

**EXCELLENT
IN ACTION.
ELEVATING OUR GAME**



A Sustainable Sourcing Approach

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Sustainable Sourcing



Sustainable Sourcing

- There is no such thing as high risk countries in which to manufacture, just high risk suppliers.
- The world is open for business with whomever your macro-economic analysis tells you is best to do business with.
- However, if you end up with the wrong suppliers, because you failed to analyze the prospective supplier's social and environmental track record, it may cost you lots of money, and demonstrate that you did not do your homework in the first place.

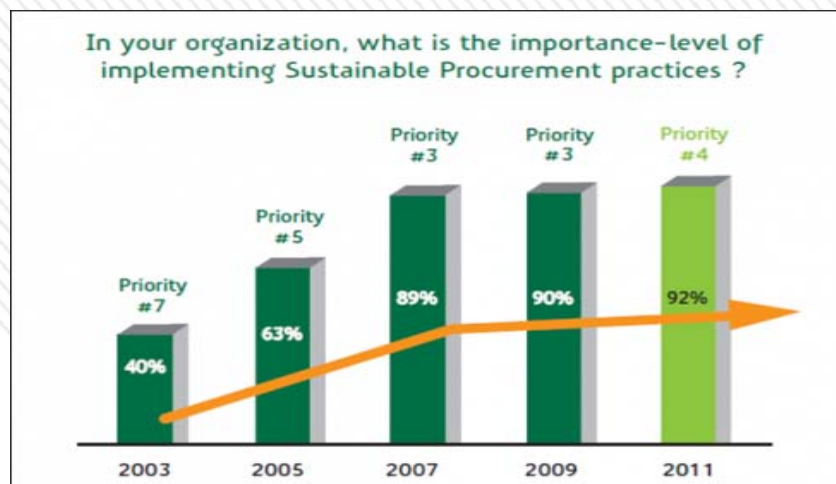
SUSTAINABLE
sourcing

LET'S MAKE
EXCELLENT
HAPPEN.


Selecting Suppliers

Sustainable sourcing means looking at procurement beyond the traditional aspects of:

- **Quality, Time and Price**
- Indicators of production capacity, sample development and business stability (financials).



Selecting Suppliers

To select compliant and sustainable suppliers, also analyze:

- Social Compliance: Dignity and respect for workers
- Respect for the Environment: Reduce, Reuse, Recycle
- Restricted Substance List Program (RSL)
- Energy Management: tracking energy use

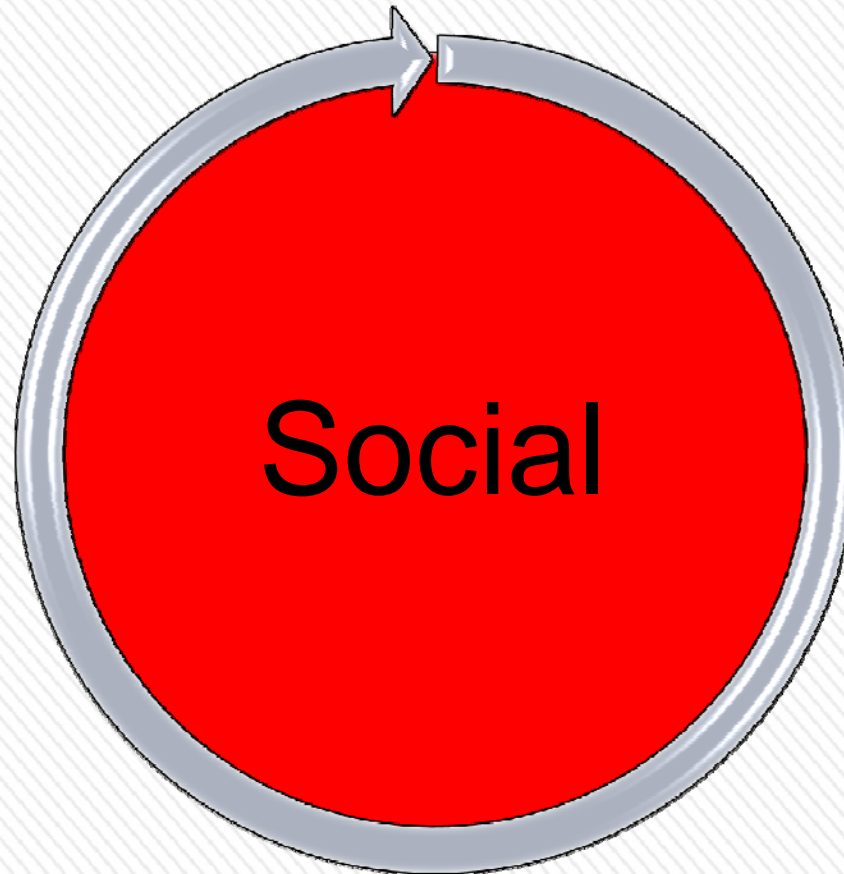


Social Compliance

Code of Conduct:
Introduced into the NB
Supplier Evaluation
Criteria in 2001

International
Labor Standards

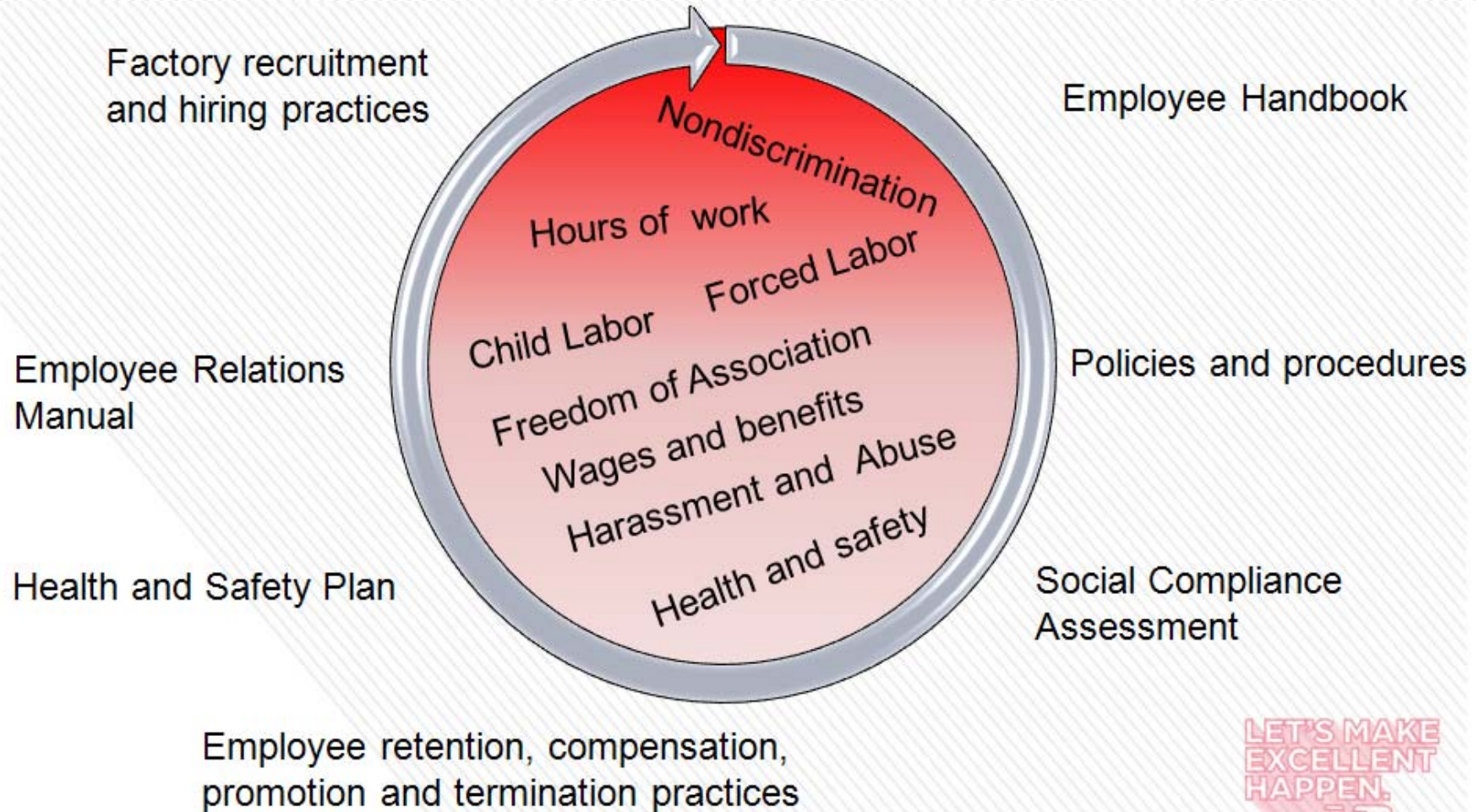
Local Labor Laws



HR Management
systems

Employee
Relations

Respect for Workers Rights



Respect for Workers Rights

Precarious employment/Temporary contracts with workers

Dirty/Unsanitary facilities used by workers (Bathrooms, Dining rooms, dormitories, etc.)

Foreign Contract Labor

Unusual, unnecessary security measures

Excessive Hours of work

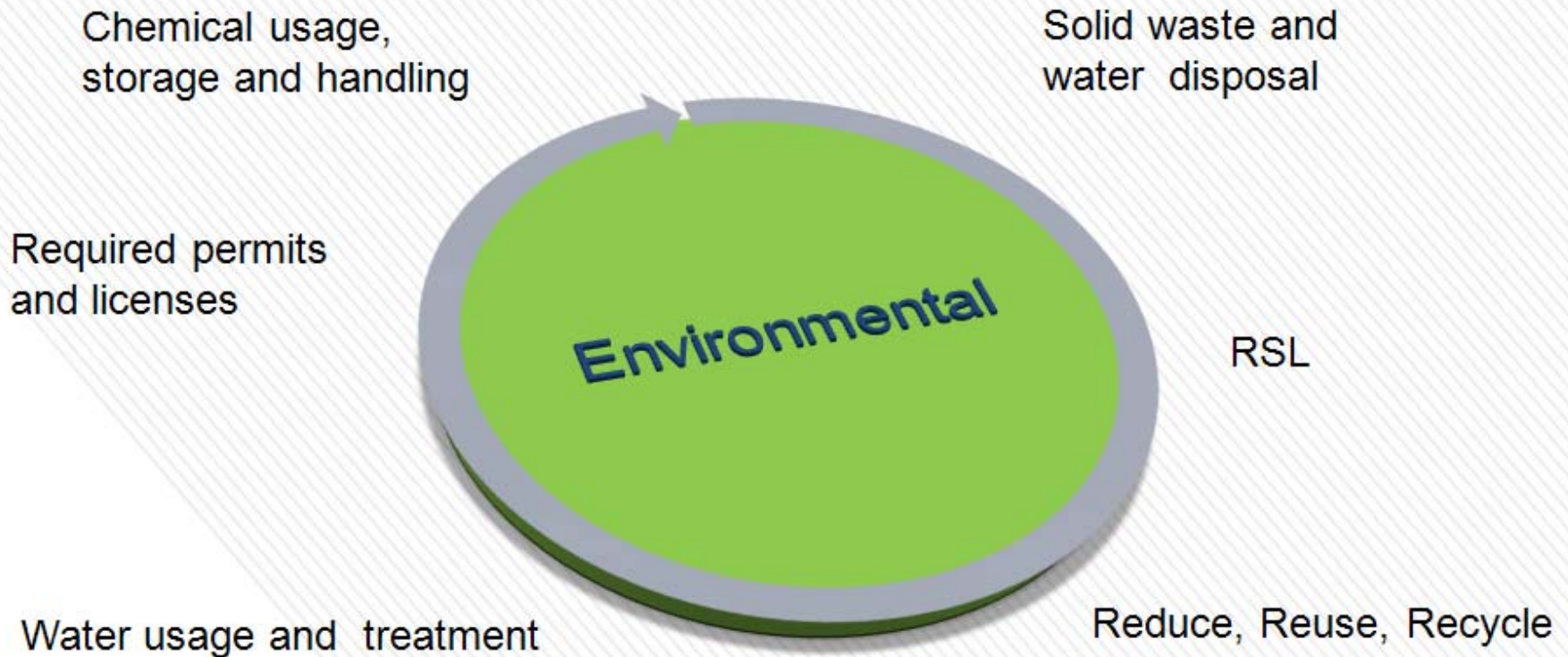
Focus on the worker

Mandatory Overtime

Arbitrary disciplinary practices (monetary fines and penalties)

Pre-employment and during employment pregnancy testing

Respect for the Environment



Respect for the Environment

NB monthly reporting required by all global footwear factories:

- Water-based chemical usage (cements, primers, cleaners)
- Volatile Organic Compound use (VOC) (acetone)
- Hazardous waste (total recycled and disposed)
- Solid waste (total recycled on-site, land filled)



Respect for the Environment

NB US Manufacturing facilities achieved the following:

- 98% of waste recycled or burned for energy (92% recycled, 6% burned)
- 6,400 cubic yards of land filled saved
- 1,321 metric tons of GHG reduced through building upgrades and adjusting energy management systems



Restricted Substance Program

Introduced into the NB Supplier Evaluation Criteria in 2006

Objective:

- Minimize the amount of hazardous substances in products that affect the:
 - Production Worker
 - Consumer
 - Environment
- Prohibit or restrict the use of substances in the RSL Manual
- Encourage NB Suppliers to take a proactive approach to RSL management
- Protect the brand
- Partner with Suppliers who are **willing** and **able** to consistently meet RSL requirements
- www.newbalance.com/restrictedsubstanceprogram



Energy Management

Energy reporting per month for global footwear factories:

- Electricity from off-site source (KWHr)
- Cost of electricity per KWHr (USD)
- Amount for generator per month (KWHr)
- Cost of oil used for generator (USD/liter)
- Amount of oil used for generators (liters)
- Amount of natural gas used in steam (cubic meters)
- Cost of natural gas (USD/cubic meters)
- Waste burned for disposal (Kg)
- Electricity from off-site source per pair (KWHr/pair)

Energy Management

NB US Manufacturing facilities achieved the following:

- 10.6% reduction in total energy used
- 32% of electrical energy purchased from renewable or alternative energy sources
- Leadership in Energy and Environmental Design (LEED) elements implemented in all current and future building projects



Sustainable Sourcing = sustainable product

Recycled Material and the newSKY Shoe

As part of a greater effort from New Balance to adopt more sustainable practices, newSKY represents an approach towards utilizing recycled materials to create footwear.

The upper of newSKY is made entirely from Eco-fi; a high-quality polyester manufactured from 95% PET plastic bottles. Bottles are chopped into flakes, heated, and molded into fiber, creating a strong, versatile fabric. It takes only about 12 bottles to produce one pound of fiber and only about 8 bottles to create an average pair of newSKY shoes. In addition to the environmental benefits of reusing plastic bottles, it's Eco-fi's technical qualities that make it an exceptional textile for footwear.



8/PAIR

*Based on 20oz recycled PET bottles

Two million plastic bottles are used in the U.S. every ten minutes and 51 billion plastic bottles go into landfills annually.

Source: Foss Manufacturing

Sustainable Sourcing Benefits

Sustainable sourcing enables organizations to:

- specialize and concentrate manufacturing efforts in a way that manages social and environmental risks and costs of compliance with existing or new regulations;
- improve product, process, and supply quality and productivity.
- make innovative decisions that respond to “sustainable” requirements;
- improve or create brand differentiation and customer loyalty by offering unique capabilities to address environmental related requirements and expectations;
- reduce customer pressure and even gain preferred status.