

# STEVE MADDEN

# 2019 SUSTAINABILITY REPORT

---

LEVERAGING THE POWER OF FASHION TO BE A GLOBAL FORCE FOR GOOD

[WWW.STEVEMADDEN.COM](http://WWW.STEVEMADDEN.COM) | [INFO@STEVEMADDEN.COM](mailto:INFO@STEVEMADDEN.COM)

# TABLE OF CONTENTS

## 01 OUR JOURNEY

A MESSAGE FROM OUR CEO AND CHAIRMAN OF THE BOARD  
ABOUT US

## 02 SUSTAINABILITY AT STEVE MADDEN

OUR SUSTAINABILITY OBJECTIVES AND STRATEGIC FRAMEWORK  
GOVERNANCE  
ENVIRONMENT  
PEOPLE  
CUSTOMERS  
COMMUNITIES  
ECONOMIC VALUE CREATION

## 03 MATERIALITY ASSESSMENT PROCESS

01

# OUR JOURNEY

## LEVERAGING THE POWER OF FASHION TO BE A GLOBAL FORCE FOR GOOD



**Welcome to Steve Madden's first Sustainability Report.**

The year 2020 marks 30 years since Steve founded the Company. As we celebrate our anniversary as an organization, we have reflected on how our Company has grown and the successes we've had, but also where we have opportunity to do better and how we can create more value for all our stakeholders, including our employees, partners, communities, consumers and investors.

The devastating impact of the COVID-19 pandemic and the long-overdue reckoning with racial injustice in the United States have only emphasized to us our responsibility to all those stakeholders and the opportunity we have to create positive change for our people and communities.

While conducting business responsibly has been a defining part of our culture from the beginning, 2019 was the year we formalized our Company's CSR and sustainability goals and process in an effort to put us on a path of meaningful and measurable improvement in the impacts we have. We formed a CSR department at the Company as well as a CSR Committee of the Board of Directors. We established a strategic sustainability framework that outlines our priorities, with a focus on diversity and inclusion and environmental sustainability and sets short, medium and long-term goals for improving our social and environmental impacts. This report is intended to share our sustainability roadmap and how we intend to ensure that CSR and sustainability are embedded in everything we do going forward.

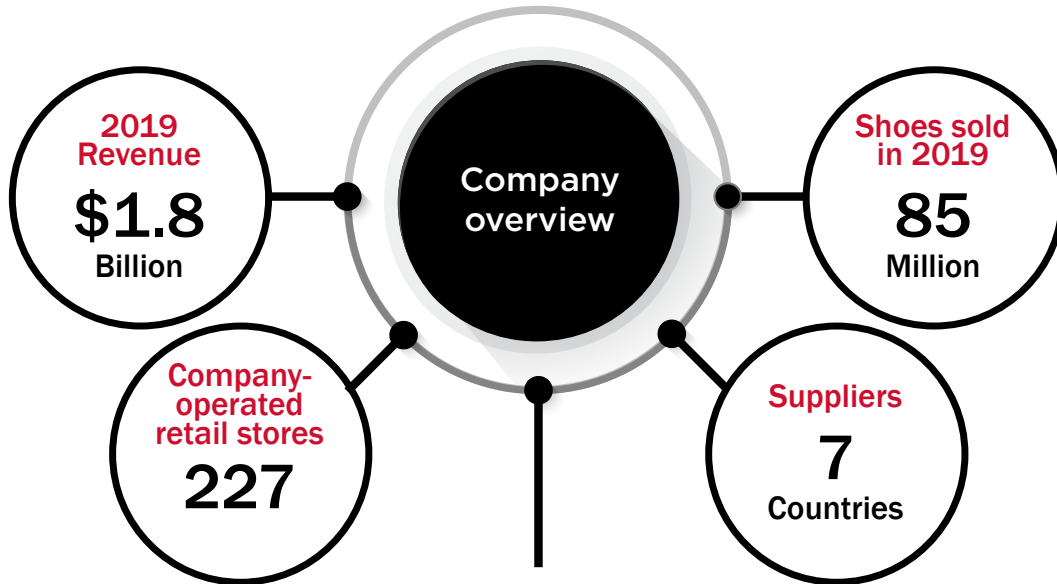
You will see that in many areas, we are in the early stages of our journey, but we are committed to continuous improvement and progress and we believe we can be a leader in transforming our industry to reduce its negative impact on the environment while continuing to increase positive impacts on our people and communities. We look forward to reporting back to you next year on the progress we have made.

Sincerely,

Ed Rosenfeld



# ABOUT US



**Top 10 customers:**

Walmart, TJX Companies, Nordstrom, Macy's, DSW, Target, Ross, Kohl's, Dillard's, Burlington

## OWNED BRANDS

### STEVE MADDEN



## LICENSED BRANDS



02

# SUSTAINABILITY AT STEVE MADDEN

## Democratizing Sustainable Fashion

Our business is built on ensuring that the products we make meet the needs of our customers and are affordable and accessible. We are also mindful of our responsibility as a global corporate citizen to keep expanding our efforts to protect and enhance the well-being of our employees, our partners, the communities in which we operate and the planet as a whole.

Our products must therefore be responsibly made and ethically sourced. It is our promise to our customers to continue to offer footwear that is not only stylish and a great value, but that is also manufactured responsibly with materials that are better for the environment.

Read our report to learn more about how we aim to keep this promise and transform how fashion is done.



# OUR SUSTAINABILITY OBJECTIVES & STRATEGIC FRAMEWORK

## OUR MISSION:

To ensure that our products are stylish, responsibly made and available at accessible price points.



Our sustainability objectives and strategic framework were developed through a materiality determination process we undertook in 2019 in accordance with Global Reporting Initiative (GRI) principles. These objectives incorporate the material issues defined during this process.

**Our sustainability objectives are aligned with the UN Sustainable Development Goals (SDGs)**



**In this report, we disclose:**

- Our current work including projects, initiatives and baselines of our impacts
- Our Corporate Social Responsibility (CSR) and sustainability goals and how we plan to achieve them
- Priorities: complete baselines, strengthen management systems, set targets, develop impact reduction strategies



# GOVERNANCE

Accomplishing our CSR and sustainability goals begins with placing CSR and sustainability at the heart of how we think about success as a Company.





# SUMMARY

Good governance is the foundation of our strategic CSR and sustainability framework.

## Progress to date



### Action group at highest levels of decision-making

2019 Corporate Social Responsibility Board Committee oversees and directs all CSR programs:

- + Ethical sourcing
- + Employment conditions
- + Climate change
- + Diversity/inclusion
- + Talent development
- + Employee Resource Groups
- + Community
- + Charity



### Codes of practice for responsible business

- + Code of ethics for all senior officers
- + Code of conduct for the board of directors
- + Code of conduct for employees and subsidiaries
- + Core values - individuality, teamwork, respect, passion and responsibility



### Strengthening CSR and sustainability management

- + Management + CSR Board Committee established
- + CSR department established 2019, reports directly to CEO
- + Enterprise level policies - human rights, environmental, health & safety, solid waste, recycling and climate

## Looking ahead - 2020 and beyond



### Engaging with stakeholders on CSR

- + Create Internal Diversity Council
- + Form additional Employee Resource Groups (ERGs) for Black employees, women employees and others in addition to our first ERG for LGBTQ+ employees
- + Create External Sustainability Advisory Board
- + Create Internal Sustainability Action Group



### Integrating CSR and sustainability

- + Engage employees
- + Formalize accountability structures



## STEVE MADDEN

Firmly embed CSR and sustainability throughout the Company and incorporate it into all business decision-making.

# OUR CURRENT WORK

## STARTING AT THE TOP

Our Board of Directors has four committees that help guide its oversight and decision-making responsibilities to advance the Company's commitments and values. These committees include the **Audit Committee**, the **Compensation Committee**, the **Nominating Committee** and most relevant to this report, the **Corporate Social Responsibility (CSR) Committee**. The purpose of the CSR Committee is to assist the Board in its oversight of all the Company's initiatives, plans and practices with respect to corporate social responsibility and sustainability.



## DOING BUSINESS RESPONSIBLY

### Ethics & Integrity

Our Chief Executive Officer and all senior financial officers comply with the [Code Of Ethics For The Chief Executive Officer and Senior Financial Officers](#), which outlines how to address conflicts of interest, compliance and reporting. Our Board of Directors adheres to its own [Code Of Business Conduct and Ethics For The Board Of Directors](#), which addresses their fiduciary duties, confidentiality, legal compliance and reporting.

### Our Code of Conduct

Our Company [Code of Conduct](#) ensures that we live up to our culture and values of Individuality, Teamwork, Respect, Passion and Responsibility which are also the foundation of our CSR and sustainability efforts. The Code reflects our commitment to operate responsibly and ethically, to protect the interests of our shareholders and to support our local, national and global community. It applies to all officers, directors and employees and to our global business partners, subsidiaries and all their respective employees.

### Grievance Mechanisms

Any employee may report their concerns through a 24/7 whistleblower hotline operated by an independent third-party or through internal channels to Human Resources and the General Counsel's office. We have a strict policy of non-retaliation for any concerns reported.

## STRENGTHENING CSR AND SUSTAINABILITY MANAGEMENT

In 2019, we formally committed to building upon our long-standing efforts in CSR and sustainability by establishing a CSR Department. The department is headed by a new corporate Vice President who reports directly to the CEO and has broad authority to shape and advance the Company's CSR and sustainability strategy. The CSR Department is also responsible for spearheading the creation of this report and is the driving force behind the ongoing initiatives outlined in this disclosure.

### CSR Board Committee

As noted above, the Company established a CSR Committee at the Board level dedicated to overseeing and directing all of our initiatives and practices with respect to (a) diversity & inclusion, (b) talent development & well-being, (c) ethical and sustainable sourcing, (d) international and local labor and employment conditions, (e) global climate change, (f) community partnerships, (g) charitable giving and others. The Committee is comprised of knowledgeable and invested individuals with extensive corporate and retail experience and with a passion for sustainability and social responsibility.

We have published various enterprise-level policies that will serve as a foundation for and will advance our long-term CSR and sustainability goals throughout Company operations.

#### Global Human Rights Policy

Provides guidance to our employees and partners around the world to ensure that our business practices and processes reflect the Company's commitment to human rights.

[Read the Policy](#)

#### Environmental, Health & Safety Policy

Demonstrates our commitment to sustainable development, caring for the environment and providing a safe and healthy workplace for all our employees and partners based in the United States and throughout the world.

[Read the Policy](#)

#### Solid Waste, Recycling & Water Policy

Demonstrates our commitment to managing our waste responsibly, reducing the volume of waste sent to landfills and maximizing reuse and recycling where possible.

[Read the Policy](#)

#### Carbon and Climate Policy

Demonstrates our commitment to seeking actions to mitigate global warming trends and environmental degradation.

[Read the Policy](#)

All policies apply to all our employees and global business partners, vendors and suppliers and align with international standards for responsible business from the United Nations, the International Labor Organization and others.

## COMMITMENTS

### UN Global Compact



As a cornerstone of our work going forward, Steve Madden joined the [UN Global Compact](#) (UNGC), a non-binding United Nations pact established in 2000 to encourage businesses worldwide to adopt sustainable and socially responsible policies and to report on their implementation. When Steven Madden, Ltd. became a member of the Global Compact, it joined almost 10,000 other companies who are committed to aligning their governance and operational strategies with universal principles on human rights, labor, environment and anti-corruption. The UNGC and its focus on the Sustainable Development Goals (SDGs) informs and guides the work of Global Compact members and as such, will be a key guiding force for Steve Madden's work into the future.

## LOOKING AHEAD - 2020 AND BEYOND

Our aim is to continue building upon our existing governance structures to advance our CSR and sustainability goals by engaging with external stakeholders for strategic guidance and further integrating CSR and sustainability into our business operations by establishing accountability measures, training and top-down support and resource commitments throughout the Company and all brands.

## ENGAGING WITH STAKEHOLDERS

### Internal Diversity Council

We are in the process of forming an internal Diversity Council made up of senior management from Human Resources, CSR, Legal, Design, Marketing and other areas of the Company to enhance and expand our existing diversity efforts in hiring, promotion and sourcing.

### Internal Employee Resource Groups (ERGs)

In addition to the newly created LGBTQ+ ERG "SM Pride" that was formed earlier this year, we will continue creating additional ERGs for Black employees, female employees and others. ERGs are key sources of feedback and guidance to the Company's leadership regarding diversity issues and are essential to the Steve Madden community.



### **External Sustainability Advisory Board**

We plan to establish a diverse international group of thought leaders and sustainability practitioners who will join us to help deepen the Company's understanding of sustainability from the outside and to better understand external stakeholder needs.

### **Internal Sustainability Action Group**

We are in the process of establishing an internal Sustainability Action Group with designers and senior leadership from all divisions to enhance communication and better advance the Company's goals regarding more sustainable design, sourcing and production. Subjects of the Action Group's work will include: Materials (reducing the impacts of our materials and supporting the transition to Environmentally Preferred Materials (EPMs)) and Supply Chain (addressing the social and environmental impacts in our supply chain).

## **INTEGRATING CSR AND SUSTAINABILITY**

### **Engaging Employees and Formalizing Accountability Structures**

The Company will also focus on formalizing accountability structures, including policies and procedures that encourage employees at all levels to play their part in advancing the Company's CSR and sustainability agenda. Those policies and procedures will ensure that employees are (a) knowledgeable about the larger challenges that the fashion industry faces, (b) aware of the Company's short, medium and long-term goals, (c) encouraged to set personal goals that align with the Company's targets and (d) properly incentivized to meet their personal sustainability goals.

Altogether, our accountability structures will make it possible for senior leadership to work in partnership with our broader workforce to ensure that CSR and sustainability goals and targets are advanced throughout Company operations and met within reasonable timeframes.

# ENVIRONMENT

According to the United Nations, the fashion industry contributes to around 10% of global greenhouse gas emissions, consuming more energy than the aviation and shipping industry combined. The fashion industry also produces approximately 20% of global wastewater and 85% of textiles end up in landfills or are incinerated.

Learn more about our work on:

Using better materials

Reducing environmental impact of operations

Greening manufacturing

Recovering products at end of life



# BETTER MATERIALS

Our mission is to create on-trend products that are made with better materials at accessible price points.

## Progress to date



### Beginning the transition

- + Collections from innovation brands made with Environmentally Preferred Materials (EPMs)
- + EPMs have one or more of the following attributes:
  - Use recycled inputs
  - Avoid use of toxic chemicals in manufacturing / production
  - Use more efficient production methods (less/cleaner energy, less water)
  - Use bio-based inputs that can break down at end-of-life
  - Use recyclable inputs



### Understanding our material use

- + Initial Materials Inventory for all brands completed



### Sustainable packaging

- + As of Spring 2020, shoeboxes for all Steve Madden women's, men's and kids' shoes made from 90% post-consumer waste

## Looking ahead - 2020 and beyond



### Scaling the transition

- + Define comprehensive Material Transition Strategy
  - Define material transition pathways
  - Engage suppliers
- Develop systems and tools to facilitate transition



### Collaboration and knowledge exchange

- + Form an in-house Sustainable Design Action Group



### Targets

- + 50% PU to be DMF-free by 2025
- + 50% leather to be LWG certified by 2025
- + 50% plastic materials to be made from 100% recycled content by 2025
- + Shoeboxes across all brands will transition to 90% post-consumer waste content by 2022
- + Phase out any remaining single-use plastic bags by 2022



## STEVE MADDEN

Bring more Environmentally Preferred Materials (EPMs) into our products.

# OUR CURRENT WORK

## BEGINNING THE TRANSITION

### CLEAR and Cool Planet Collections made with Environmentally Preferred Materials (EPMs)

This past year, we established two sustainable innovation brands – Dolce Vita CLEAR and Cool Planet by Steve Madden. CLEAR and Cool Planet were born out of a mission to create on-trend shoes made with better materials at a price point that customers can afford. Both brands serve as a testing ground and foundation for scaling our transition to EPMs that we will leverage across our branded portfolio in the coming years.

The CLEAR collection incorporates recycled polyester, organic cotton, chrome-free leather and suede and bio-based insoles. The Cool Planet sourcing team is working with partners around the globe to source sustainable materials, in particular, those with recycled content. These materials include recycled polyester, recycled Ethylene-Vinyl Acetate (EVA), recycled Thermoplastic Rubber (TPR) and recycled memory foam as well as dimethylformamide (DMF)-free Polyurethane (PU). DMF-free PU is a water-based, solvent-free PU that is an environmentally preferred replacement for conventional PU that also reduces impacts on the workers in our supply chain.

### The Adley Sandal



**The Fall 2019 top seller was an Organic Cotton Canvas shoe with a BLOOM Algae-EVA molded insole and recycled polyester laces.**

The Cool Planet collection was expected to launch in Spring 2020 but due to the COVID-19 outbreak, we expect to launch in Spring 2021.



In developing CLEAR and Cool Planet, our teams demonstrated the feasibility of transitioning to EPMs. This work will inform our broader Material Transition Strategy going forward. Indeed, both brands will not only continue to operate as stand-alone initiatives but also as incubators for new and future sustainability practices for the Company to adopt universally.

In addition to the work advanced by CLEAR and Cool Planet, other Steve Madden brands have also begun to transition to better materials and to align with the Company’s overall sustainability goals. Some examples include using recycled content in Blondo shoes and boots, GREATS sneakers, Steve Madden and Madden Zone handbags and backpacks and BB Dakota apparel, as well as Jocelyn outerwear going entirely animal-cruelty free as of the beginning of 2020.

## UNDERSTANDING MATERIAL USE

### Materials Inventory

The Company’s Material Transition Strategy is based on the Materials Inventory we completed in 2019 across all brands and products. The primary materials we use are man-made Fiber (synthetic fibers such as polyester and nylon), Polyurethane (PU), Leather and Plastic of various configurations.



#### Uppers

|                |     |           |    |
|----------------|-----|-----------|----|
| Man-made fiber | 39% | Calf hair | 3% |
| PU             | 38% | Cotton    | 3% |
| Leather        | 12% | Plastic   | 1% |
| Glitter        | 4%  |           |    |

#### Outsole

|                  |     |
|------------------|-----|
| Plastic          | 96% |
| Leather          | 3%  |
| Leather flocking | 1%  |

## SUSTAINABLE PACKAGING

Packaging materials is another key area for us to advance our sustainability goals. For the first time in 30 years, the Steve Madden brand completely redesigned its shoeboxes to be more sustainable.

**Our new shoeboxes for all Steve Madden women's, men's and kids' shoes are made from 90% post-consumer waste and 10% virgin pulp farmed from sustainably managed forests.**

The boxes incorporate sustainable materials, use only natural dyes and adhesives and have no chemical finish. Moreover, all paper products are printed with plant-based ink and are made from 99% post-consumer waste. Both box and paper are 100% recyclable.

The process for producing our boxes is also less energy intensive because a consistent design across all women's, men's and kids' shoes allows our suppliers' factories to do longer runs without stopping their machines. Waste is reduced by reusing trimmings.

We are proud to work with our packaging vendor, JE Edwards - a leader in the Sustainable Packaging Coalition and fully certified by the Forestry Stewardship Council. Their paper is sourced from tree plantations which farm trees sustainably as opposed to disturbing natural eco-systems through deforestation. They also actively collect, sort and return recyclable waste to the appropriate materials vendors, who eventually upcycle the scraps into new post-consumer waste materials.



## LOOKING AHEAD - 2020 AND BEYOND

Transitioning to Environmentally Preferred Materials (EPMs) is a key sustainability priority for our Company along with reducing the environmental impacts in our supply chain as these two issues are the main drivers of our environmental footprint. We aim to formalize our work on materials by developing a comprehensive Material Transition Strategy. We had planned to accomplish this goal by the end of 2020 but due to the disruption caused by the COVID-19 pandemic, we are on target to accomplish this goal in 2021.

## SCALING THE TRANSITION TO EPMS

### Material Transition Strategy

Our Material Transition Strategy will build upon the work of CLEAR and Cool Planet and define specific pathways and mechanisms for a comprehensive transition to EPMS across all Steve Madden brands on a short, medium and long-term time frame, as well as identify the management approaches needed to achieve these goals. These include updating policies, procedures and management systems, reconfiguring the supply chain, acquiring new technology tools and creating resources for knowledge sharing such as shared databases for EPMS and sourcing vendors across all brands and products. This process will be informed by all relevant stakeholders inside and outside the Company including designers first and foremost, but also sourcing, marketing and finance teams.



This transition process has already begun and will continue to occur along a pathway that started with setting minimum requirements for our innovation lines and progressing by including more environmentally preferred materials across all brands until we have incorporated the least impactful materials into all our products.



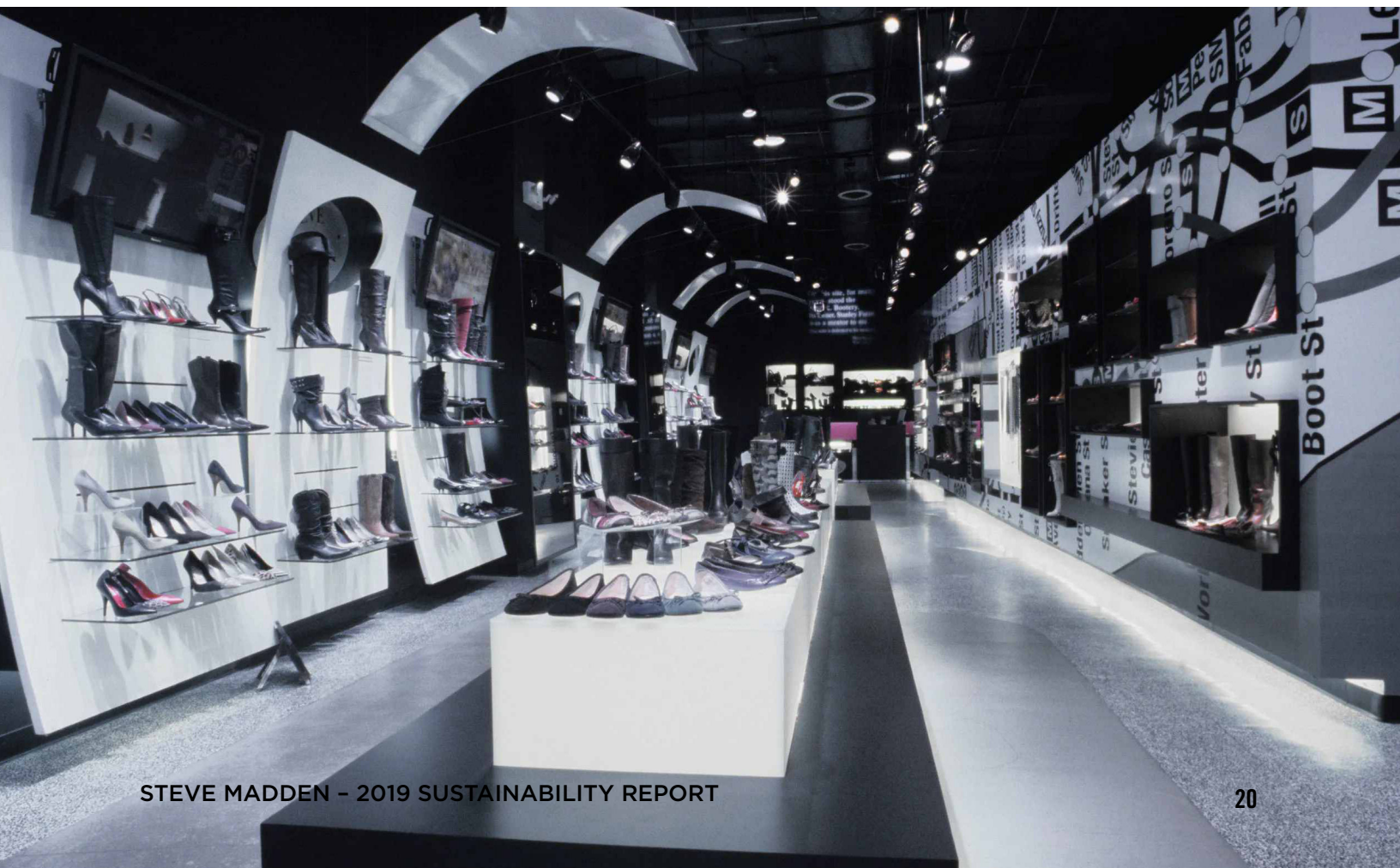
### Scaling Sustainable Packaging

Similarly, following the example set by the Steve Madden brand, shoeboxes across all brands will transition to sustainably manufactured boxes made from 90% post-consumer waste by 2022. We will also continue to use our iconic reusable Steve Madden bags and phase out any remaining single-use plastic bags by 2022.

## COLLABORATION AND KNOWLEDGE EXCHANGE

### Sustainable Design Action Group

As noted above, in addition to the materials transition, expanding education and training around product sustainability is a key goal for Steve Madden going forward. As a start, we are in the process of forming an in-house Sustainable Design Action Group to facilitate a knowledge exchange within the Company and across all brands. We intend to formalize and accelerate the work of this group in the coming year in order to facilitate our Materials Transition Strategy, to bring more designers and sourcing teams into the process and give the group's work visibility and support from senior leadership and decision-makers. We also have and will continue to expand learning opportunities around sustainability and social responsibility for all Steve Madden employees through support for education and professional development opportunities.





# GREENER OPERATIONS

The primary impacts of our operations are related to the emissions from our energy use and the waste we produce.

## Progress to date



### Understanding our impacts

- + GHG inventory started - Scope 3 (Upstream Transportation and Distribution completed)
- + Waste audit and development of a corporate recycling program in process



### Reducing our environmental footprint

- + LEDs in all New York City offices and showrooms
- + Piloted a fabric scrap and swatch card recycling program in partnership with FABSCRAP
- + Tree planting program started
- + Transitioned to all biodegradable, compostable and recycled plates, cups and utensils in 2019

## Looking ahead - 2020 and beyond



### Completing baselines

- + Complete GHG inventory covering all relevant Scopes



### Reducing impacts

- + Expand emissions reduction strategy into the supply chain and incorporate renewable energy
- + Develop emissions offsetting strategy
  - + Waste reduction
- Develop solid waste reduction and diversion strategy
- Launch Company-wide fabric scrap and swatch card recycling program
- Incorporate 3D technology to reduce sample waste



### Targets

- + To be carbon neutral in operations (facilities + distribution) by 2025



## STEVE MADDEN

Reduce the environmental footprint (energy and waste) of our operations (offices, retail stores and distribution centers).

# OUR CURRENT WORK

## UNDERSTANDING OUR IMPACTS - GREENHOUSE GAS (GHG) INVENTORY

We have begun the work of baselining our GHG emissions using the Greenhouse Gas (GHG) Protocol framework and guidelines.

### Our Carbon Footprint

#### Upstream - Supply Chain



#### Raw material production



#### Product manufacturing

#### Scope 3: Purchased Goods & Services

- Cradle-to-gate emissions of our products including materials and manufacturing
- The most significant contributor to our carbon footprint

To be completed in 2020/2021



### Steve Madden - Operations



#### Distribution Centers



#### Offices



#### Retail facilities

#### Scope 3 - Upstream and downstream transportation and distribution

- Emissions from transportation of products from suppliers to distribution centers and transportation from distribution centers to Company-operated retail stores

Completed: 2019 GHG Emissions 8,372 metric tons CO<sub>2</sub>e

#### Scope 2 – Indirect Emissions

- Electricity and energy use for heating at our offices and retail stores

In process and to be completed in 2021

#### Scope 3 – Business Travel, Scope 3 – Employee Commuting

- Emissions from business travel and employee commuting

In process and to be completed in 2021

#### Scope 3 - Waste generated in operations

- Emissions from waste generated at offices, retail stores and distribution centers

In process and to be completed in 2021

## REDUCING OUR ENVIRONMENTAL FOOTPRINT

### Waste Audit

We lease six distribution centers. The primary waste generated at these facilities is corrugated cardboard and it is recycled. In December 2019, Steve Madden partnered with a waste management consulting firm to conduct an analysis of the Company's waste management and recycling in corporate offices and showrooms in order to develop a corporate recycling program aligned with best practices. Completion of this process was disrupted by the COVID-19 pandemic and will be finalized upon our return to office work.

### Energy Efficiency Initiatives

Over the last three years, all lighting fixtures throughout each of our New York City showrooms were retrofitted with energy-efficient LEDs, where feasible. In October 2019, our two corporate headquarters in Long Island City were retrofitted with LEDs as well.

**The lighting upgrade in Long Island City alone is projected to reduce our CO2 emissions by 459,632 pounds each year.**

### Reducing Waste

Employees are given reusable drink bottles to minimize waste. We removed plastic water bottles in all our showrooms and will continue to eliminate plastic in all our operations. We also transitioned to all biodegradable, compostable and recycled plates, cups and utensils in 2019.

In fall 2019, we piloted a fabric scrap and swatch card recycling program in partnership with a local non-profit organization, FABSCRAP. The pilot was successful and we are in the process of expanding it to all offices and showrooms across the city upon reopening.

## LOOKING AHEAD - 2020 AND BEYOND

As a publicly traded Company with owned and operated facilities across the globe, we understand that to reduce our environmental impact we have to minimize waste in a meaningful way and to support the development of renewable energy sources. Renewable energy will be a key element of how we reduce our footprint.

## COMPLETING BASELINES

It is our aim to complete our GHG Inventory for all relevant Scopes as described in the section above in 2021. The inventory will inform our reduction goals and help us identify the most promising opportunities to reduce carbon emissions.

**Our goal is to become carbon neutral in our operations by 2025 and across our value chain by 2030.**

## REDUCING IMPACTS

### Emissions Reduction Strategy

Supporting the transition to renewable energy sources is a key priority. We are exploring partnerships with renewable energy providers for our facilities and identifying opportunities to invest directly in renewable energy generation to supply our operations. We will also engage in broader advocacy efforts to support the growth of the national and global renewable energy market to achieve a cleaner future for all.

### Offsetting Strategy

Additionally, we are working to define a Company-wide emissions offsetting strategy (various brands have been offsetting their corporate travel) aligned with the urgent global call for immediate carbon reductions to avoid the worst effects of climate change. We have already started a tree-planting program in partnership with the organization One Tree Planted that will plant one tree in environmentally-sensitive areas around the globe for every pair of Cool Planet shoes we sell. This project will be expanded over the next several months.

### Waste Reduction

We are in the process of establishing a comprehensive solid waste reduction and diversion strategy for the whole Company. Some of our brands have already been advancing their own efforts around waste but we know we can do better with a comprehensive Company-wide policy and approach. While the specifics of our waste reduction strategy are still being determined, we anticipate completely removing single-use plastics from our corporate and retail facilities, purchasing sustainably manufactured paper and reducing use through education and transitioning to paperless operations. The waste audit will ultimately inform our solid waste reduction and diversion strategy, which will include Company-wide training, education and employee participation. In fall 2019, we successfully piloted a fabric scrap and swatch card recycling program in partnership with a non-profit organization, FABSCRAP that we aim to launch Company-wide. We are also looking to reduce sample waste by incorporating 3D technology and through resale/recycling with our partners.

# GREENER MANUFACTURING

How we manufacture our products is one of the biggest sources of our environmental impact.

## Progress to date



### Participation in industry initiatives

- + 6 factory partners participating in the Footwear Distributors and Retailers of America (FDRA) Shoe Waste Project
- + 47 private label factories have joined the Higg index to measure and report environmental performance



### Managing impacts

- + All factories that produce products for other brands (e.g. Walmart, Target, Kohl's, etc.) are audited for compliance with local environmental laws and regulations

## Looking ahead - 2020 and beyond



### Supporting vendors in managing and reducing impacts

- + Identify tools/best practices to measure impact
- + Define processes for collecting data for air quality, GHG emissions, waste, water and chemical use and wastewater generation from our factories
- + Engage suppliers through training and capacity building
- + Encourage and support transition to renewable energy usage at raw material production stage as well as at final manufacturing sites



### Strengthening supply chain management

- + Continue ongoing mapping and segmentation to support supply chain consolidation
- + Continue improving supply chain impact strategy
  - + Set short, medium and long-term targets



### Reducing waste

- + Incorporate 3D technology to reduce sample waste
  - + Collaborate with the FDRA to identify opportunities for re-integrating and recycling supply chain waste



### Targets

- + To be carbon neutral in our supply chain by 2030



## STEVE MADDEN

Engage with and support our vendors and factories in reducing the environmental impacts of the manufacturing of our products.

# OUR CURRENT WORK

## PARTICIPATING IN INDUSTRY INITIATIVES

Industry-wide collaboration is essential to addressing our most pressing environmental challenges, so we seize any opportunity we can to partner with our customers and peers to measure our environmental impact across the supply chain and to spur industry innovation. The knowledge that we have gained from these industry initiatives will inform and strengthen our own long-term plan for greener manufacturing.

### FDRA

In 2019, six of our factory partners began participating in the Footwear Distributors and Retailers of America Shoe Waste Project to implement pragmatic approaches to managing manufacturing process waste. Our Topline China team has been a part of the FDRA's Social Compliance Development Committee for more than 20 years.

#### Project findings

- Most non-hazardous waste is not separated by the factories and 50% was declared “non-recycling” waste which was sent to be incinerated or to landfills
- Disparity between regional waste regulations as well as prices and payments for selling recyclables
- Most factories lack awareness of how to manage or what happens to the waste

Despite these challenges, there are some good practices in place for recycling cardboard and paper as well as re-using lasts and EVT/TPR waste. However, significant opportunity for improvement exists and we and the FDRA will continue working to bring about meaningful change.

### Higg Index and SupplyShift

We also worked in partnership with multiple private label customers to support select factories in reporting their environmental data both through the Higg Index and SupplyShift. The Higg Index is a suite of online tools developed by the Sustainable Apparel Coalition to measure sustainability performance.

**47 private label factories that produce products for Walmart, Target, Kohl's and others have joined the Higg Index.**

SupplyShift is software designed to measure and help solve the most important sustainability issues across consumer goods supply chains. The information collected through these partnerships will support our learning, pave the way for our own projects and expand the footwear industry's collective knowledgebase and help us meet our sustainability goals.

## MANAGING IMPACTS

Our Topline China team works with factories that produce our private label products to help them manage and reduce environmental impacts and ensure compliance with all local environmental laws and regulations. The team also works with these factories to establish Environmental Management and Monitoring Systems, help manage wastewater discharges, air emissions and waste disposal, report on conflict mineral use and implement various Greenhouse Gas reduction initiatives. These include energy efficiency initiatives such as educating workers to have energy saving habits, changing light bulbs to LEDs, installing motion sensitive switches for lighting and using less heat and air conditioning. The team also guides and supports factories in implementing more impactful initiatives such as investing in energy efficient equipment and updating manufacturing processes.

## LOOKING AHEAD - 2020 AND BEYOND

Over the past year, our Topline China sourcing operation has expanded their work with private label customers as well as with various Steve Madden brands in advancing factory social compliance, environmental improvements and sustainable material validation procedures. In the next year we will continue those expansion efforts across all brands.

## SUPPORTING VENDORS IN MANAGING & REDUCING IMPACTS

Steve Madden produces products in partnership with private label and branded wholesale customers and for our own retail and overseas businesses - sometimes through long standing third-party vendors and sometimes directly with material suppliers and factories. Factories and manufacturers maintain different social compliance and environmental standards as required by their customers and as dictated by our vendor compliance manual and other requirements. Over the past year we have begun the process of setting a uniform standard for all factories and suppliers we work with directly and with our third-party vendors as well. Our 628-person audit and quality control team at Topline China has over the past decade, methodically mapped and consolidated our private label factory base and supply chain, as well as supported factories in implementing sustainable practices such as applying for Global Recycling Standard (GRS) certification. We are currently expanding this work to all our branded products.

### Tools, Processes and Capacity Building

As we work with our factory partners to reduce their environmental impacts, we are first empowering them to measure and understand their impacts, just as we have been doing

for our own operations. This process began with building environmental knowledge and expertise in our teams in the U.S. Our Director of Product Testing and Social Compliance based in Long Island City has expanded her role over the past year to assist in this process. We are continuing to research and evaluate the benefits of available industry tools to support our efforts including partnerships with other brands and working with the FDRA and other trade organizations to share best practices and leverage talent and resources. Our teams will continue working in partnership with our partners overseas and in the U.S. to evolve our procedures for collecting data on air quality, GHG emissions, waste, water and chemical use and wastewater generation from our factories on an ongoing basis.

It is important to also point out that CLEAR and Cool Planet are pioneers in working with our factories on transitioning to EPMs and achieving higher levels of environmental and social compliance and have established best-practice processes to reduce environmental impacts in the supply chain.

We will continue to use their learnings to pilot new processes for environmental tracking and make adjustments and improvements through a dynamic quality control process before rolling them out to additional groups of suppliers in the next year.

## STRENGTHENING SUPPLY CHAIN MANAGEMENT

### Supply Chain Mapping and Consolidation

Our customers, Walmart and Target in particular, have in many ways led the advancement of sustainable manufacturing efforts including waste reduction as well as the use of EPMs. Steve Madden's partnership with these companies as well as others regarding the production of more sustainable products is expanding daily and advancing our collective desire to lessen our impact on the planet while at the same time provide affordable shoes and apparel.

This work of identifying key material suppliers and factories with both direct relationships with Steve Madden or who are part of our third-party vendor base and who are committed to partnering with us to achieve our sustainability goals should be completed no later than mid-2021.

Once identified (using factors such as volume of sales in dollars and in shoes, as well as potential risk), we will work to consolidate our factories into a smaller base - fully understanding that the process is inherently dynamic and the mix will always be somewhat fluid - to enable us to have even better visibility and management of our upstream social and environmental impacts. Ultimately, this work will extend to all the Company's brands. We have already been successful in accomplishing this for our Adesso private label division with Topline China. The Topline China team has 20 years of experience in factory auditing and has recently expanded to managing environmental issues as well. We will continue to strengthen our partnerships with our factories as we strive to maintain transparency and



mitigate risk and we are confident that our plan to expand the Topline team to manage our broader impact reduction program with all factory partners will be a great success.

The consolidation of our supply chain is the key to better supply chain management and the foundation for setting and implementing more rigorous standards for greener manufacturing and implementing our Supply Chain Impact Reduction Strategy across the Company.

### Supply Chain Impact Reduction Strategy

Our Supply Chain Impact Reduction Strategy will identify the steps we need to take to measure the environmental impacts in our consolidated supply chain and outline actions to achieve impact reductions. It will define how we will engage strategically with our supply chain to empower and support impact measurements for energy, water and chemical use and set short, medium and long-term reduction targets in line with science. It will also define how we will support our suppliers in achieving these targets. This strategy will be completed by the end of 2020.

## REDUCING WASTE

### 3D Technology

Technology is a key part of our vision to manage and reduce our environmental impacts and we are already beginning to incorporate technological tools into manufacturing as well as design processes that minimize waste. In particular, manufacturing shoes at our scale generates significant waste in the form of samples.

Some of our brands have already been experimenting with 3D printing of samples here in the U.S., minimizing the expense and impact of manufacturing samples abroad and shipping them to the U.S. The Company has also invested in 3D drafting tools to further reduce waste as most samples are one-offs and typically end up in landfills. As the technology improves and our customers come to expect 3D printed products and drawings for reviewing product - a process that is evolving as we speak - we are confident we will be able to cut down on sample waste significantly over the next two to three years.

**Currently, Steve Madden produces around 30,000 samples annually, of which only a small percentage are adopted.**

### **Accelerating Our Partnership with FDRA**

In addition, we will continue collaborating with the FDRA Shoe Waste team to find additional opportunities for re-integrating and recycling waste materials from our own supply chain into other products.

Circular manufacturing is just at the beginning stages in the footwear industry, but again, with our scale and commitment to advancing the use of recycled/recyclable content in our shoes, as well as ongoing experimentation with different multi-use materials that enable circularity, we are excited about what we can achieve in the next one to two years in this space.

# PRODUCT RECOVERY

Circularity is an increasingly important issue for the fashion sector. We have begun the work of reclaiming our products at end-of-life and aim to further accelerate this work going forward.

## Progress to date



### Rescuing unwanted footwear

- + SHOECYCLE in-store shoe takeback program implemented in partnership with I:CO
  - Piloted in select Steve Madden New York City stores

## Looking ahead - 2020 and beyond



### Scaling product recovery

- + Expand SHOECYCLE in-store shoe takeback program to at least 75% of retail and outlet stores
- + Develop e-commerce strategy for product recovery



## STEVE MADDEN

Reduce waste from entering landfills as the first step towards transitioning to a circular economy.

# OUR CURRENT WORK

## RESCUING UNWANTED FOOTWEAR

In 2019, Steve Madden began developing SHOECYCLE, an in-store shoe takeback program to collect unwanted shoes from customers for recycling and reuse. The program operates in partnership with the global recycling solutions provider, I:CO, and a pilot of the project began in select Steve Madden NYC stores in January 2020.



**Americans discard more than 32 billion pounds of unwanted clothing, shoes and other textiles per year. Only 16% of this is collected by non-profit organizations and private collectors. The remaining 84%, just under 27 billion pounds, ends up in our landfills.**

The SHOECYCLE program offers discount incentives for customers to provide Steve Madden with unwanted shoes (of any brand) as opposed to discarding them in the trash. The Company then sends the shoes to I:CO, who either distributes them to secondary markets for resale or recycles them.

We consider this partnership with I:CO to be a first step in our journey toward circular manufacturing in line with Circular Economy principles. Circular Economy principles provide a regenerative economic model for extending product life and managing resource use. For Steve Madden, circularity will mean collecting unwanted shoes from our customers and utilizing the materials as feedstock for new products, thereby reducing the extraction of virgin resources and finding a better home for post-consumer waste at the same time.

We are also utilizing recycled shoe content in our innovation Cool Planet brand. Thermo Plastic Rubber (TPR) is a common material typically used to construct the outsole.

The Cool Planet designers worked with our sourcing and production teams to incorporate ground up unused soles from other shoe production into the outsoles of various Cool Planet styles. This process, similar to other lessons learned from Cool Planet as well as Dolce Vita CLEAR, are now being incorporated into other branded and private label projects of the Company. For example, recycled TPR is being used for our Mad Love project and other shoes being manufactured for Walmart, Target and others.

## LOOKING AHEAD - 2020 AND BEYOND

Steve Madden caters to an on-trend customer whose style and self-expression evolves with the seasons. By investing in circularity, we will develop the capacity to continue meeting our customers' needs in a way that conserves resources, reduces post-consumer waste and has the lowest environmental impact possible.

### SCALING PRODUCT RECOVERY

Following the I:CO pilot program, we will apply our learnings to a nationwide rollout, including at least 75% of our retail and outlet stores by the end of the year, though due to COVID-19 concerns there may be additional time needed to achieve this goal. Additionally, as noted, incorporating recycled shoe content into our newly manufactured shoes is already taking place and it is our expectation that by the end of 2022 we will be able to say no less than 50% of all products will include recycled content and in particular, recycled outsoles in new shoes. We will also begin developing an e-commerce strategy for product recovery, empowering customers to send their unwanted footwear to us or a recycling partner by mail.



# PEOPLE

Our people are our most valuable resource. They are the backbone of our business, the drivers of innovation and the heartbeat of our Company culture, which is why creating safe and equitable workplaces across our entire global operations and supply chain has and always will be central to our business approach.

Learn more about our work on:

Supporting diverse  
and inclusive  
workplaces

Ensuring talent  
well-being and  
development

Striving for labor conditions in  
the supply chain that meet the  
highest standards



# DIVERSITY & INCLUSION

We pride ourselves on the diversity of our workplace and have long strived to create a work environment that welcomes and values all people.

## Progress to date



### Respect for the rights of all

- + Equal employment opportunities
- + Zero tolerance for harassment and discrimination
- + Non-retaliation policies



### Power in diversity

- + 67% of our employees are non-white
- + 74% of our employees are women



### Empowering women to rise

- + 60% of management-level positions held by women



### Building our roadmap

- + Completed a Diversity & Inclusion (D&I) gap assessment
- + Developed D&I Strategic Plan
- + Implemented Employee Resource Groups (ERGs)

## Looking ahead - 2020 and beyond



### Strengthening diversity and inclusion

- + CSR Committee of the Board to implement the D&I Strategic Plan
- + Unconscious bias training for all employees globally



## STEVE MADDEN

Recruit diverse candidates and involve employees in the development of our diversity and inclusion strategy.

# OUR CURRENT WORK

## RESPECT FOR THE RIGHTS OF ALL

### Equal Employment Opportunities

At Steve Madden, we value the rights, contributions and potential of all people. We treat all employees and applicants for employment fairly and we provide equal employment opportunities without regard to race, color, sex, religion, national origin, age, physical or mental disability, genetic disposition or carrier status, AIDS or HIV-positive status, veteran or military status, citizenship, sexual orientation, gender identity or perceived identity, marital status, familial status, pregnancy or pregnancy-related conditions, status as a victim of domestic violence or any other characteristic protected by federal, state or local law.

### Zero-Tolerance for Harassment and Discrimination

We do not tolerate conduct that harasses, disrupts or in any way interferes with another's work performance or which creates an intimidating, offensive or hostile work environment. We are committed to providing a working environment free from all forms of unlawful harassment and discrimination, whether based upon race, color, religion, ancestry, national origin, age, marital or veteran status, physical or mental disabilities, on-the-job injuries, sex, sexual orientation, pregnancy or pregnancy-related condition or any other legally protected characteristic or status.

These commitments are outlined in our Code of Conduct that all employees, officers and business partners must adhere to. In addition, our Employee handbook outlines our policies on Equal Opportunity, Discrimination, Harassment and Retaliation Prevention. We strictly prohibit retaliation against any employee, including subjecting any employee to harassment, intimidation, threats, coercion or discrimination.

## POWER IN DIVERSITY

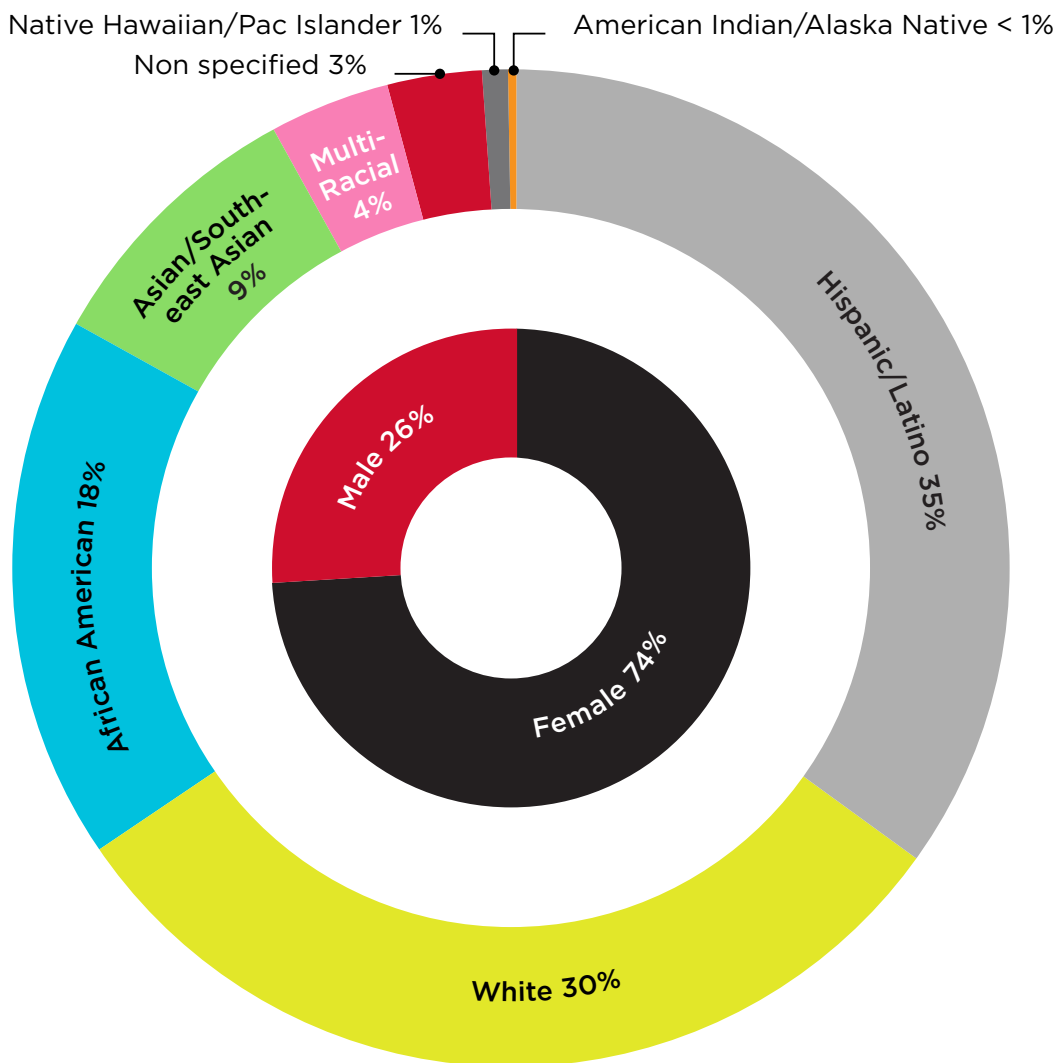
We embrace diversity and inclusion. We believe finding, employing and retaining people from all backgrounds, ethnicities, genders, lifestyles and belief systems has been the cornerstone of meeting the needs of our diverse consumer base and building a global business. By embracing a diverse and inclusive workplace, we create an environment that offers all of us opportunities to succeed. We want all our employees to be as successful as they can be and to reach their full potential no matter who they are, where they are from or what they believe.



Over the last thirty years, we’ve seen proof that diversity in all forms is crucial to brand relevancy and organizational strength. The more we include and value diverse perspectives at all levels of the Company, the more we grow our capacity to remain ahead of the curve and to overcome unique challenges. In the spirit of this core belief, we must continue to build an increasingly inclusive culture where all employees feel free to express themselves and have opportunities to grow.

### Diversity and Gender Breakdown

We have always been committed to diversity and inclusion but indeed, at this moment in history we know with real clarity that we must do more - particularly to redress the institutional racism that Black people in America have suffered since slavery. Our Diversity and Inclusion Strategic Plan calls for very specific actions we will take to advance our diversity and inclusion initiatives, starting with the formation of the SM Diversity Council.

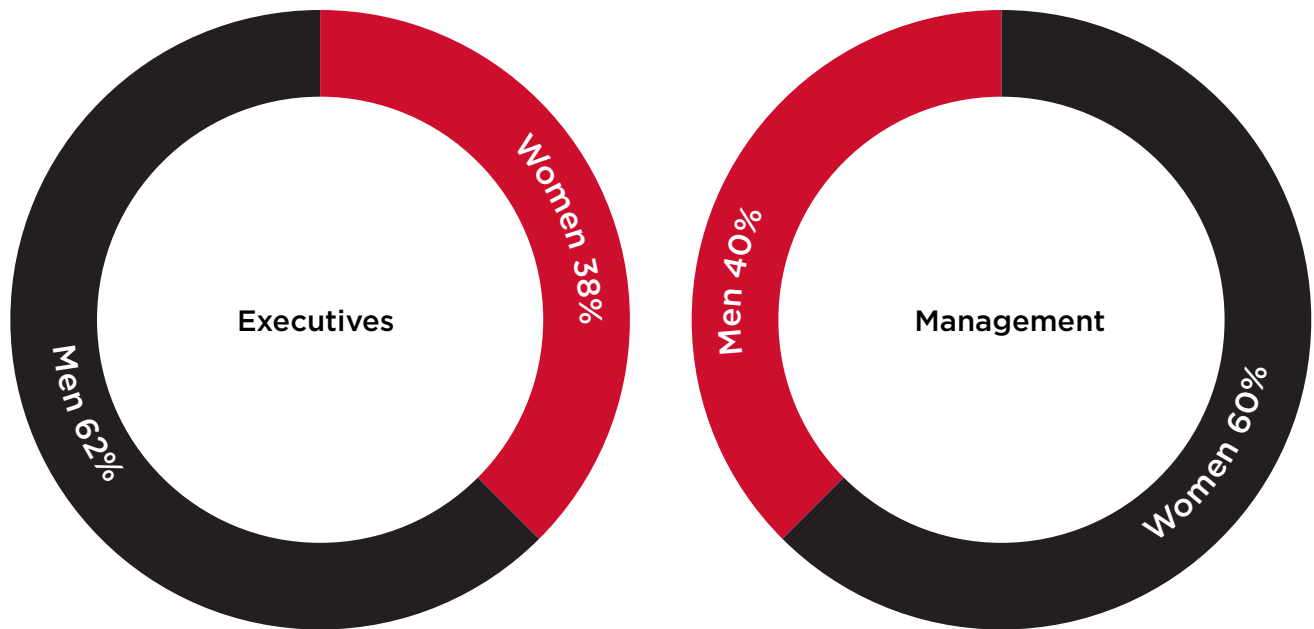


## EMPOWERING WOMEN TO RISE

Last year, 60% of management-level positions at Steve Madden were held by women, exceeding the national average of 40% as measured by the U.S. Bureau of Labor Statistics in 2016. While there is still much more that we can do to improve gender equity throughout our Company, we are proud of the Company’s long history of female advancement and are actively pursuing opportunities to build off that foundation.

The career path of Amelia Newton Varela, president of Steven Madden Ltd., provides a classic example of how our leaders have championed outstanding women throughout the years. Amelia started her career as a receptionist, climbing the ladder as opportunities were presented to her. Last June, Footwear News showcased Ms. Newton Varela, along with Liz Rodbell (Group President of Retail, accessories and licensing) and Karla Frieders (Chief Merchandising Officer) in its *Women in Power* series. Among other female leaders in our Company are our General Counsel Lisa Keith, our Director of Corporate Development and Investor Relations Danielle McCoy and our Head of Marketing Gabriella Weiser. Many other talented women fill the rest of our ranks as well.

### Women in Senior Leadership



## BUILDING OUR ROADMAP

We have completed a Diversity & Inclusion (D&I) gap assessment, developed a D&I Strategic Plan and are in the process of implementing several Employee Resource Groups (ERGs).

# LOOKING AHEAD - 2020 AND BEYOND

Our goal as a company is to continue to model and promote diversity and inclusion in all our actions by providing opportunities and security for all people across the world.

## STRENGTHENING DIVERSITY AND INCLUSION

### Implement Diversity and Inclusion (D&I) Strategic Plan

The CSR Committee of the Board has been tasked with developing and implementing the Company's D&I Strategic Plan. The plan defines strategies to incorporate D&I into decision-making at the highest level including the Board and the Executive Leadership Team. It identifies intentional talent acquisition initiatives to ensure a diverse pool of candidates for jobs at all levels. It also defines programs and workplace initiatives to develop talent and provide opportunities for advancement, foster inclusiveness and encourage employee input and interaction. The plan includes mechanisms for measurement, monitoring and continuous improvement (including supplier diversity), goals and targets and transparent communication. It also defines strategies for collaboration and partnerships and connecting Diversity & Inclusion objectives to community engagement such as the establishment of a D&I council comprised of internal and external stakeholders.

### Create Opportunity for All

We are taking additional measures to reduce unconscious (or implicit) bias (defined as biases that are learned stereotypes that are automatic, unintentional, deeply ingrained, universal and able to influence behavior) throughout the Company and increase opportunities for historically underrepresented groups to grow. Starting this year, we are rolling out online unconscious bias training to all employees globally. Our goals for the training will be to ensure that employees are aware of the ways that stereotypes can find their way into decision-making and to inspire positive behavioral change. We will also make increasingly intentional efforts to establish a diverse pipeline of talent for positions at every level of the Company by recruiting in partnership with diverse industry groups, universities and colleges and non-profit organizations. In addition, we are establishing internal leadership and professional development programs that will specifically target groups currently underrepresented in leadership positions. We will also provide the opportunity to attend offsite training opportunities and workshops for a broad cross-section of our workforce. By doing all this, the Company's goal of establishing D&I as a critical component of our business will be achieved.

# TALENT WELL-BEING AND DEVELOPMENT

Ensuring that our employees have opportunities for development and advancement is one of our key priorities. Our Employee Handbook clearly outlines our benefits and employment policies. Our goal is to expand upon our current work and strengthen our talent well-being and development programs.

## Progress to date



### Valuing employee voices

- + Bi-annual employee survey
- + Creating new channels of communication for information sharing



### Setting employees up for success

- + Benefits and professional development opportunities
- + Provide access to mental and physical health services
- + Support for the Two Ten Footwear Foundation that improves the lives and careers of employees across the footwear industry

## Looking ahead - 2020 and beyond



### Supporting our employees

- + Focus on employee-identified areas of improvement
- + Develop a standardized protocol for measuring employee engagement and satisfaction
- + Strengthen engagement with employees on desired programs/initiatives
- + Improve capacities to measure upward mobility
- + Define a strategy for improving management approaches for talent well-being and development



## STEVE MADDEN

Advance the personal and professional well-being of our employees, support their development and provide opportunities for advancement.

# OUR CURRENT WORK

## VALUING EMPLOYEE VOICES

We believe our success lies in listening to and engaging with our employees in decision-making. In 2019, we began a bi-annual pulse-checking initiative to measure employee engagement and satisfaction with our first ever employee survey.

In the survey, a strong majority of employees indicated they were proud to work for us and considered their workplace to be an inclusive environment with a diverse workforce. We also learned that we have room for improvement on employee engagement, talent development and ensuring a consistent application of our policies across the Company.

An overwhelming majority also indicated they would like to hear more from us about Company initiatives. In response to this data, the Company brought back its monthly employee newsletter and established new components in our messaging architecture, collaboration and communication technology. We initiated small divisional town-hall style meetings and will be hosting Company-wide town halls on a regular basis. This data has guided our approach to employee communication and engagement and is a valuable tool and pathway to continued success for our employees.

What we've done well



- Diverse workforce
- Freedom to express
- No active discrimination

Areas for improvement



- Offer opportunities for employees to organize and meet
- Improve management's relationships with employees
- Discourage office politics
- Ensure inclusive practices are consistent across Company
- Performance-based hiring and promotions
- Diversity leadership



## SETTING EMPLOYEES UP FOR SUCCESS

### Benefits and Professional Development

We provide college tuition and other educational reimbursement and various professional development opportunities such as conferences and workshops on footwear design and development. We also redesigned our internship program to recruit a broader pool of candidates and develop their talent.

### Supporting Physical and Mental Health

We see personal health and fitness as key to long-term professional success. In addition to offering discounted gym memberships for all full-time employees, Steve Madden also began offering weekly guided meditation sessions to employees at its Long Island City headquarters and at select Manhattan showrooms. During the sessions, employees learn directly from experienced instructors about mindfulness practices that nurture mental health and support personal and professional development. We also offer on-site eye exams and discounted glasses several times a year and on-site flu shots in November.

In addition, we also offer:

#### Friday Breakfast Buffet

Every Friday morning, we provide a widespread breakfast buffet for our employees in our Long Island City Headquarters. After a long, hard week of work and dedication, it is our way of saying THANK YOU!

#### Everybody's Birthday

Every October, we host an event called Everybody's Birthday. All employees and their children are invited to celebrate their birthdays together. From the pumpkin patch, delicious food and treats and activities for each age group, big and small, to the special gifts for each child, it is a most anticipated day to join together, celebrate and learn more about each other on a more personal level.

#### Fooda

Every Tuesday and Thursday, we partner with Fooda, a company that offers a rotating popup restaurant program that subsidizes meals for employees while supporting local restaurants. These bi-weekly popup restaurants setup right in our company breakrooms and allow our employees to enjoy delicious, high quality and healthy food options for \$5.



## Two Ten Footwear Foundation

Steve Madden has been a proud supporter of the Two Ten Footwear Foundation. By supporting the foundation, we have helped improve the lives and careers of employees across the footwear industry through emergency financial assistance, scholarships, counseling and career opportunities. In 2019 alone, Two Ten provided \$2.5 million to footwear families in need and \$1 million in scholarships. For Steve Madden employees, the foundation remains a valuable resource and provides an extra level of safety and support.

# LOOKING AHEAD - 2020 AND BEYOND

We are committed to strengthening our workplace in order to ensure the well-being and development of all our people.

## SUPPORTING OUR EMPLOYEES

We intend to use the feedback from our employee engagement survey to strengthen our management approaches on talent well-being and development focusing on the areas of improvement indicated by our employees and implementing their ideas and suggestions. We aim to improve the quality of the survey data by developing a standardized protocol for measuring employee engagement and satisfaction. We will also strengthen our engagement with employees on desired programs/initiatives for well-being and development, improve our capacities to measure upward mobility within our Company and define a strategy for improvement.

# LABOR CONDITIONS IN THE SUPPLY CHAIN

Ensuring good labor conditions in our supply chain is one of our biggest priorities.

By expanding our existing private label social compliance program into our branded projects, we are excited about setting the highest standards for Steve Madden footwear, accessories and apparel production.

## Progress to date



### Compliance and monitoring

- + All vendors must comply with:
  - International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work
  - United Nations (UN) Guiding Principles on Business and Human Rights
  - California Transparency Supply Chains Act of 2010
  - Our Conflict Minerals Policy
- + Our Vendor Code of Conduct requires compliance with issues of Human Rights, Working Conditions, Environmental Protection and Good Governance



### Social compliance auditing

- + Expanded social compliance audits in the supply chain
- + All private label factories internally audited every 3 months; Approximately 50% internally audited monthly; Unannounced third-party audits every 12-18 months; 15% audited on a weekly basis

## Looking ahead - 2020 and beyond



### Strengthening supply chain management

- + Continue expanding the scope of social compliance auditing in our supply chain
  - + Continue supplier mapping and segmentation to support supply chain consolidation
- + Define and develop a consistent auditing standard applicable to all production facilities
- + Develop comprehensive Supply Chain Management Strategy



## STEVE MADDEN

Ensure transparency of our supply chain and advance the principles of decent work and worker well-being in the supply chain.

# OUR CURRENT WORK

## COMPLIANCE AND MONITORING

We manage our supply chain in accordance with the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work and the United Nations (UN) Guiding Principles on Business and Human Rights.

We also comply with the [California Transparency in Supply Chains Act of 2010](#) and require all vendors to comply with our [Conflict Minerals Policy](#).

### Vendor Code of Conduct

All our vendors must comply with our [Vendor Code of Conduct](#) which incorporates these principles and we expect all vendors to not only commit to the Code, but to permit ongoing monitoring in order to maintain compliance with our standards. We further require that vendor suppliers and subcontractors be made aware of and comply with the Code. If a vendor fails to do so, we may terminate that vendor relationship. We periodically review this Code and distribute revised versions to vendors with the requirement that they review, acknowledge and agree to the revised terms.

The Vendor Code of Conduct requires compliance with issues of Human Trafficking, Slavery and Forced Labor, Child Labor, Foreign Contract Workers, Wages and Benefits, Working Hours/Overtime, Freedom of Association and Collective Bargaining, Non-discrimination, Harassment and Abuse, Health & Safety, Protection of the Environment, Brand Protection, Unauthorized Sub-Contracting, Anti-Corruption and Bribery and Customs and Transparency.

In 2019, we updated the Vendor Code of Conduct to reinforce our commitment to managing the supply chain in accordance with the International Labor Organization's (ILO) Declaration on Fundamental Principles and Rights at Work and the United Nations Guiding Principles on Business and Human Rights. The updated policies require suppliers to indicate if they have completed a social compliance audit in order to strengthen the protection of workers in the supply chain. We also revisited the Factory Profile Questionnaire to gain more insight into factory production information and social responsibility policies and practices. The request was sent to all suppliers and we are now in the process of collecting and analyzing the information received.

## SOCIAL COMPLIANCE AUDITING

Our Topline China team has been successfully implementing social responsibility initiatives in our China factory base and meeting compliance requirements for major U.S. retailers for over twenty years. The team works closely with factories to help them understand and comply with customers' Codes of Conducts and with retailers to strengthen their Responsible Sourcing programs. Our auditors monitor factory social compliance performance through constant assessments and internal audits depending on factory needs or areas of improvements that need to be addressed and reevaluated. All private label factories are audited at least every 3 months; approximately 50% of our factories are audited monthly and on an unannounced basis every 12-18 months by third-party audit firms and 15% of our factories are audited on a weekly basis. Immediate corrective actions are taken on identified risks - 2019 results confirm that all audited factories were classified as no or low risk. There were none that were high-risk.

In 2019, we began the process of expanding and formalizing the work of our Topline China social audit and sustainability teams with the goal of expanding their work beyond our private label business. That work included collecting social responsibility audits from all production facilities who had undergone an audit with a third-party company and assessing which, if any, facilities had not been audited recently and require an audit. We are also carefully assessing the various standards we must meet to establish a uniform standard that will cover all facilities - private label or Steve Madden brands - for our third-party audit firm partners to use.

## LOOKING AHEAD - 2020 AND BEYOND

We intend to review and update policies and documentation for onboarding new suppliers and factories and update our vendor manual to better support our suppliers in complying with our requirements.

## STRENGTHENING SUPPLY CHAIN MANAGEMENT

Despite our team in China expanding its role to support broader social compliance efforts across all Company brands, we know we can do better to gain greater visibility into all our production facilities to ensure complete adherence to global human rights and labor standards. We also realize that we have more work to do to understand country risks, mitigate and prevent these risks as part of our due diligence efforts and build supplier capacity to meet our expectations. Factory tracking is an ongoing priority in order to gain a clearer understanding of our supply chain risks. We aim to continue the work of mapping our



supply chain to identify potential issues and define the scope of social compliance auditing aligned with consistent standards. We intend to use this mapping exercise to identify risk hotspots in our supply chain across all categories of products and develop a systematic, focused and strategic approach to managing these risks and improving performance.

# COMMUNITIES

Strong, thriving communities are essential for our success. We are committed to engaging and investing in the communities where we live and work.

Learn more about our work on:

Social investing

Engaging with communities

## OUR COVID-19 SUPPORT EFFORTS

New York City and our home borough of Queens were hit particularly hard by the COVID-19 pandemic. In response:

- We donated **18,000** thousand medical grade masks and **10,000** protective medical gowns to healthcare workers at our Queens neighbor Elmhurst Hospital and **10,000** scarves to New York City Homeless Shelters for use as non-medical face coverings for residents throughout the city's five boroughs. We are attempting to secure the acquisition of an additional **10,000** non-medical grade masks that will be donated to the homeless and the incarcerated.
- Our Dolce Vita brand donated **10,000** medical grade masks to hospitals throughout the New York and Washington state region. Dolce Vita has also donated **\$3 dollars** with the sale of each pair of shoes to No Kid Hungry in April.
- Our BB Dakota brand has donated **10,000** medical grade masks to medical centers in California, Nevada and New York and **51,000** units of clothing to Delivering Good for families and individuals challenged by the pandemic.
- Our GREATS brand has provided **\$15 dollars** from every online order to City Harvest throughout the month of April and May.

Steven Madden, Ltd. joins a variety of other companies across the country in signing Open to All's letter addressing racial disparities exacerbated by COVID-19.

# SOCIAL INVESTMENT

Giving back through philanthropy.

## Progress to date



### Strategic CSR framework developed – priority areas:

- + Protecting the planet
- + Accessible fashion - adaptive footwear for disabilities, access for members of the trans community, creating a shopping experience that is gender-fluid
- + Good jobs - diversity and inclusion, non-discrimination, human rights in the supply chain
- + Women's empowerment and civil rights and leadership



### Donations and philanthropic giving

- + Donations and support for social justice and community uplifting

## Looking ahead - 2020 and beyond



### Strengthen philanthropic giving

- + Commitment: increase our investment in communities to 1% of profit



## STEVE MADDEN

Invest in communities and empower them to thrive.

# OUR CURRENT WORK

## STRATEGIC CSR FRAMEWORK

In 2019, we began developing a CSR framework to define a comprehensive strategy for our social investments. We engaged employees in defining the vision, values and priority areas for our investment. The priority areas identified include protecting the planet, accessible fashion (adaptive footwear for disabilities, access for members of the trans community and creating a shopping experience that is gender-fluid), good jobs (diversity and inclusion, non-discrimination, human rights in the supply chain), women's empowerment and civil rights and leadership (in partnership with Voto Latino) and perhaps most importantly, taking conscious steps to redress the consequences of institutional racism that has plagued our country since the time of slavery. These ideas have been incorporated into the framework, shared and adopted by our senior leadership. We have been implementing the framework up to and through the pandemic closure. Once we return to work, we look forward to advancing and scaling our CSR efforts.

## DONATIONS AND PHILANTHROPIC GIVING

During our 30 year history, the Company has given generously to local, national and global organizations, charities and causes. And we usually take a modest approach to philanthropy by making our donations anonymous. But during the past few years, we, like other companies, began to realize that contributing to our communities and sharing that information with our stakeholders is not bragging but rather, sharing what we stand for and what values we hold dear.

Over the past years we have made a variety of donations, both big and small. Some examples that stand-out include:

- Raising thousands of dollars a year for the Breast Cancer walk in Central Park – an event that has brought us closer together as many of our employees participate in the walk, an event we all look forward to each year;
- Transporting a plane loaded with supplies including water, food, shoes and clothing to Puerto Rico after hurricane Maria caused much devastation in 2017;
- Supporting criminal justice and bail reform by donating thousands of pairs of shoes to non-violent offenders when New York's Riker's Island was closed down;
- Donating tens of thousands of medical grade masks and gowns to Elmhurst Hospital in Queens during the peak of the COVID-19 pandemic;

- Providing gifts during the holiday season to underprivileged elementary schools in the surrounding communities of Long Island City with many of our employees not only participating in the donations, but some personally delivering the gifts to young children; and
- Contributing annually to the Two Ten Foundation that supports footwear workers in need.

In 2019, in addition to donating to over 220 charities or causes, the Company saved 74,000 pairs of shoes rejected by a vendor for minor cosmetic reasons from ending up in landfills. The shoes were instead donated to Soles 4 Souls, an international charitable organization who distributed the shoes to people in need across the globe. Most recently, we donated \$100,000 to Black Lives Matter in support of racial justice. We are also matching employee donations to any organizations that promote racial justice across the country and the globe. Other organizations we actively support with donations and in-kind support include Little Kids Rock to promote arts and music training for children in need as well as Voto Latino, a civil rights organization that encourages voting and civic engagement in traditionally underrepresented communities.

To encourage these efforts among our employees, we provide a paid volunteer day for any employee wanting to give back to a charity or cause they choose.



# LOOKING AHEAD - 2020 AND BEYOND

We plan to formalize and strengthen our social investment efforts through our strategic framework for philanthropy and giving.

## STRENGTHEN PHILANTHROPIC GIVING

Going forward, we understand the need to be more vocal about our efforts and we will do better at sharing the causes for which we fight, the organizations we support and the efforts our leadership and employees make to give beyond themselves and the Company. As with everything else we discuss in this report, there is always room for improvement and we are committed to doing just that. In the coming years we plan to not only formalize our charitable giving efforts, but to also better align them with the things that mean the most to us as a company and as individuals and to give no less than 1% of our profits to the charities and causes we ultimately choose to support. Over the next several years, we will be exploring ways to expand those numbers and investigate the possibility of forming a charitable corporate foundation to further help organize, advance and expand our giving efforts. We believe by formalizing our efforts we can make an even greater impact.

**Our goal is to increase our investment in communities to 1% of profit starting in 2020.**

# COMMUNITY ENGAGEMENT

Using our resources to strengthen and engage communities.

## Progress to date



### Empowering civic leadership through partnerships and engagement

- + Voto Latino partnership to encourage participation in the democratic process among the Latinx and traditionally underrepresented communities

## Looking ahead - 2020 and beyond



### Strengthening employee participation

- + Formalize employee-directed giving program
- + Increase program engagement rate to 50%



## STEVE MADDEN

Inspire employees to give back and support their giving of time, money and talent.

# OUR CURRENT WORK

## EMPOWERING CIVIC LEADERSHIP THROUGH PARTNERSHIPS AND ENGAGEMENT

In 2018, Steve Madden began a partnership with Voto Latino to encourage participation in the democratic process among the Latinx community, engaging customers to register to vote online through our website as well as in stores and amplifying Voto Latino's message through our communications platforms. Last year, the Company worked with Lyft and Voto Latino to provide free transportation to the polls and will do so again for this coming election. In September 2019, Steve Madden spoke at the Voto Latino Power Summit in Austin, Texas to help motivate community activism.

We give all employees the opportunity to volunteer in community events without fear of lost pay and we recruit participants from local communities for our new summer internship program.

We also created a partnership with New York City schools to provide guidance and mentorship to students interested in design and hosted a lecture series and workshops at Dolce Vita's showroom this past winter with more events to follow.

During the past year we have been exploring ways to encourage employee activism through a charitable giving match program. Although we had not established the program prior to the COVID-19 outbreak and subsequent stay-at-home order, when the Black Lives Matter (BLM) movement ignited we quickly established a less formal, though nonetheless important, giving program for employees. The Company publicly announced a \$100,000 donation to BLM and has been matching dollar for dollar any contribution an employee makes to BLM or any other organization raising funds to fight racial injustice. We hope to formalize this plan and open it up to other areas of giving by staff.

## LOOKING AHEAD - 2020 AND BEYOND

We seek to strengthen our engagement programs and create more opportunities for community engagement and participation.

## **STRENGTHENING EMPLOYEE PARTICIPATION**

We aim to formalize the employee-directed giving program and increase the program engagement rate to 50% by redesigning our employee-directed giving program. Changes will include better connecting employees with opportunities to volunteer both individually and as a team and sharing regular impact stories that illustrate the impact of our collective charitable giving efforts on communities locally, nationally and globally.



# CUSTOMERS

Our business is built on offering safe, quality, durable and affordable products that meet our customers' fashion needs as well as offering products that are accessible, on trend and fashion-forward.

Learn more about our work on:

Making fashion  
accessible

Designing for safety  
and quality

Ensuring customer  
privacy





# MAKING FASHION ACCESSIBLE

We believe fashionable footwear should be accessible.

## Progress to date



### Adaptive shoe collection

- + Steve Madden Kids offers shoes for children with disabilities



### Shoes made with better materials at accessible price points

- + Dolce Vita CLEAR and Cool Planet by Steve Madden collections, made with EPMs offered at affordable prices

## Looking ahead - 2020 and beyond



### Offer more inclusive collections

- + Launch collection of essentials for women in extended sizes, including adaptive essentials



### Offer more shoes made with EPMs at affordable prices

- + Scale the use of EPMs in our products



## STEVE MADDEN

Make on-trend footwear, accessories and apparel at accessible price points.



# OUR CURRENT WORK

## ADAPTIVE SHOE COLLECTION

Steve Madden Kids now proudly boasts a collection of adaptive shoes. This adaptive collection features stylish sneakers and sandals for kids with braces, are Ankle Foot Orthosis (AFO) brace friendly and easy to get on and off.



### Open to All Pledge Signing

On September 5, 2019, Steven Madden, Ltd. joined other members of the fashion industry to sign a pledge to maintain a safe and welcoming environment for all people—including employees, visitors, customers, vendors and clients—regardless of race, ethnicity, national origin, sex, sexual orientation, gender identity and expression, immigration status, religion or disability.

## SHOES MADE WITH BETTER MATERIALS AT ACCESSIBLE PRICE POINTS

Sustainable footwear is often a high-end product and unaffordable for many consumers. The Dolce Vita CLEAR and Cool Planet by Steve Madden collections, made with EPMS, were born out of a mission to create on-trend shoes that are made with better materials at a price point our customers can afford.

The Fall 2019 top seller in the Dolce Vita CLEAR collection was an Organic Cotton Canvas shoe with a BLOOM Algae-EVA molded insole and recycled polyester laces.

## LOOKING AHEAD - 2020 AND BEYOND

We intend to use our scale and purchasing power to ensure that fashionable products, made responsibly are available at accessible price points.

### OFFER MORE INCLUSIVE COLLECTIONS

We intend to launch a collection of essentials for women in extended sizes, including adaptive essentials under the Steve Madden brand and partner with our marketing team to develop a plan to promote our adaptive and extended size offerings to customers who need them.

### OFFER MORE SHOES MADE WITH EPMS AT ACCESSIBLE PRICES

Using our scale and purchasing power, we intend to build upon the work done for the Dolce Vita CLEAR and Cool Planet by Steve Madden collections to incorporate more EPMS into our shoes. Our commitment to incorporate EPMS at scale enables us to use purchasing power to source EPMS at affordable prices and offer fashionable shoes made with better materials to our customers at accessible prices.

# DESIGNING FOR SAFETY AND QUALITY

Our promise to our customers.

## Progress to date



### Ensuring safety and quality

- + All products tested for chemicals and restricted substances in compliance with Federal and State laws and regulations
- + All products undergo rigorous quality assessment prior to shipping
- + All private label products tested for performance and safety

## Looking ahead - 2020 and beyond



### Evolving testing protocols

- + Going beyond compliance to test for restricted substances
- + GRS/RCS Certification for factories producing products with recycled content
- + Strengthen data systems and processes to capture quality issues
- + Update and communicate testing protocols and policies with suppliers



## STEVE MADDEN

Ensure that our products meet the highest standards and expectations of our customers.

# OUR CURRENT WORK

## ENSURING SAFETY AND QUALITY

We currently test all products for chemicals and restricted substances in compliance with Federal and State laws and regulations. Performance and safety testing is also conducted on our private label products. Our Quality Control teams also ensure that products meet the highest quality standards we have set for our brands and that our customers expect when they buy our products.

In addition, we have established a robust process to ensure no shipment leaves the factory without validating compliance with the Steve Madden protocols. In 2019, we examined our lab partners and we have developed a plan to consolidate lab activities with fewer partners for better service in support of the Company's priorities.

## LOOKING AHEAD - 2020 AND BEYOND

We take a proactive approach to ensuring the ongoing safety, quality and durability of our products.

## EVOLVE TESTING PROTOCOLS

Our product testing protocols will continue to evolve as we work to maintain the highest quality and safety standards, support marketing claims and validate our sustainability efforts.

We aim to establish new lab testing protocols to validate marketing claims of products free of restricted substances that lie outside the scope of U.S. regulations. We will also research and develop technical guidance for the teams using recycled materials in their products and collaborate with Topline China on our first efforts to manage the certification of the final product factories in order to claim GRS/RCS Certification.

In addition, to improve our performance on product safety and performance, we will work to establish data reporting to capture customer returns in order to identify high-risk suppliers and quality issues as well as to develop corrective action plans for improvements.

Finally, the Company will update its product-testing manual to incorporate lab testing protocols and revised policies for clear communication with our suppliers.

# CUSTOMER PRIVACY

A commitment to the highest standards of security and privacy.

## Progress to date



### Proactive approach to security and privacy

- + Best practices on security - compliance, training and awareness, constant monitoring and incorporating advanced security tools with redundancies
- + Annual security awareness trainings
- + Support at the highest levels of decision-making



### Regulatory compliance

- + In compliance with GDPR, Sarbanes Oxley and CCPA
- + PCI certified annually
- + Third-party audits/tests of security systems
- + Annually tested Incident Response Plan

## Looking ahead - 2020 and beyond



### Beyond compliance

- + Implement encryption of customers' PII (Personally Identifiable Information)



## STEVE MADDEN

Always ensure the privacy and security of all customer information.

# OUR CURRENT WORK

## PROACTIVE APPROACH TO SECURITY AND PRIVACY

The privacy of our customers' information is paramount for us. We have a robust, proactive and multi-pronged approach to ensuring the safety and privacy of our customers' information. We implement best practices around security which include compliance, training and awareness, constant monitoring and incorporating advanced security tools with redundancies. We continue to strengthen these practices as we go forward.

We hold annual security awareness trainings during October, which is CyberSecurity Awareness Month. All onboarded employees are automatically enrolled in the security awareness training program and meet with senior security staff personally. Our security department provides quarterly updates to the Board and has the support of senior leadership and Board buy-in.

## REGULATORY COMPLIANCE

We are in compliance with all global laws and regulations. We implemented GDPR in May 2019 and Sarbanes Oxley compliance and CCPA in January 2020. We hold an annual PCI certification. We periodically hire third-party security experts to test our systems. In 2019, we developed an Incident Response Plan to a data breach scenario which is tested annually. Our security policies were updated in 2018.

## LOOKING AHEAD - 2020 AND BEYOND

Building upon a strong foundation of proactive approaches and best practices, we aim to go beyond compliance in ensuring the privacy and security of all customer information.

## BEYOND COMPLIANCE

We aim to implement encryption of the PII (Personally Identifiable Information) stored in our customer systems.



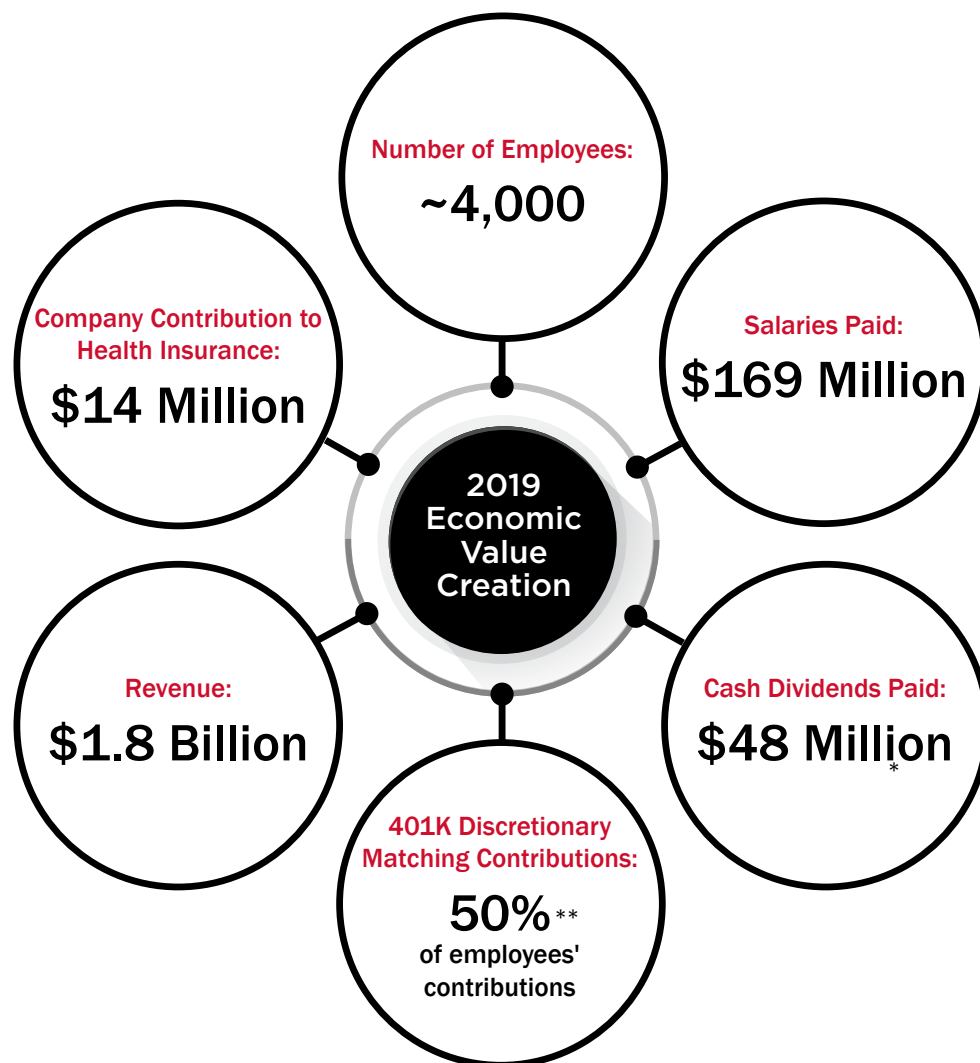
# ECONOMIC VALUE CREATION

We generate direct economic value through the jobs we create, the benefits we provide to our employees, the investments we make in our communities through philanthropy and in returns to our shareholders. While we are proud of how we have supported our stakeholders, we seek to develop an expanded and holistic approach to how we perceive and approach economic value creation.

We are committed to aligning our CSR and sustainability work with the United Nations Sustainable Development Goals (SDGs). Through our materiality process, we identified our key issues and how they impact the SDGs. Our work directly connects with SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action). However, we recognize that we can through our work, also address other social challenges such as poverty, hunger, good health and well-being, quality education and others. On our journey, we seek to align our work, our strategies, our partnerships and our resources with a more expansive approach to economic value creation to ensure a more sustainable world for all.



## BY THE NUMBERS



\* Number of jobs - On February 3, 2020, we employed approximately 4,000 employees, of whom approximately 2,500 work full-time and approximately 1,500 work part-time. Most of our part-time employees work in the Retail segment. Approximately 2,600 of our employees are located in the United States, approximately 700 are in Hong Kong and China, approximately 400 employees are in Canada, approximately 200 employees are in Mexico, approximately 100 employees are in Israel, approximately 80 employees are in South Africa and approximately 40 employees are in Europe.

\*\* The Company maintains a tax-qualified 401(k) plan, which is available to each of the Company's eligible employees who elect to participate after meeting certain length-of-service requirements. The Company made discretionary matching contributions of 50% of employees' contributions up to a maximum of 6% of employees' compensation, which vest to the employees over a period of time. Total matching contributions to the plan for 2019 were approximately \$2 million.

## 03

# MATERIALITY ASSESSMENT PROCESS

Prior to developing our strategic framework for sustainability, we underwent a 3-step materiality process to identify and prioritize our key material issues:

### Step 1: Identifying an Initial List of Material Issues

An issue is considered material for our business if it impacts our business and influences the decisions of our stakeholders. The process began with identifying a broad list of issues using the GRI and SASB Standards and aligning them with risks and impacts for the footwear sector as identified by third-party research, requirements from investors, requirements from our wholesale clients and a review of the material issues defined by our peers.

This process produced an initial list of 14 issues that cover Governance (governance structure, decision-making processes, internal control mechanisms, board composition, remuneration, incentive systems, anti-corruption, anti-competitive behavior, compliance (social, economic, environmental)); Materials Sourcing & Efficiency (use of low impact/ recycled materials - material switching, more efficient use of materials); Emissions (across the value chain); Water Consumption and Discharges (in the supply chain); Treatment and Disposal of Chemicals/Hazardous Waste (in the supply chain); Waste Management (in our operations and the supply chain); Labor Conditions in the Supply Chain; Product Design & Quality; Product Recovery (circular business models, reclamation/reuse of products at end of life); Employee Engagement; Diversity and Talent Well-being and Development; Social Investment; Customer Privacy and Economic Value Creation.

These initial issues were then validated with a core internal team and were selected to take forward for broader internal stakeholder engagement. The following issues were identified as not material for Steve Madden: Indirect Economic Impacts, Biodiversity, Security Practices, Rights of Indigenous Peoples and Public Policy.

## **Step 2: Internal Stakeholder Engagement**

Starting with this list of issues, a survey was developed and internal stakeholders were invited to indicate the level of importance of each issue. In addition, interviews were conducted with these stakeholders.

16 stakeholders participated in the interviews and 9 stakeholders responded to the survey. Stakeholders represented the C-suite, Legal and Investor Relations, Product Developers and Designers, Operations and Logistics, IT, CSR and the Supply Chain. The results of the survey showed that all stakeholders validated all the issues as somewhat to very important.

## **Step 3: Review of Stakeholder Engagement Results and Issue Selection and Prioritization**

The results of the stakeholder engagement were synthesized and reviewed internally in a workshop with a core internal team. The core internal team accepted the results of the workshop, validating all issues as material to Steve Madden but recognizing that particular issues (Materials Sourcing and Efficiency, Environmental Impacts (emissions across the value chain, water consumption and discharge/chemicals and effluents/waste in the supply chain), Labor Conditions in the Supply Chain and Product Recovery) are associated with high impacts and risks (and their management approaches are nascent) and will be treated as priority issues for immediate and bold action.

This report and the materiality process were guided by the principles of the Global Reporting Initiative (GRI).

# STEVE MADDEN

# 2019 SUSTAINABILITY REPORT

---

LEVERAGING THE POWER OF FASHION TO BE A GLOBAL FORCE FOR GOOD

[WWW.STEVEMADDEN.COM](http://WWW.STEVEMADDEN.COM) | [INFO@STEVEMADDEN.COM](mailto:INFO@STEVEMADDEN.COM)