

# Second-Party Opinion

## PVH Green Financing Framework



### Evaluation Summary

Sustainalytics is of the opinion that the PVH Corp. Green Financing Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Sustainable Materials, and Packaging and Circularity – are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 12.



**PROJECT EVALUATION AND SELECTION** PVH will establish a Green Finance Committee, which will be responsible for governing and monitoring the selection of credible assets that are aligned with the eligibility criteria under the Framework. The Green Finance Committee will be comprised of representatives from the Treasury, Corporate Responsibility, Supply Chain, Finance, Accounting, and Data Analytics teams. To manage environmental and social risks associated with eligible projects, PVH ensures compliance with its internal risk management processes and policies. Sustainalytics considers the project selection process aligned with market practice.



**MANAGEMENT OF PROCEEDS** The Green Finance Committee will manage the proceeds with an internal tracking system. PVH intends to allocate all proceeds to credible assets within 36 months of the issuance. Pending full allocation, the Company may temporarily use unallocated proceeds to repay outstanding indebtedness or will hold the unallocated proceeds in cash or cash equivalents, in accordance with the Company's normal liquidity practices. This is aligned with market practice.



**REPORTING** PVH commits to report on allocation and impact of proceeds on its website on an annual basis until full allocation. The allocation reporting will include category-wide amounts allocated to eligible projects, and the amount pending allocation. In addition, PVH intends to report on relevant impact metrics. Sustainalytics views PVH's allocation and impact reporting as aligned with market practice.

**Evaluation date** March 20, 2024

**Issuer Location** New York, US

### Report Sections

Introduction.....	2
Sustainalytics' Opinion .....	3

**For inquiries, contact the Sustainable Corporate Solutions project team:**

**Hamoda Youssef (Toronto)**  
Project Manager  
hamoda.youssef@sustainalytics.com  
(+1) 647 264 6644

**Graeme Sutherland (Toronto)**  
Project Support

**Gizem Celik Bayar (Toronto)**  
Project Support

**Lindsay Brent (Toronto)**  
Client Relations  
susfinance.americas@sustainalytics.com  
(+1) 646 518 9623

## Introduction

PVH Corp. (“PVH” or the “Company”) is a global lifestyle company with a portfolio of brands, such as Calvin Klein and Tommy Hilfiger. Established in 1881 and headquartered in New York City, PVH operates in over 40 countries and employs approximately 27,000 people, as of 2023.<sup>1</sup>

PVH has developed the PVH Green Financing Framework dated March 2024 (the “Framework”) under which it intends to issue green bonds, convertible notes,<sup>2</sup> commercial papers and other financing instruments, obtain green loans (the “Green financing Instruments”),<sup>3</sup> and use the proceeds to finance or refinance, in whole or in part, existing or future projects that contribute to the environmental goals set out by the Company. The Framework defines eligibility criteria in two areas:

1. Sustainable Materials
2. Packaging and Circularity

PVH engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)<sup>4</sup> and the Green Loan Principles 2023 (GLP).<sup>5</sup> The Framework will be published in a separate document.<sup>6</sup>

### Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>7</sup> opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2023, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.15, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of PVH’s management team to understand the sustainability impact of its business processes and planned use of proceeds, as well as the management of proceeds and reporting aspects of the Framework. PVH representatives have confirmed that: (1) they understand it is the sole responsibility of PVH to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

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

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and PVH.

Sustainalytics’ Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics’ Second-Party Opinion addresses the anticipated impacts of eligible

<sup>1</sup> PVH, “About Us”, at: <https://www.pvh.com/company>

<sup>2</sup> For convertible notes, the SPO will no longer be valid for the assessed securities in this asset class once the conversion occurs. PVH has confirmed to Sustainalytics that 100% of the allocation from this instrument will be achieved before the conversion date.

<sup>3</sup> Sustainalytics has reviewed only those financial instruments that are specified under the Framework.

<sup>4</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/>.

<sup>5</sup> The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>

<sup>6</sup> The PVH Green Financing Framework is available at: <https://www.pvh.com/investor-relations>

<sup>7</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that PVH has made available to Sustainalytics for the purpose of this Second-Party Opinion.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the PVH Corp. Green Financing Framework

Sustainalytics is of the opinion that the PVH Corp. Green Financing Framework is credible, impactful and aligned with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories – Sustainable Materials, and Packaging and Circularity – are aligned with those recognized by the GBP and GLP.
  - PVH has defined a two-year look-back period for its refinancing activities, which Sustainalytics considers to be in line with market practice.
  - Under the Sustainable Materials category, PVH may finance or refinance the R&D expenditures for sustainable material innovation, and the procurement of certified textile materials including cotton, hemp, polyester, lyocell, modal, viscose, acrylic, nylon, elastane, polystyrene and polyurethane, and intermediary materials containing the aforementioned certified organic or recycled materials.
    - For the procurement of cotton, PVH may rely on the following certifications: i) Better Cotton Initiative (BCI);<sup>8</sup> ii) CottonConnect REEL Code of Conduct;<sup>9</sup> iii) CottonConnect REEL Regenerative Code;<sup>10</sup> iv) Responsible Brazilian Cotton (ABR);<sup>11,12</sup> v) US Cotton Trust Protocol;<sup>13</sup> vi) Global Organic Textile Standard (GOTS);<sup>14,15</sup> vii) Organic Content Standard (OCS);<sup>16</sup> viii) GOTS or OCS Transitional Organic;<sup>17,18</sup> ix) Global Recycled

<sup>8</sup> BCI Principles and Criteria, at: [https://static1.squarespace.com/static/5ff5d85f409193661a071749/t/65e060774bd7c869ef2c64d0/1709203580221/CC\\_REEL\\_cotton\\_code3.1.pdf](https://static1.squarespace.com/static/5ff5d85f409193661a071749/t/65e060774bd7c869ef2c64d0/1709203580221/CC_REEL_cotton_code3.1.pdf)

<sup>9</sup> REEL Cotton Code of Conduct 3.1, at:

[https://static1.squarespace.com/static/5ff5d85f409193661a071749/t/65e060774bd7c869ef2c64d0/1709203580221/CC\\_REEL\\_cotton\\_code3.1.pdf](https://static1.squarespace.com/static/5ff5d85f409193661a071749/t/65e060774bd7c869ef2c64d0/1709203580221/CC_REEL_cotton_code3.1.pdf)

<sup>10</sup> REEL Regenerative Code of Conduct 1.1, at:

[https://static1.squarespace.com/static/5ff5d85f409193661a071749/t/65e061cb3eaec84c5ca7de39/1709203919464/CC\\_REEL\\_Regenerative\\_code1.1.pdf](https://static1.squarespace.com/static/5ff5d85f409193661a071749/t/65e061cb3eaec84c5ca7de39/1709203919464/CC_REEL_Regenerative_code1.1.pdf)

<sup>11</sup> Algodão Brasileiro Responsável (ABR), at: <https://www.abrapa.com.br/Paginas/sustentabilidade/algodao-brasileiro-responsavel.aspx>

<sup>12</sup> Sustainalytics notes that contrary to other credible certification schemes, ABR does not require adherence to specific performance standards, focusing instead on encouraging the attainment of improved performance over time. In addition, Sustainalytics also notes that ABR allows for the use of genetically modified organisms. Notwithstanding these drawbacks, and noting the positive ambition of the ABR scheme, Sustainalytics does not consider the use of ABR as a scheme that detracts from the credibility of the Framework.

<sup>13</sup> US Cotton Trust Protocol, at: [https://trustuscotton.org/wp-content/uploads/2020/09/USTCP\\_Cotton-Principles-Criteria\\_v3.pdf#new\\_tab](https://trustuscotton.org/wp-content/uploads/2020/09/USTCP_Cotton-Principles-Criteria_v3.pdf#new_tab)

<sup>14</sup> Global Organic Textile Standard 7.0, at: [https://global-standard.org/images/resource-library/documents/standard-and-manual/GOTS\\_7.0\\_SIGNED\\_.pdf](https://global-standard.org/images/resource-library/documents/standard-and-manual/GOTS_7.0_SIGNED_.pdf)

<sup>15</sup> As for GOTS and the organic cotton sourced from India, Sustainalytics notes that, in 2020, GOTS reportedly detected 20,000 tonnes of fake certified material and, as a result, issued a certification ban on 11 companies and terminated the contract with a certification body. Sustainalytics acknowledges the steps taken by GOTS to address the said controversy.

GOTS, "GOTS detects evidence of Organic Cotton Fraud in India", (2020), at: <https://global-standard.org/news/gots-press-release-gots-detects-evidence-of-organic-cotton-fraud-in-india#:~:text=GOTS%2C%20through%20own%20investigation%2C%20has,system%20of%20organic%20cotton%20production>

<sup>16</sup> Organic Content Standard 3.0, at: <https://textileexchange.org/app/uploads/2021/02/OCS-101-V3.0-Organic-Content-Standard.pdf>

<sup>17</sup> OCS In-Conversion Policy, at: <https://textileexchange.org/app/uploads/2021/02/OCS-105-V0.2-OCS-In-Conversion-Policy.pdf>

<sup>18</sup> Global Organic Textile Standard 7.0, at: [https://global-standard.org/images/resource-library/documents/standard-and-manual/GOTS\\_7.0\\_SIGNED\\_.pdf](https://global-standard.org/images/resource-library/documents/standard-and-manual/GOTS_7.0_SIGNED_.pdf)

- Standard (GRS);<sup>19</sup> and x) Recycled Claim Standard (RCS).<sup>20</sup> As for the procurement of organic hemp, the Framework requires it to be certified by OCS.
- For the procurement of lyocell, modal and viscose, PVH may rely on FSC<sup>21</sup> and PEFC<sup>22</sup> certification schemes. PVH may also finance the procurement of GRS or RCS-certified viscose that is recycled from textile waste.
  - The Framework allows for procurement of recycled polyester, acrylic, nylon, elastane, polystyrene, polyurethane and plastic polyvinyl chloride that are certified by GRS or RCS.
  - PVH also intends to finance the membership fees for the noted certification bodies to enable the procurement of eligible textile materials under the Framework.
  - Sustainalytics notes that the PVH may finance the procurement of textile materials with similar certifications to those that are identified in the Framework. Sustainalytics notes that it is market expectation to specify all eligible schemes and certifications and encourages the Company to report on any specific schemes and certifications it intends to use.
  - Sustainalytics also notes that some of the abovementioned certifications, in particular, OCS, Transitional Organic, GRS and RCS, may not ensure that the procured material contains fully recycled or organic content, as the coverage of some certificates may allow as little as 5% organic or recycled content. However, PVH has communicated to Sustainalytics that it will take a pro-rata approach and limit the allocation of proceeds under this category to solely finance the share of the organic or recycled content within the procured material.
  - Sustainalytics views the R&D and membership expenditures to be credible and the criteria for financing certified textile materials coupled with a pro-rata approach as aligned with what Sustainalytics considers to be good practice for such procurement expenditures.
- Under the Packaging and Circularity category, PVH may finance or refinance the procurement of paper for packaging, the chemical and mechanical recycling technologies with associated waste collection services, and programmes that support and enhance repair and reuse of goods and materials.
- Paper procurement will be limited either to FSC certified paper or paper that contains at least 50% post-consumer waste or recycled content. PVH has confirmed to Sustainalytics that it will take a pro-rata approach and finance only the certified, recycled or waste portion of the paper, under this category. Sustainalytics considers the criteria for procuring paper to be aligned with what it considers to be good practice for such procurement expenditures.
  - Repair and reuse programmes financed under the Framework may include online platforms that enable the resale of previously owned PVH products for reuse and redesigning of new products for sale from used and damaged pieces of clothing, such as Resale-as-a-Service<sup>23</sup> and TOMMY Remixed<sup>24</sup> programmes. Sustainalytics considers investments in such programmes to be aligned with market practice.
  - As for the mechanical and chemical recycling technologies, and associated waste collection services through partnerships or joint ventures, PVH has communicated to Sustainalytics that such technologies are expected to recycle textile materials such as polyester, polystyrene, polyurethane, acrylic, nylon, elastane, cellulosic fibers into yarn, fabric, or other finished goods for consumption in facilities that are part of the Company's value chain. PVH has further communicated to Sustainalytics that it will consider third-party vendors that prioritize financing mechanical recycling technologies and deploy chemical recycling in cases where mechanical recycling has limited feasibility, ensuring that the life cycle emissions intensity of the products recycled through chemical processes is lower than those associated with the life cycle

<sup>19</sup> Global Recycled Standard 4.0, at: [https://cdn.scsglobalservices.com/files/program\\_documents/Global%20Recycled%20Standard%20-%20FINAL.pdf](https://cdn.scsglobalservices.com/files/program_documents/Global%20Recycled%20Standard%20-%20FINAL.pdf)

<sup>20</sup> Recycled Claim Standard 2.0, at: <https://textileexchange.org/app/uploads/2021/02/Recycled-Claim-Standard-v2.0.pdf>

<sup>21</sup> Forest Stewardship Council (FSC), at: <https://fsc.org/en/fsc-standards>

<sup>22</sup> Programme for the Endorsement of Forest Certification (PEFC), at: <https://www.pefc.org/standards-implementation>

<sup>23</sup> PVH, "Corporate Responsibility Report" (2022), at: <https://www.pvh.com/-/media/Files/pvh/responsibility/PVH-CR-Report-2022.pdf>

<sup>24</sup> Ibid.

emissions intensity of comparable production using virgin material, on a best-effort basis. Sustainalytics acknowledges that recycling is a pivotal component of the circular economy and that certain recycling processes have the potential to create a positive environmental impact. Nevertheless, Sustainalytics notes that certain chemical recycling processes may have a strong reliance on fossil fuel and that the recycled materials from all recycling processes financed under the Framework may include plastic intended for the production of single-use plastic-based products. Sustainalytics further notes that single-use plastic product waste is, as of today, more likely to end up in the environment rather than being recycled or appropriately managed.<sup>25</sup> Sustainalytics believes that the uncertainties associated with the life cycle emissions intensity, the use of fossil fuel, and the production of single-use plastic products may collectively undermine the environmental impact that may be created through the enablement of circularity within PVH's value stream. While acknowledging that PVH is expected to have limited operational control over the recycling facilities, Sustainalytics encourages PVH to engage with its recycling partners to support their transition away from the use of fossil fuel-based technologies, and periodically report on the chemical recycling technologies financed under the Framework along with the rationale behind the selection of such technologies, especially in the context of their overall environmental impact, on a best-effort basis.

- Project Evaluation and Selection:
  - PVH will establish a Green Finance Committee, which will be responsible for governing and monitoring the selection of expenditures that align with the eligibility criteria defined under the Framework. The Green Finance Committee will be comprised representatives from the Treasury, Corporate Responsibility, Supply Chain, Finance, Accounting, and Data Analytics teams.
  - PVH has established internal policies and processes to address environmental and social risks commonly associated with the eligible projects. Refer to Section 2 for more details.
  - Based on the cross-functional oversight for project evaluation and selection, and the application of environmental and social risk management processes, Sustainalytics considers this process to be aligned with market practice.
- Management of Proceeds:
  - PVH will manage the proceeds from their issuance with an internal tracking system. The Green Finance Committee will oversee the proceed allocation and tracking process, and meet annually to ensure that the eligible projects continue to align with the eligibility criteria. In case a project no longer meets the criteria, the Company will reallocate an equal amount of the funds to other eligible projects.
  - PVH intends to allocate all proceeds to credible expenditures within 36 months of each issuance. Pending full allocation, the Company has communicated to Sustainalytics that it may temporarily use unallocated proceeds to repay outstanding indebtedness or hold the unallocated proceeds in cash or cash equivalents, in accordance with the Company's regular liquidity practices. In the case of temporary allocation to refinance existing debt, Sustainalytics notes that the Company may refinance debt associated with carbon-intensive assets or activities, which is a deviation from what Sustainalytics believes to be good practice.
  - PVH has further communicated to Sustainalytics that the loans obtained under the Framework may include multi-tranche loan facilities. For such facilities, the Company intends to label only those tranches whose proceeds will be fully allocated according to the eligibility criteria defined in the Framework.
  - Based on disclosures related to management and the temporary use of proceeds, Sustainalytics considers this process to be aligned with market practice.
- Reporting:

<sup>25</sup> Sustainalytics notes that the extent of recycling of plastics is very low, with an estimated 9% of total plastic waste being recycled, while 19% is being incinerated and 50% goes to sanitary landfills. The remaining 22% of plastic waste is mismanaged such as being disposed of in uncontrolled dumpsites, burned in open pits or leaked into the environment. Sustainalytics further recognizes that improved recycling rates alone, even if attainable, will not fully address the holistic environmental issues associated with plastics. Unlike steel, glass and aluminum, plastics can only be recycled a finite number of times before being disposed of. In order to achieve full circularity, the industry needs to take substantial measures, including increased use of sustainably sourced alternative (low-carbon) materials that can be recycled indefinitely without a loss of quality. More information at: <https://www.unep.org/interactives/beat-plastic-pollution/> and <https://www.oecd-ilibrary.org/sites/df099c9-en/index.html?itemId=/content/component/df099c9-en>.

- PVH commits to publish annual allocation and impact report on its website until full allocation and thereafter, in case of any material developments. The allocation reporting will include category-wide amounts allocated to eligible projects, and the amount pending allocation.
- The impact reporting will adapt ICMA's Harmonized Framework for Impact Reporting (June 2023), where feasible, and will include quantitative environmental impacts of the projects financed under the Framework, as well as case studies with additional information on highlighted projects.
- Key impact indicators may include GHG emissions, share of certified or recycled materials used in production processes, and volume of sustainable packaging materials procured.
- PVH has communicated to Sustainalytics that if it obtains revolving credit facilities under the Framework, it will report on allocation until loan maturity.
- Based on the commitment to annual allocation and impact reporting, Sustainalytics considers this process to be aligned with market practice.

### Alignment with the Green Bond Principles 2021 and Green Loan Principles 2023

Sustainalytics has determined that the PVH Corp. Green Financing Framework aligns with the four core components of the GBP and GLP.

## Section 2: Sustainability Strategy of PVH Corp

### Contribution of the Framework to PVH's sustainability strategy

Sustainalytics is of the opinion that PVH Corp demonstrates a commitment to sustainability. The Company's sustainability strategy is encapsulated by its Forward Fashion programme comprising three pillars: i) accelerating climate action; ii) advancing human rights in the supply chain, and iii) promoting inclusion and diversity internally and amongst the communities where the Company operates.<sup>26</sup>

In 2022, 56% of PVH's total materials were sourced from "environmentally preferred" materials,<sup>27</sup> an increase of 12% from the previous year. Moreover, the Company is actively exploring alternative bio-based fibers and materials to reduce the reliance on cotton and virgin fossil-fuel based fibers.<sup>28</sup> To address pollution, PVH has focused on managing waste, and increasing recycling and re-use activities in its production processes. In 2022, 71% of PVH's suppliers complied with the ZDHC Manufacturing Restricted Substances List,<sup>29</sup> while 50% achieved the highest rating according to the Higg Facility Environmental Module, that assesses the environmental impact of product manufacturing facilities.<sup>30</sup> PVH is also a signatory to the Microfibre Consortium, which entails commitments to mitigate microfiber pollution and promote solutions through data sharing and innovations in design.<sup>31</sup> In terms of recycling and re-use, PVH is exploring the possibility of waste mapping to help sorters match textile wastes to appropriate recyclers. The Company is also investing in technologies that will help it incorporate recovered fibers, yarn or fabric into its supply chains.<sup>32</sup>

In terms of textile materials, PVH has committed to the sustainable sourcing of 100% of the Company's cotton, viscose and wool by 2025, and 100% of polyester requirements by 2030. In addition, PVH has set goals addressing supply chain and operational emissions, including making 100% of PVH products contribute to the circular economy by 2030; reducing hazardous chemicals and microfibers in wastewater to zero in its key wet processors; and achieving zero waste primarily through the elimination of single-use plastics, at all PVH offices, distribution centres and stores by 2030. PVH has also set targets associated with human rights and inclusion, including having 100% of its suppliers promote and maintain safe and healthy work environments by 2025, and achieving global gender parity for all leadership positions (at or above the SVP level by 2026) at the Company.<sup>33</sup>

Based on the above, Sustainalytics is of the opinion that the PVH Green Financing Framework is aligned with PVH's overall sustainability strategy and initiatives, and will further the Company's actions on its key environmental priorities.

<sup>26</sup> PVH, "Corporate Responsibility Report" (2022), at: <https://www.pvh.com/-/media/Files/pvh/responsibility/PVH-CR-Report-2022.pdf>

<sup>27</sup> PVH uses the term "environmentally preferred materials" to refer to materials with lower environmental impact. PVH, "Corporate Responsibility Report" (2022), at: <https://www.pvh.com/-/media/Files/pvh/responsibility/PVH-CR-Report-2022.pdf>

<sup>28</sup> Ibid

<sup>29</sup> ZDHC, "ZDHC Manufacturing Restricted Substances List," at: <https://mrsl.roadmaptozero.com/>

<sup>30</sup> Higg Index, "An Introduction to FEM," at: <https://howtohigg.org/fem-user-selection/fem-facility-users-landing/an-introduction-to-fem/#section4>

<sup>31</sup> Microfibre Consortium, "About," at: <https://www.microfibreconsortium.com/about>

<sup>32</sup> PVH, "Corporate Responsibility Report" (2022), at: <https://www.pvh.com/-/media/Files/pvh/responsibility/PVH-CR-Report-2022.pdf>

<sup>33</sup> Ibid.

### Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to have positive environmental or social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving human and labour rights in supply chain and risks related to occupational health and safety, emissions, effluents, and waste generated in the recycling processes. Sustainalytics notes that the recycling technologies PVH intends to finance will be managed by PVH's third-party vendors owing to which it will have limited operational control over the associated facilities.

Sustainalytics is of the opinion that PVH is able to manage and/or mitigate potential risks through implementation of the following:

- PVH manages risks related to human and labour rights in its supply chain through its Supply Chain Standards and Guidelines, which sets out expectations and guidance for its suppliers to manage both risks.<sup>34</sup> As part of the guidelines, all new factories are expected to complete the Social and Labor Convergence Program self-assessment,<sup>35</sup> and receive a positive PVH CR Assessment notification.<sup>36</sup> In addition to this assessment of actual risks in their own operations, PVH also uses third-party services to identify inherent risks associated with the industry to better anticipate potential risks in the future.<sup>37</sup> PVH also has a dedicated team to address and resolve human rights issues, including those raised by NGOs, suppliers and the media.<sup>38</sup>
- PVH manages risks related to occupational health and safety through a variety of initiatives that promote safe working environments and by ensuring facility-level compliance with corporate safety standards.<sup>39</sup> PVH additionally adheres to occupational health and safety standards set by national laws and regulations,<sup>40</sup> and the applicable disclosure requirements of the Sustainability Accounting Standards Board Index<sup>41</sup> and GRI 403: Occupational Health and Safety 2018.<sup>42</sup> The Company is also a signatory to the International Accord for Health and Safety in the Textile and Garment industry.<sup>43</sup>
- To manage risks associated with emissions, effluents and waste generation, PVH conducts environmental assessments on all of its supplier factories using the Higg Facility Environmental Module.<sup>44</sup> The Company uses the results from these assessments to inform decisions about suspending operations or initiating remediation plans.<sup>45</sup> PVH has also developed its own Restricted Substances List, to manage the impacts of hazardous chemicals in its own operations.<sup>46</sup>
- Sustainalytics notes that the Company has suppliers in several countries, including China, India, and Sri Lanka, where there are persistent issues associated with human rights and labour relations in the textile supply chain. These issues include forced labour,<sup>47</sup> child labour,<sup>48</sup> unsafe working conditions,<sup>49</sup> and gender discrimination.<sup>50</sup> Furthermore, PVH has been reportedly involved in some

<sup>34</sup> PVH, "Supply Chain Standards and Guidelines," at: <https://pvh.com/-/media/Files/pvh/responsibility/PVH-CR-Supply-Guidelines.pdf>

<sup>35</sup> Social & Labor Convergence, "Converged Assessment Framework," at: <https://slconvergence.org/tool>

<sup>36</sup> PVH, "Supply Chain Standards and Guidelines," at: <https://pvh.com/-/media/Files/pvh/responsibility/PVH-CR-Supply-Guidelines.pdf>

<sup>37</sup> PVH, "Our Approach to CR and Human Rights," at: <https://www.pvh.com/-/media/Files/pvh/responsibility/Approach-to-CR-and-Human-Rights.pdf>

<sup>38</sup> Ibid

<sup>39</sup> PVH, "Corporate Responsibility Report" (2022), at: <https://www.pvh.com/-/media/Files/pvh/responsibility/PVH-CR-Report-2022.pdf>

<sup>40</sup> PVH, "A Shared Commitment: Our Code of Conduct," at: <https://www.pvh.com/-/media/Files/pvh/responsibility/PVH-A-Shared-Commitment.pdf>

<sup>41</sup> SASB Standards, at: <https://sasb.org/standards/download/>

<sup>42</sup> GRI Standards, "GRI 403: Occupational Health and Safety," at: <https://www.globalreporting.org/>

<sup>43</sup> The International Accord for Health and Safety in the Textile and Garment Industry, at: <https://internationalaccord.org/>

<sup>44</sup> Higg Index, "An Introduction to FEM," at: <https://howtohigg.org/fem-user-selection/fem-facility-users-landing/an-introduction-to-fem/>

<sup>45</sup> PVH, "Corporate Responsibility Report" (2022), at: <https://www.pvh.com/-/media/Files/pvh/responsibility/PVH-CR-Report-2022.pdf>

<sup>46</sup> PVH, "Restricted Substances List," at: <https://www.pvh.com/-/media/Files/pvh/responsibility/PVH-Restricted-Substance-List.pdf>

<sup>47</sup> ILO, "Responsible Business Conduct in China Textile Industry," (2023), at: [www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/projectdocumentation/wcms\\_865463.pdf](http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/projectdocumentation/wcms_865463.pdf)

<sup>48</sup> Save the Children, "Child Rights Risk Assessment of the Textile and Apparel Sector Supply Chain in Sri Lanka," (2022), at: <https://childrights-business.org/public/uploads/files/20220901/Child%20Rights%20Risk%20Assessment%20Of%20The%20Textile%20And%20Apparel%20Sector%20Supply%20Chain%20In%20Sri%20Lanka.pdf>

<sup>49</sup> ILO, "Responsible Business Conduct in China Textile Industry," (2023), at: [www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/projectdocumentation/wcms\\_865463.pdf](http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/projectdocumentation/wcms_865463.pdf)

<sup>50</sup> Business & Human Rights Resource Centre, "India: Brand and retailer responses to BHRC report on gender-based violence & harassment in garment factories," (2022), at: <https://www.business-humanrights.org/en/latest-news/india-brand-and-retailer-responses-to-bhrc-report-on-gender-based-violence-harassment-in-garment-factories/>

of these issues through their supply chain, such as the use of forced labour,<sup>51</sup> wage theft,<sup>52</sup> and poor working conditions, including gender discrimination.<sup>53</sup> Nevertheless, Sustainalytics notes that PVH has a number of policies to address these risks, including the aforementioned Supply Chain Standards and Guidelines<sup>54</sup> and a policy on human rights.<sup>55</sup> Sustainalytics also notes that PVH has directly addressed some of these issues in public statements,<sup>56</sup> and has taken an active role in mitigating abuses in the textile supply chain, including becoming a signatory of the Asia Floor Wage Alliance's Dindigul Agreement to End Gender-Based Violence and Harassment in 2022.<sup>57,58</sup> Sustainalytics encourages the Company to continue to report on the implementation of such policies and processes.

Based on these policies, standards and assessments, Sustainalytics is of the opinion that PVH has implemented adequate 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

The use of proceeds categories are aligned with those recognized by the GBP and GLP. Sustainalytics has focused below on where the impact is specifically relevant in the local context.

#### The Importance of environmental sustainability in the fashion industry

The fashion industry is large, not just in its scope and importance in the global economy, but also in terms of its environmental impact.<sup>59</sup> It is responsible for 4% of the global GHG emissions,<sup>60</sup> and it is estimated that the industry's emissions will grow by more than 60% by 2030.<sup>61</sup> The industry is also reliant on fossil fuels, especially through its increasing use of synthetic fabrics, which made up 64% of global fiber production in 2021.<sup>62</sup> It has high levels of pollution throughout its value chain, ranging from the impact of pesticides used in cotton production to the release of microplastics by end-use washing.<sup>63,64</sup> The industry additionally struggles with issues stemming from overconsumption, particularly in terms of waste production. While the consumption of clothing has increased by 60% over the past 15 years, consumers only keep the clothes for half as long.<sup>65,66</sup> In recent years, approximately 80% of secondhand clothing is downcycled, exported, or landfilled.<sup>67</sup>

Efforts are underway to make the fashion industry more sustainable. Some of these efforts are focused on the production of textiles themselves. The proliferation of bio-based material may help reduce the need for fossil-fuel based synthetics, though they still involve significant environmental impacts through water and

<sup>51</sup> Uluyol, Y, et al. 2023. "Tailoring Responsibility: Tracing Apparel Supply Chains from the Uyghur Region to Europe." Sheffield Hallam University Helena Kennedy Centre for International Justice, at: <https://www.shu.ac.uk/helena-kennedy-centre-international-justice/research-and-projects/all-projects/eu-apparel>

<sup>52</sup> Asia Floor Wage Alliance, "Money Heist: Covid-19 Wage Theft in Global Garment Supply Chains," (2021), at: <https://asia.floorwage.org/covid/money-heist-covid-19-wage-theft-in-global-garment-supply-chains/>

<sup>53</sup> Asia Floor Wage Alliance, "Fact-Finding Report into Violation of Workers' Rights at Shahi Factory," (2022), at: <https://asia.floorwage.org/fact-finding-report-into-labour-violations-at-shahi-factory-kuppam-andhra-pradesh-india/#GBVH>

<sup>54</sup> PVH, "Supply Chain Standards and Guidelines," at: <https://pvh.com/-/media/Files/pvh/responsibility/PVH-CR-Supply-Guidelines.pdf>

<sup>55</sup> PVH, "Our Approach to CR and Human Rights," at: <https://www.pvh.com/-/media/Files/pvh/responsibility/Approach-to-CR-and-Human-Rights.pdf>

<sup>56</sup> Business & Human Rights Resource Centre, "China: 83 major brands implicated in report on forced labour of ethnic minorities from Xinjiang assigned to factories across provinces; Includes company responses," (2020), at: <https://www.business-humanrights.org/en/latest-news/china-83-major-brands-implicated-in-report-on-forced-labour-of-ethnic-minorities-from-xinjiang-assigned-to-factories-across-provinces-includes-company-responses/>

<sup>57</sup> Asia Floor Wage Alliance, "Dindigul Agreement: Year One Progress Report," (2023), at: [https://asia.floorwage.org/wp-content/uploads/2022/02/Money-Heist\\_Book\\_Final-compressed.pdf](https://asia.floorwage.org/wp-content/uploads/2022/02/Money-Heist_Book_Final-compressed.pdf)

<sup>58</sup> PVH, "Corporate Responsibility Report" (2022), at: <https://www.pvh.com/-/media/Files/pvh/responsibility/PVH-CR-Report-2022.pdf>

<sup>59</sup> UN Alliance for Sustainable Fashion, "What is the UN Alliance for Sustainable Fashion," at: <https://unfashionalliance.org/>

<sup>60</sup> UNECE, "UNECE calls on fashion industry to fully embrace sustainability," (2023), at: <https://unece.org/media/news/384633>

<sup>61</sup> UN Alliance for Sustainable Fashion, "Synthesis Report on United Nations System-wide Initiatives related to Fashion," (2021), at: [https://unfashionalliance.org/wp-content/uploads/2021/10/UN-Fashion-Alliance-Mapping-Report\\_Final.pdf](https://unfashionalliance.org/wp-content/uploads/2021/10/UN-Fashion-Alliance-Mapping-Report_Final.pdf)

<sup>62</sup> Textile Exchange, "Material Pathways: Accelerating Action towards Climate+ Goals," (2023), at:

[https://textileexchange.org/app/uploads/2023/03/Material-Pathways\\_March-2023.pdf](https://textileexchange.org/app/uploads/2023/03/Material-Pathways_March-2023.pdf)

<sup>63</sup> Schwartz, N. 2023. "Here's where fossil fuels exist in the fashion industry's supply chain." Fashion Dive, at: <https://www.fashiondive.com/news/fashion-industry-fossil-fuels-carbon-emissions-mapping/645992/>

<sup>64</sup> UN Environment Programme, "Sustainability and Circularity in the Textile Value Chain," (2020), at: <https://wedocs.unep.org/handle/20.500.11822/34184>

<sup>65</sup> Eileen Fisher Foundation, "Fashion's Waste Crisis and How to Solve it," (2022), at: <https://www.heyfashion.org/report>

<sup>66</sup> Geneva Environment Network, "Environmental Sustainability in the Fashion Industry," (2024), at: <https://www.genevaenvironmentnetwork.org/resources/updates/sustainable-fashion/>

<sup>67</sup> Ibid.

land use.<sup>68</sup> Meanwhile, the adoption of more sustainable textiles has the potential to reduce water usage, and eliminate pesticides and GMOs, thereby helping to reduce the environmental impact at the beginning of the industry's value chain.<sup>69</sup> Some industry participants are exploring sustainable ways to address the issues associated with waste by adopting circular clothing design and better recycling technologies that will allow companies to keep clothing in circulation and out of landfills.<sup>70,71</sup> Increasingly, these efforts are being encouraged through international cooperation. The UN Alliance for Sustainable Fashion was established in 2019 to halt environmentally and socially destructive practices in fashion,<sup>72</sup> and in 2021 the Fashion Industry Charter for Climate Change was created to outline how the textile, clothing, and fashion industries can achieve net-zero emissions by 2050.<sup>73,74</sup> While these organizations have helped increase transparent reporting and the adoption of renewable energy among its participants, only 45% of the charter's active signatories have set long-term public climate targets.<sup>75,76</sup>

Based on the above, Sustainalytics is of the opinion that PVH's proposed investments in sustainable and recycled textile have the potential to contribute meaningfully to the decarbonization of the fashion industry.

### Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the PVH Corp. Green Financing Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Sustainable Materials	12. Responsible Consumption and Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources.
Packaging & Circularity	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, and reuse

### Conclusion

PVH has developed the PVH Corp. Green Financing Framework under which it may issue green bonds, convertible notes, commercial papers and other financing instruments, obtain loans, and use the proceeds to finance projects related to sustainable materials, and packaging and circularity. Sustainalytics considers that the eligible projects are expected to provide a positive environmental impact.

The PVH Corp. Green Financing Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the PVH Corp. Green Financing Framework is aligned with the overall sustainability strategy of PVH and that the use of proceeds will contribute to the advancement of the UN Sustainable Development Goal 12. Additionally, Sustainalytics is of the opinion that PVH has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that PVH Corp. is well positioned to issue green bonds and obtain green loans, and that the PVH Corp. Green Financing Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021 and Green Loan Principles 2023.

<sup>68</sup> European Environment Agency, "How to make textile consumption and production more sustainable?" (2023), at:

<https://www.eea.europa.eu/en/newsroom/editorial/how-to-make-textile-consumption-and-production-more-sustainable>

<sup>69</sup> Tenace Organics Pvt. Ltd, "The Empower of Sustainable Textiles: Eco-Friendly Fabrics Making a Difference," (2023), at:

<https://www.linkedin.com/pulse/empower-sustainable-textiles-eco-friendly-fabrics/>

<sup>70</sup> Eileen Fisher Foundation, "Fashion's Waste Crisis and How to Solve it," (2022), at: <https://www.heyfashion.org/report>

<sup>71</sup> McKinsey & Company, "Scaling textile recycling in Europe- Turning waste into value," (2022), at: <https://www.mckinsey.com/industries/retail/our-insights/scaling-textile-recycling-in-europe-turning-waste-into-value>

<sup>72</sup> UN Alliance for Sustainable Fashion, "What is the UN Alliance for Sustainable Fashion," at: <https://unfashionalliance.org/>

<sup>73</sup> UN Climate Change, "Fashion Industry Charter for Climate Action," at: <https://unfccc.int/climate-action/sectoral-engagement-for-climate-action/fashion-charter>

<sup>74</sup> Geneva Environment Network, "Environmental Sustainability in the Fashion Industry," (2024), at:

<https://www.genevaenvironmentnetwork.org/resources/updates/sustainable-fashion/>

<sup>75</sup> UN Climate Change, "Fashion Industry Charter for Climate Action Progress Report," (2023), at: <https://unfccc.int/documents/627503>

<sup>76</sup> UN Climate Change, "New Report: Fashion Industry Needs to Make Climate Action a Top Trend," (2023), at: <https://unfccc.int/news/new-report-fashion-industry-needs-to-make-climate-action-a-top-trend>

## Disclaimer

**Copyright ©2024 Sustainalytics. All rights reserved.**

The information, methodologies and opinions contained or reflected herein are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data), and may be made available to third parties only in the form and format disclosed by Sustainalytics, or provided that appropriate citation and acknowledgement is ensured. They are provided for informational purposes only and (1) do not constitute an endorsement of any product or project; (2) do not constitute investment advice, financial advice or a prospectus; (3) cannot be interpreted as an offer or indication to buy or sell securities, to select a project or make any kind of business transactions; (4) do not represent an assessment of the issuer's economic performance, financial obligations nor of its creditworthiness; and/or (5) have not and cannot be incorporated into any offering disclosure.

These are based on information made available by the issuer and therefore are not warranted as to their merchantability, completeness, accuracy, up-to-dateness or fitness for a particular purpose. The information and data are provided "as is" and reflect Sustainalytics' opinion at the date of their elaboration and publication. Sustainalytics accepts no liability for damage arising from the use of the information, data or opinions contained herein, in any manner whatsoever, except where explicitly required by law. Any reference to third party names or Third Party Data is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner. A list of our third-party data providers and their respective terms of use is available on our website. For more information, visit <http://www.sustainalytics.com/legal-disclaimers>.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

## About Sustainalytics, a Morningstar Company

Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

For more information, visit [www.sustainalytics.com](http://www.sustainalytics.com)

Or contact us [contact@sustainalytics.com](mailto:contact@sustainalytics.com)

