

By the end of the Company's fiscal 2020, we will work with vendors managing our top 20 denim and woven bottoms factories to make commitments to the reduction of water, chemical and energy use in their operations.

As of Oct. 2020

**95%**

of top 20 denim and woven  
bottoms factories committed



## DIVERT

The amount of our waste sent to landfill

Our commitment to having a positive environmental impact includes efforts to minimize the waste our business generates. External stakeholders are increasingly focused on the amount of waste our industry produces from corporate operations, packaging and product no longer used by the consumer. **Diverting unnecessary waste from landfill** can protect the environment, save operational costs and create goodwill with customers and associates.

As a first step, we are focusing on the daily waste generated by our corporate operations. In 2021, The Children's Place plans to analyze the total amount of materials currently disposed of and recovered across our offices, retail stores and distribution centers. The project will include waste audits to help us understand the composition of our waste, existing disposal and recycling practices, and best practices that can be adopted across our corporate operations. By setting a waste stream baseline, we will have the ability to identify opportunities for improvement and establish measurable goals.

In addition to this operational waste stream analysis, we are taking action on reducing waste across other aspects of our business. Our GROW initiative helps divert unwanted substances from landfill at product inception by incorporating the use of more sustainable materials and fibers into our products.

As we move forward, it is important that we better understand the waste generated by our customers after our product reaches the end of its life. Our industry has taken collaborative steps to advance principles of a circular economy, defined by the Ellen MacArthur Foundation as, "a system aimed at designing out waste and pollution, keeping products and materials in use, and regenerating natural systems." These principles fit into a long-term strategy that will require effort across sectors and stakeholders. We hope to contribute to that effort by determining how The Children's Place can join initiatives aimed at providing improved end-of-life use for our product.



Our distribution centers process tens of thousands of ecommerce orders every day. As we launched our DIVERT focus area, we started working internally to understand details around packaging components, volumes and the material make-up. Packaging waste initiatives involve research into how to reduce materials while still providing protection to our product and the convenience required

by our customers. In early 2021, we will eliminate all ecommerce packing slips, with an expected impact of at least 11 million packing slips per year for orders shipped directly to the consumer from our largest distribution center. We plan to build on this progress in 2021 by looking at opportunities to increase recycled content in the other material components of ecommerce orders.

# COMPLY

Safe & fair factory working conditions in the supply chain

Our commitment to having a positive social influence starts with the protection of factory workers and their rights within the workplace. The Children's Place does not own, operate or control any manufacturing facilities, but rather, contracts with global third-party vendors to manufacture products in their network of factories. We seek to work with vendors who demonstrate strong business ethics and transparency in their sourcing practices.

The Children's Place promotes compliance with applicable laws through our [Vendor Code of Conduct](#). We administer a factory audit program to evaluate and monitor working conditions against this Code. We require audits for all new suppliers producing and/or processing our merchandise as part of the production approval process. We re-audit existing suppliers to verify compliance to our standards and identify areas for improvement.

While we recognize that no audit program can guarantee that every factory used by every vendor for The Children's Place is in full compliance with our Vendor Code of Conduct, we continually strive to enhance our audit program. Our Responsible Sourcing team offers guidance and training to vendors and factories to resolve issues identified during audits. We also include

Responsible Sourcing as one of five categories measured in our Vendor Performance Scorecard alongside traditional manufacturing metrics to encourage continuous improvement.

The Children's Place recognizes the importance of **prevention of gender-based violence and harassment (GBVH)** in the garment industry. Over the past two years, we have launched trainings and in-depth vendor engagements to do our part in combating gender-based violence and harassment in the supply chain. In 2021 and beyond, we look to expand our training and engagement approach on gender-based violence and harassment.

The Children's Place also recognizes the importance of **eliminating the use of forced labor** in the supply chain and its increasing significance in light of recent reports on the issue in Xinjiang, China. Our Vendor Code of Conduct prohibits the use of forced labor (including prison and child labor), and we will not knowingly conduct business with vendors and suppliers that use forced labor, or engage in slavery or human trafficking. We expect all vendors and suppliers to conduct sufficient due diligence in their supply chains to ensure compliance with our Code of Conduct and we continue to expand our vendor engagement on this important issue.



In 2018, The Children's Place received a report from the Worker Rights Consortium that alleged gender-based violence and harassment at our vendor's third party factories in Lesotho, Africa. Gender-based violence and harassment is a severe violation of our Vendor Code of Conduct, and we are committed to being a positive force in the elimination of gender-based violence and harassment in our supply chain. Based on the report, The Children's Place entered into a landmark agreement with leading brands, trade unions and women's rights organizations to combat gender-based violence and harassment in Lesotho. The program created an independent

investigative organization that has the authority to receive gender-based violence and harassment complaints from workers, carry out investigations and monitor remediation in accordance with Lesotho law. In parallel, a gender-based violence and harassment training program for factory workers and managers is in the process of being implemented for awareness and prevention. We hope to utilize the outcomes and lessons from this collaboration to scale more effective gender-based violence and harassment prevention efforts in the supply chain.



# DEVELOP

Worker well-being programs with our manufacturers

At The Children's Place, our commitment to positive social practices includes supporting the workers within our supply chain. Worker well-being programs have the ability to build supply chain resilience by decreasing worker stressors, improving workplace relationships and providing career development opportunities. Not only are these benefits for workers but they also support our business goals by reducing absenteeism and improving productivity in the third-party factories that manufacture our product.

Since the launch of our initial worker well-being program in 2015, we estimate that The Children's Place and its participating vendors have **reached approximately 70,000 workers**. By promoting programs such as BSR's HERproject and The Center for Child Rights & Corporate Social Responsibility's (CCR CSR) Parents at Work program, we utilized the expertise of non-profit organizations that are skilled at running factory education programs in the countries where we operate.

Over the next five years, our aim is to evolve our worker well-being program to transition from a brand-driven, prescriptive model to one that allows our third party vendors to take ownership, empower their workforce and sustain benefits for their workers. The scope of these projects will center around three focus areas: personal development, workplace gender equity and communities. We will work closely with our third-party vendors to determine suitable projects to implement at the regional facility level based on needs identified via industry reporting, international development partners and regional social concerns. We will adopt a focus on program sustainability within our third-party vendors and their factories.

## OUR GOAL: POSITIVELY IMPACT WORKERS BY 2023

# 140,000



By the end of the Company's fiscal 2023, we will sponsor the implementation of ongoing and reoccurring worker well-being programs with our top 25 vendors (that currently represent 90% of our purchasing spend), thereby **positively impacting approximately 70,000 workers**. By the end of this period, we estimate that, together with participating vendors, we will have positively impacted a total of approximately 140,000 workers since the inception of our worker well-being programs in 2015.



For years, it was reported that hundreds of workers in Cambodian factories suffered fainting episodes while on the job due to heat, malnutrition and/or dehydration. From October 2016 to September 2019, The Children's Place joined CARE Cambodia on the Healthy Food and Healthy Workplace program to combat this health challenge. The program aimed to improve worker health and reduce risks associated with fainting episodes by advancing worker knowledge on nutrition and steering positive eating habits. It also supported worker access to healthy, hygienic and nutritious food. In total, the program trained more than 3,300 workers across three of our vendor factories with additional engagement of more than 50 local food vendors operating outside the factory. The final program evaluation revealed that some workers changed their eating behaviors to select more healthy food options instead of those based solely on convenience. In addition, the program helped the food vendors improve practices around food safety guidelines, including food covering, storage temperatures and cleanliness. Finally, business benefits included workers taking less sick leave and the creation of vendor committees to continue training and monitoring, so the important learnings could continue beyond the tenure of the project.

# GIVE

Support children  
and families in need

Our commitment to having a positive social influence extends to supporting children and families in need. We donate clothing, money and time to local and national organizations that support this philanthropic mission.



## CLOTHING DONATIONS

Each season, we donate clothing to:

- **Good+ Foundation:** We are the largest single donor of children's clothing to this national organization, which provides clothing and supplies to families living in poverty.
- **IronMatt:** We send monthly care packages as part of IronMatt's Family Assistance Program, which supports families with a child undergoing treatment for pediatric brain tumors.

## ASSOCIATE GIVING

Each year, our Associates donate time, money and services to help kids in need. We provide in-house and off-site volunteer opportunities for our teams to give back.

- **Giving Back to School:** We help local children prepare for the back to school season by distributing backpacks filled with donated school supplies to our charitable partners.
- **Good+ Foundation:** Associates volunteer at Good+ Foundation's NYC warehouse to bundle donated The Children's Place clothing into head-to-toe outfits for recipient families.
- **Matching Gifts:** We are proud to match Associate donations to eligible groups.
- **Youth Consultation Services:** Interns and Associates spend time at camp providing much needed individualized attention and interaction with the YCS kids.
- **Winter Wishes:** Associates grant holiday wishes to children living in group homes, providing them with the gifts and experiences they otherwise would not receive.

Over the last three years, The Children's Place has donated more than 450,000 units of clothing worth over \$3 million to our philanthropic partners. In 2020, the COVID-19 pandemic created extreme disruption in the retail industry and The Children's Place turned a difficult situation into a positive social impact through a special donation of approximately **2 million units of new spring**

## CORPORATE GIVING

We are proud to support a variety of national and local programs:

- **Children's Aid and Family Services:** We are a sponsor of the Baby Basics program, which provides newborn essentials for low-income families living or working in Northern New Jersey.
- **IronMatt:** We are a sponsor of the annual IronMatt Dinner & Auction, which raises funds for pediatric brain tumor research.
- **NAACP:** We contribute financially to support the NAACP's mission to secure equality of rights in order to eliminate race-based discrimination and ensure the health and well-being of all persons.
- **Table to Table:** We are the largest corporate fundraiser for the Bag A Lunch, Help A Bunch program in Northern New Jersey, providing over 230,000 meals annually to families in need.

## THE CHILDREN'S PLACE ♥ A PLACE FOR GIVING ♥

Over the last three years, TCP has donated more than 450,000 units at approximately \$3 million in retail cost.

**clothing with a retail value of over \$15 million to the non-profit organization Delivering Good.** We are proud to partner with Delivering Good, who works with retailers, manufacturers and other partners to distribute product to families impacted by natural disasters, poverty and COVID-19 around the world.

# GOVERNANCE PRACTICES

## RELATED TO THE BOARD OF DIRECTORS

**Board Oversight, Leadership & Accountability.** The Board plays an important role in overseeing the Company's strategy, succession planning and risk management activities. The Board chooses independent Directors to serve as Chairman of the Board and as chairs of the Board's committees. Our governance practices provide for Board accountability to shareholders in several ways, including through practices related to election of Directors, shareholders' ability to call special meetings of the Board, and voting requirements to amend the Company's charter and bylaws. The Board proactively reviews and enhances our Company's corporate governance framework to best support our Company and align with market best practices.

**Board Composition, Evaluation & Engagement.** Our Board's composition and evaluation process is guided by several factors, including skill set and experience, diversity, tenure, and refreshment and succession planning. The Board annually evaluates its Directors' skills, backgrounds and experience, as well as the independence of its Directors to ensure that a substantial majority of the Board consists of independent Directors. To promote strong Board engagement, we limit the number of public company boards of directors (including our Company) on which our Directors may serve.

[Learn more about our Board of Directors](#)

### Corporate Governance Best Practices

- Separate Chairman and CEO roles, with independent Board Chairman
- Declassified Board, with annual elections for all Directors
- Majority voting for all Directors
- Limit on Director participation on outside public company boards; four (including the Company) for independent Directors,
- Explicit disclosure regarding Board's decision-making processes
- Sound practices on Director refreshment, succession planning and diversity
- Focus on environmental, social and governance (ESG) matters
- Annual mapping of Director skill sets and experience to business strategy
- Annual Board, Committee and individual independent Director self-assessments
- Special meeting rights for shareholders (25% ownership threshold)
- Proxy access
- Updated advance notice provisions to lengthen notice window for the submission of stockholder proposals
- No supermajority voting requirements

## RELATED TO MANAGEMENT & SHAREHOLDERS

**Management Access & Accountability.** Members of Company management present topics to the Board in a way that encourages dialogue both inside and outside the boardroom. To hold management accountable for the Company's financial results, a substantial portion of executives' pay is linked directly to the Company's performance.

**Shareholder Engagement.** Each year, members of our Board of Directors and Company senior management engage in conversations with our shareholders to exchange ideas and perspectives about the Company and its policies and practices. Shareholder feedback and insights have influenced enhancements to our corporate governance and executive compensation programs over the years. In 2020, the Company invited shareholders holding over 85% of our outstanding shares to participate in engagement activities.

# GOVERNANCE POLICIES

**Corporate Governance Guidelines.** The Company's Corporate Governance Guidelines reflect the Board of Directors' views and Company policies about significant corporate governance issues.

**Code of Business Conduct.** The Company's Code of Business Conduct applies to all Directors, officers and employees, and is designed to promote the highest ethical standards in the Company's business dealings.

**Anti-Corruption Policy.** The Company's Anti-Corruption Policy requires compliance with all laws that prohibit improper payments to anyone and provides guidance on how to recognize and deal with corruption, bribery and other unethical conduct.

**Insider Trading Policy.** The Company's Insider Trading Policy is designed to help Directors, officers and employees comply with insider trading laws and prevent even the appearance of improper insider trading.

**Clawback Policy.** The Company's Clawback Policy allows the Company to recover performance-based compensation from members of Company management in certain events.

All policies and charters are available in the [investor relations section of our website](#).

**Board Committee Charters.** The Board has three standing committees: Audit, Nominating & Corporate Governance, and Compensation. Each Committee of the Board of Directors has a Charter that describes the purposes, responsibilities, structure and operations of the Committee.

**Audit Committee Charter** – the Audit Committee oversees the Company's financial reporting processes, and enterprise and sustainability risk management activities, specifically including, among other risks, environmental and social risks at the Company.

**Nominating & Corporate Governance Committee Charter** – the Nominating & Corporate Governance Committee makes recommendations to the Board regarding corporate governance matters, recommends nominees for Directors, and oversees the Board's self-evaluation procedures.

**Compensation Committee Charter** – the Compensation Committee is responsible for the Company's compensation policies and practices, including review and approval of executive compensation, and recommends updates to the Company's executive compensation to align with market best practices.

## Executive Compensation Best Practices

- A significant percentage of CEO and senior management incentive compensation is performance-based
- Robust stock ownership guidelines and holding requirements for our CEO and other senior executives
- No tax gross-ups (excluding those in connection with standard relocation expenses)
- All equity subject to "double trigger" vesting upon a change in control
- Annual benchmarking of independent Director compensation by an independent compensation consultant
- Annual compensation risk assessment by management and an independent compensation consultant
- Incentive compensation clawback policy in the case of financial restatements and other matters, applicable to both our annual bonus plan and long-term incentive plan
- No hedging and pledging activities in Company stock by any of our associates, management and Directors
- Bonus and performance share caps