

ENGAGEMENT FACTSHEET

Abercrombie & Fitch

ENGAGEMENT RATIONALE

Abercrombie & Fitch (A&F) is an American apparel retailer and operates approximately 900 stores across three brands. A&F in the past lagged its peers on transparency related to its supply chain management policies. In the past two years the company has significantly improved its transparency, published a sustainability strategy and set clear targets to 2025. Recently the MSCI ESG Data provider upgraded the company's ESG score from CCC to B.

BACKGROUND

We have had an active dialogue with A&F on its strategy, social policies and corporate governance since the company was added to our Global Small Cap portfolio. In early 2018, we decided to start a formal engagement on social issues. Our analysis revealed that, since 2011, the company had not disclosed sufficient information about its approach to sustainability and supply chain management.

THEMES FOR ENGAGEMENT

Human & labour rights and disclosure & implementation of living wages

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ENGAGEMENT OBJECTIVES

- × For A&F to disclose its performance against set sustainability targets. Sustainability performance against targets should be verified.
- × For A&F to continue improving its approach to living wages from 'developing' to 'emerging'. Specifically we would like the company to develop a separate statement on living wages and show clear evidence of living wage Code of Conduct implementation

DEVELOPMENT



MILESTONE



- × A&F set sustainable sourcing targets on products. We want to better understand those targets. The company should strive to achieve them by or before 2025.

ENGAGEMENT RESULTS

- × A&F launched a new sustainability website, and significantly increased levels of transparency and disclosure around its approach to sustainability. This is encouraging. The company now also discloses the full list of its supplier factories and published summary results of supplier audits.
- × A&F recently announced its sustainability strategy, set clear targets, became a UN Global Compact signatory and included living wages into their code of conduct. There is clear commitment from the senior management to strengthen the sustainability strategy.
- × In the latest scoring that we did on the company's approach to living wages, the company's approach moved from 'embryonic' to 'developing' stage.
- × We are pleased with the progress the company is making and will focus the next stage of engagement on execution and implementation of these targets.
- × After our engagement the company is now addressing the strength of its balance sheet and cash flows in investor materials.

NEXT STEPS

A&F to further increase the transparency of its sustainability-focused policies and to provide concrete evidence on how these are being implemented within its supply chain.

SDG



COMPANY

A&F is a global specialty retailer of apparel and accessories. It operates three brands: Abercrombie & Fitch, abercrombie kids and Hollister Co.

COUNTRY

USA

SECTOR

Consumer Discretionary

MARKET CAP

Small Cap

ISSUE

A&F's business model is not fully vertically integrated. The company does not own the factories which manufacture its designs. Production is outsourced to countries outside the US, including China, Vietnam, India and Bangladesh. The industry has faced allegations of poor working conditions.

MATERIALITY

The industry is directly involved in issues and controversies surrounding poor labour conditions through its suppliers (Tier 1 and Tier 2). A&F audit findings confirm some of these issues.

RISK

Supply chain management, payment of living wages are important for the sector

MSCI ESG RESEARCH

UN Global Compact: Pass
ESG Rating: B