

Environmental, Health and Safety Leadership

Callaway maintains its Environmental, Health and Safety policies, procedures, safety aids and related forms in our Enterprise Level Document Management Center.

Callaway's commitment to implementing Environmental, Health and Safety standards internationally is aligned with Callaway's core value to always act with integrity and respect. Callaway is committed to working with our suppliers and licensees to meet ensure compliance with our policies and applicable law. Our Supplier Code of Conduct sets forth the standards Callaway expects each supplier to meet. Our licensee agreements establish additional standards of licensee conduct.

Callaway drives compliance by 1) using administrative controls such as contracts and agreements, 2) providing new supplier on-boarding review and approval, 3) conducting internal and third party supplier audits, and 4) giving employee and supplier training and education.

Environment

Callaway has a long history of implementing positive environmental initiatives and reducing our environmental footprint. We use third-party auditors to evaluate and improve our environmental performance throughout our supply chain. Environmental, health and safety matters are important areas of continuous focus for Callaway.

Climate/Energy

- Callaway received U.S. EPA SmartWay certification in 2017 (SmartWay is a program that promotes environmentally efficient freight transportation).
 - SmartWay helps companies advance supply chain sustainability by measuring, benchmarking and improving freight transportation efficiency. It is one of the factors considered in our transportation team's selection process when considering new carriers or making changes to existing carriers.
 - Tracking our transportation statistics has helped us build an important data source that allows us to make strategic and environmentally conscious supply chain decisions.
 - Callaway's North America truck-based logistics increased over the years from 50% SmartWay carriers in 2016 to 87% in 2019.
 - We continuously seek opportunities to streamline our transportation operations in order to improve performance and reduce our carbon footprint.

- Callaway regularly participates in and benefits from utility-sponsored demand-reduction programs while actively pursuing new energy efficiency projects. Below are examples from initiatives taking place at our corporate headquarters.
 - In 2019, more than 27% of our energy came from renewable sources. In 2020, we increased that number to 33%.
 - In 2019 we replaced a 12 million BTU/hr boiler with high efficiency and low emission 2.5 million BTU/hr boilers.
 - In 2020 we completed installation of a battery storage system, allowing us to increase our usage of renewable energy during peak times of the day.
 - Total energy consumption is down 15% since 2012 – despite significantly increasing building occupancy and adding a data center – with 5,753 MWh being consumed in

2020 versus 6,793 MWh in 2012. This corresponds to 4,483 tons of CO2 being used in 2020 versus 5,294 tons in 2012.

- We have achieved a decrease of 35% annual energy usage through energy incentive programs and other energy efficiency projects.
- We partner with our respective energy service providers for owned and leased facilities across several major North America locations to contract for an increasing percentage of renewable energy for our use.

Water

- Water withdrawal and scarcity risks are both factors we consider in our procurement of ethically sourced textiles, such as bluesign® approved fabrics and accessories. The suppliers we purchase bluesign® approved materials from are using less water during the manufacturing process and utilizing eco-friendly substances and processes.
- In our Chicopee golf ball manufacturing facility, we recycle 95% of the water that is used in one of our key manufacturing processes by filtering and reusing it.
- In 2019, Callaway worked with a renowned golf course architect to renovate the Ely Callaway Performance Center (ECPC) in Carlsbad, California where we regularly test equipment and perform custom fittings. Part of the renovation included installing a new irrigation system that uses an industry-leading control system and sprinklers that ration water more efficiently.
- We use 100% reclaimed water for landscaping at our Carlsbad headquarters and more than 80% reclaimed water for the ECPC.
- Our central plant cooling and heating operations use a patented soft water program that reduced our water use by more than 2,000,000 gallons per year and eliminated more than 1,000 gallons per year of hazardous chemicals.

Recycling/Waste

- We have environmental health and safety professionals working at our primary North America facilities who actively manage our hazardous waste, non-hazardous waste, and recyclable materials. One of their objectives is to optimize the amount of recycled material and minimize the disposal cost of all other materials.
 - From a business waste management program standpoint, we are pursuing initiatives to decrease the amount of packaging used in various product categories, which would result in less associated waste being created.
 - From a production waste management program standpoint, in our production processes we use statistical process controls to increase our yields, which in turn reduces waste generated.
- In our major North America facilities, we work with local recycling partners (based on the material type) to optimize recycling opportunities relating to our business and production.
 - For obsolete product, when possible, we try to determine if there are any eligible charitable foundations who could benefit from the products instead of disposing of them.

- We accept retailer and customer returns and resell them on our Trade In Trade Up website in order to decrease volume of product waste disposal and increase the product lifecycle.
- Callaway has taken steps to dramatically reduce our use of cardboard packaging, including:
 - Implementation of a customer order system that automatically aligns the order with the “best fit” shipping carton.
 - Facilitating trainings for operators to make changes to the packaging and correct the system optimization to ensure “best fit” packaging, if necessary.
 - Following GreenDot packaging standards.
 - Securely managing and recycling office paper and other materials.
- Callaway also believes in the importance of recycling and aggressively recycles cardboard, metal and paper. For example:
 - In 2018, we recycled 1,077,817 pounds of cardboard and 142,900 pounds of metal.
 - We recycle e-waste, green waste, plastics and wood on an ongoing basis.
 - We team with reputable recycling facilities that demonstrate industry best practices, such as the R2 Responsible Recycling standard for electronics and recycling industry.
 - Overall, since 2010, we’ve recycled more than 11,000,000 pounds of material.

Environmental Impacts

- Callaway maintains a “Source Reduction Evaluation Review and Plan” and provides a “Summary Progress Report” to the state of California.
- We actively and continually partner with our suppliers to find innovative ways to reduce our environmental impact.
- We follow our “New Material Review Process” to evaluate the environmental and safety impact of the materials we use.
- We specify low-VOC and low-toxicity paints and solvents in our golf club operations.
- We have been working with a key golf club component supplier to reduce their volatile organic emissions by more than 90%.
- We use advanced techniques such as 3-D modeling and artificial intelligence to optimize our design process. These systems allow us to reduce the number of prototypes needed to arrive at the final product, and thereby minimize the energy and waste required to create them.
- Callaway retains third party auditors to inspect our suppliers’ environmental programs to identify both best practices and areas of potential risks.

Product Safety/Restricted Substances

- Callaway collaborates closely with regulatory agencies and participates in professional working groups to promote best practices that protect the environment.
- We adhere to the American Apparel and Footwear Association (AAFA) Restricted Substance List (RSL), which contains quantitative targets, to benchmark our product safety requirements to ensure we meet global standards.
- We regularly work with suppliers and testing laboratories to ensure our products are evaluated

and tested using reasonable testing programs.

- Callaway's Compliance Team works closely with the Global Engineering and Quality Department to review new paints and solvents proposed for Callaway product.
 - From a toxicity standpoint, we evaluate products to minimize and/or eliminate the use of "hazardous air pollutants" (as defined by U.S. EPA) and to reduce VOC emissions (which are a precursor to smog). We compare VOC content of paints with limits established by the San Diego Air Pollution Control District.

Climate-Related Risks and Opportunities

- Due to the seasonality of Callaway's businesses, there is the potential to be significantly adversely affected by unusual or severe weather conditions and by severe weather conditions caused by climate change (flooding, drought, etc.).
 - One scenario of this is unfavorable weather conditions, which generally result in fewer golf rounds played, which generally results in reduced demand for all golf products, and in particular, golf balls. Furthermore, catastrophic storms can negatively affect golf rounds played both during the storms and afterward, as storm damaged golf courses are repaired and golfers focus on repairing the damage to their homes, businesses and communities. Consequently, sustained adverse weather conditions could materially affect sales.
 - A second scenario is that consumer demand for Jack Wolfskin branded cold-weather products may be negatively affected to the extent global weather patterns trend warmer, reducing typical patterns of cold-weather events or increasing weather volatility, which could materially adversely affect business, financial condition and results of operations.
- Climate-related risks and opportunities such as these and more are discussed at our Sustainability Core Team Meetings, highlights of which are then reviewed with the Executive Sustainability Committee and the Board of Directors. Feedback and oversight provided by the Board of Directors and the Executive Sustainability Committee provide ongoing guidance to the Sustainability Program's goals and objectives.

Health and Safety

Callaway uses third-party auditors to evaluate and improve our safety performance throughout our supply chain.

- Our Monterrey, Mexico manufacturing facility's safety management program achieved the high rating score of 99.8% in the June 2019 government inspection maintaining the STPS PASST Level 3 certified (the PASST program is similar to the OHSAS 18001 program).
- We maintain an "Injury and Illness Prevention Program Policy" and "Accident/Incident Reporting & Investigation Procedure" and maintain records documenting issues.