

# MADDE TO MOVE

new balance

new balance

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We Are Made of Energy.

Energy Cannot Be Created or Destroyed.

It Can Only Be Transformed.

Into Action. Into Standing Up For What's Right.

Into Moving The World

Physically, Emotionally and Intellectually.

We Are Made To Move.

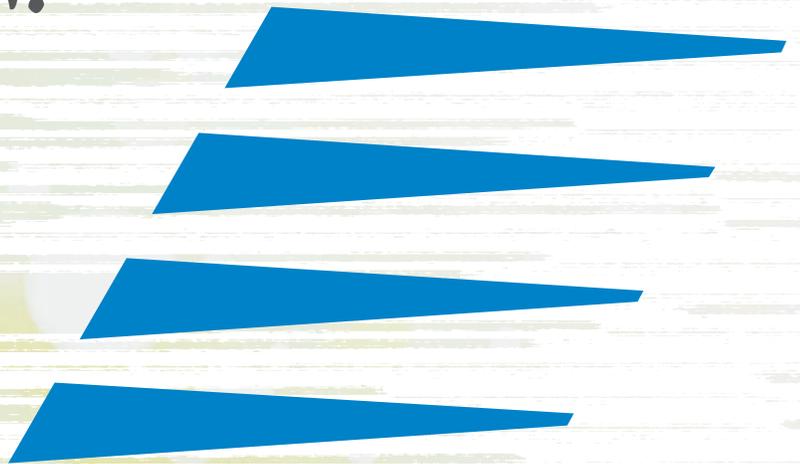
new balance 

We are catalyzing  
Transforming our  
into p

**MOVING SMARTER. MOVING  
MOVING COMMUNITIES.**

ysts for movement.  
collective energy  
erpetual motion.

**MOVING PEOPLE.  
MOVING FORWARD.**



By simultaneously engaging  
all three areas of leadership

**MOVING FORWARD, GIVING BACK**  
**MOVING THE ENVIRONMENT FORWARD**  
**MOVING FORWARD TOGETHER**

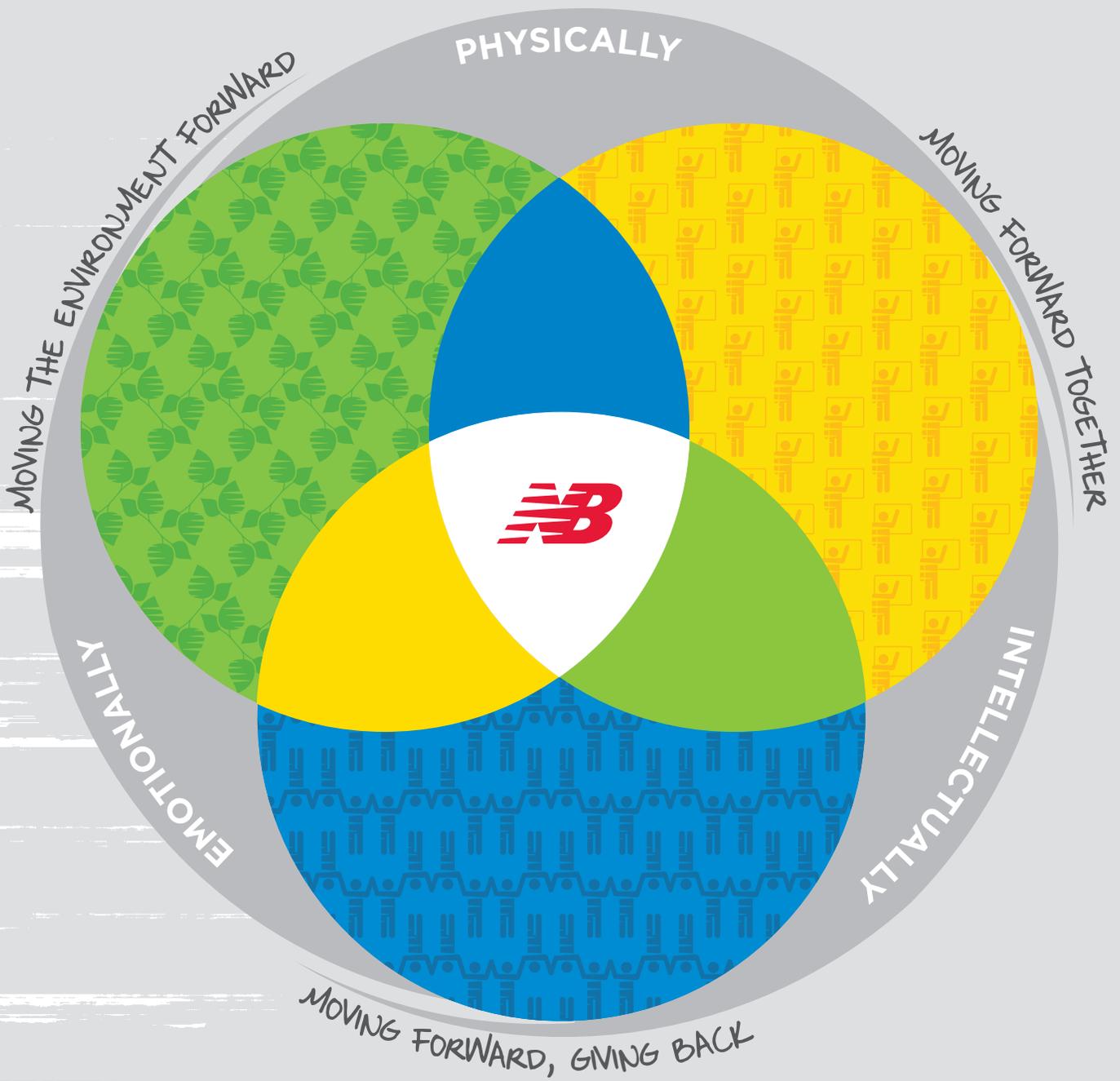
We perform in harmony.

Moving people physically,  
emotionally and intellectually.

Working together.  
Building momentum.

This is how we move.

**LET'S MOVE**



# THE WORLD



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PLANT SHOE FACTORY  
JAMAICA PLAIN MASS

NB

NEW BALANCE IS PLEASED TO PRESENT OUR FIRST RESPONSIBLE LEADERSHIP REPORT DESCRIBING OUR SOCIAL RESPONSIBILITY PERFORMANCE. TODAY WE ARE KNOWN FOR MAKING SOME OF THE WORLD'S FINEST ATHLETIC PERFORMANCE PRODUCTS, BUT OUR ROOTS GO BACK TO 1906 WHEN WILLIAM RILEY LAUNCHED THE BOSTON-BASED NEW BALANCE ARCH CO. AND MADE INNOVATIVE FLEXIBLE ARCH SUPPORTS.

In our more than 100-year history we have grown but kept our underlying values intact. Our passion for innovation and making a real impact on the world community has continued to flourish. Now, in our second century of business, we are a global athletic footwear, apparel and accessories company that is still headquartered in Boston and manufacturing shoes in multiple communities across the globe, from the U.S. to Europe and Asia. We are thrilled that, throughout our growth, our commitment to our core values of teamwork, integrity and total customer satisfaction has remained steadfast. We continue a long history of offering our global workforce a place where they can thrive, providing exceptional products and services to our customers and consumers, and ongoing support to the communities in which we operate.

Since its inception, New Balance has been privately held. New Balance owners, Jim and Anne Davis, lead with their core belief: *Let's challenge the conventions of the industry.* In doing so, they have created a community of dedicated supporters. The company's vision of corporate social responsibility has grown authentically from the way we have always conducted business. We have a long history of working to create an environment that our associates value and giving back to the communities in which we operate and manufacture. More recently, we have embraced environmental sustainability, understanding more fully the need to integrate social and economic dimensions with environmental performance.

We use the term "Responsible Leadership" to describe our intent and this integrated effort. While we believe that we have accomplished much in our

more than 100 years of operation, we acknowledge that we have much to learn from our peers in the footwear and apparel industries, as well as from corporate sustainability leaders across the globe. We also ask for and value the feedback we receive from energetic and committed stakeholders, such as our associates, suppliers and customers, who engage with us and others on these issues every day.

We have practiced Responsible Leadership efforts for many years, without a dedicated focus on telling our larger story externally. As a brand, we have preferred to focus on innovation and delivering high-quality products to our retailers and consumers, rather than talking about what we are doing and what we are seeking to address in the future.

We realize, however, that maintaining a low profile on our Responsible Leadership efforts does not best serve our stakeholders, including our dedicated associates, sales reps, customers, suppliers and consumers. Moreover, less visibility means that we do not benefit from stakeholder feedback and advice that can help speed progress and drive accountability for our performance.

The goal of this report is to increase transparency; to communicate to our stakeholders and the larger world about our accomplishments and our work in progress; and to solicit help where we need improvement. We hope that readers will gain greater insight into New Balance, want to celebrate our achievements and feel encouraged to provide feedback on where we are today and our long-term goals and aspirations.



**REPORTING SCOPE** For this report we are focused on the New Balance brand. We are reporting our Responsible Leadership performance utilizing 2009 and 2010 data. At the beginning of the data collection process, we had high hopes that we could present a comprehensive picture of our global activities, but quickly discovered that our systems for data collection and reporting were limited. Consequently, we restrained the scope of the report and have given priority to building the systems needed to appropriate data moving forward. Where available, we are reporting calendar data; in a few areas, we can report some trend data. We are engaged in establishing the systems needed to report more fully in the future.

Our report follows the Global Reporting Initiative (GRI) to the extent that doing so makes sense as a privately-held company (see the GRI index for indicators that are included in this report). New Balance does not routinely report financial data, and we do not report on most of the economic indicators. We went through a process of identifying key issues via a limited materiality analysis (see table below) and reviewed GRI indicators appropriate to the issues, as well as other indicators that we considered to be relevant. Issues were sorted into high and medium priority for data collection purposes.





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Our goals for this report are twofold—first, to be open and transparent regarding what we have achieved and learned about ourselves; then to seek feedback on what we can do better. We invite your comments and suggestions at [RLReport@NewBalance.com](mailto:RLReport@NewBalance.com). We are committed to continuous improvement in any area that will contribute to additional success and growth.



With this, our first effort to publicly showcase our Responsible Leadership efforts, we share with you our 106-year journey that has brought us to where we are today.

At New Balance, we are proud of our unique history. Although we have not previously told our story publicly, it is well known within our walls. We use our past to guide our future, while always striving to retain our family values and cherished culture. Like most brands, New Balance has experienced many highs and lows, but it has always been our personal mission to steward the company with the values that have inspired our culture.

You'll see that, throughout our long journey, we chose to adhere to our roots by doing things differently. We maintained "the New Balance way." When others said it couldn't be done, we prevailed with width sizing for better running performance and domestic manufacturing for quick response to customers and commitment to American workers through sustainable employment. As we grew, we found it equally important to thank and support those who made it possible, our communities. Our success allowed us to establish the New Balance Foundation in 1981, and we continue to lead and serve local communities through corporate outreach and foundation grants, associate volunteerism and product donation.

The evolution of New Balance and its family of brands has run a course of steady, sustained growth in a low key, quiet manner. We are proud of the less-traveled road we have taken, finding inspiration in our teammates and being humbled by our accomplishments. Today our associates want to tell the New Balance story. We understand how important this is to our vitality, for team building and for consumer knowledge and decision making. Our story, the New Balance story, encompasses our prevailing values and doing well while moving forward. We are proud of how entrepreneurial our company still feels, even after reaching \$2 billion in global sales for 2011. But we are also proud that this foundation of doing well and doing good is part of the unchanging core and future vision of New Balance.

To both our new and longtime associates, enjoy this exploration of our history and blueprint for the future. First and foremost, this report was developed for you. To our partners who help make and sell our products, the communities who host our associates, and all who touch and enjoy our products, we offer you a deeper look at New Balance values in action. To all, we invite you to join us in moving the world.

Sincerely,

James S. Davis  
CHAIRMAN

Anne M. Davis  
VICE CHAIRMAN



Beginning with our founding, New Balance has followed its own path. We don't presume that the usual ways of doing things are best. Instead of making quarterly decisions, we make long-term choices that will sustain our business and keep us on the road to success. In an era of IPOs and mergers to be the biggest, we have not only maintained our 106-year-old tradition of being private and family owned, but we have achieved global growth and success on our terms. We also maintain a deep-seeded relationship with our communities and have a history of volunteerism and philanthropy with the areas that proudly support us.

The innovation of our teams and products, in combination with our values, behaviors and Responsible Leadership Foundation is the reason we've grown, even through difficult economic times. We know associates are our greatest asset and they are driven to achieve. We are fully committed to development and growth in our offices, factories and retail locations.

Doing things our way is the only way we know and continuing to support U.S. domestic manufacturing is just one important example of our alternative path. While we could have chosen to abandon U.S. manufacturing and move all production overseas we have made a commitment to local manufacturing and our factory associates because we see the long-term impact on a daily basis. The people crafting shoes in our own factories have an average tenure of 8.4 years, twice the 2010 U.S. factory average. We even have some third-generation associates in our factories. We're proud of our team's commitment to lean manufacturing and continuous improvement. Their work allows us to leverage our proximity to the U.S. retailer and U.S. consumer to provide faster replenishment and delivery.

Many have asked recently, how do we improve the viability of U.S. manufacturing? Our strategy has always been to make long-term investments. For example, in the U.S., we invest in training our associates and improving our facilities. We invest millions of dollars in local suppliers and the community. We support the jobs of our 1,200 manufacturing associates and we also positively impact 38 domestic suppliers and their more than 5,000 employees. It is not easy, but we make it a corporate priority because we ultimately benefit from increased innovation, cascading learnings across our facilities and by being the only company who can provide our retailers and consumers with athletic footwear made in USA and Flimby, UK.

Going forward, we have much work to do. Although many of our Responsible Leadership efforts are at the forefront of our industry, there are other areas, where our peers lead the way and we can learn from them. In the past, we tended to tackle industry challenges alone. We are now participating in progressive industry collaborations, and in every case, we are there to learn from committed members and to share what we do well. We have not communicated to all our important stakeholders, and this report is an important milestone to improve that dialogue. Finally, we are aggressively working on our Responsible Leadership metrics and systems. We look forward to sharing more with you on that in future updates.

Business is a powerful force for social change and a reason to thank those who help us succeed. As we all move forward, it is the role of Responsible Leadership to lead the way.

Sincerely,

Rob DeMartini

PRESIDENT & CHIEF EXECUTIVE OFFICER



ONE STEP CAN MOVE A PERSON.

ONE PERSON CAN MOVE A COMMUNITY.

AND ONE COMMUNITY CAN MOVE THE WORLD.



ONE MAN'S IDEA BECAME A PERSONAL MOVEMENT. A MOVEMENT THAT INSPIRED MANY TO BUY HIS PRODUCT, AND OTHERS TO TAKE UP HIS VISION AS THEIR OWN. NOW, MORE THAN A CENTURY LATER, THOUSANDS OF NEW BALANCE ASSOCIATES CONTINUE TO INSPIRE PEOPLE WORLDWIDE TO JOIN OUR MOVEMENT FOR MOVEMENT.

**DEMONSTRATING RESPONSIBLE LEADERSHIP,  
WE BUILD GLOBAL BRANDS THAT ATHLETES ARE  
PROUD TO WEAR, ASSOCIATES ARE PROUD TO  
CREATE AND COMMUNITIES ARE PROUD TO HOST.**

## **READY...**

**OUR HISTORY OF MOVEMENT** For more than 100 years, New Balance has been a brand dedicated to understanding the movement of people and designing products to match. From the early days of selling arch supports to police officers and waiters, to our current research with world-class athletes in our Sports Research Lab, we have been consumed by the body in motion.

In 1906 William Riley was inspired by a chicken foot to create a new way to meet the comfort and balance needs of consumers in motion. This innovation launched

the beginning of New Balance. Enter Jim Davis. A gutsy and spirited entrepreneur, Jim bought New Balance in 1972 on the day of the Boston Marathon. He kept the company's signature range of widths and sizes and convinced retailers they would reach a broader base of consumers by offering the better fit that multiple widths allowed. Jim partnered with his retailers, and they were both well positioned for the running and fitness boom that began in the late 1970s as consumers discovered new ways to exercise, compete and use running to achieve balance and mental fitness.

Jim and his team immersed themselves into the heart of the running community, experiencing the passion runners had for their sport and witnessing the demands that they had for their footwear. The team put that learning into product development and delivered best-in-class running shoes that best-in-class runners wanted to wear.

Jim and his wife, Anne, also focused on developing an organization with a distinctive culture where associates were proud to work. They wanted New Balance to grow, but not at all costs. They preferred their success to be based on a set of core values: teamwork, integrity and total customer satisfaction. These core values remain threaded throughout all of our initiatives and are the backbone of New Balance's culture today.

Anne was especially responsible for fostering a culture of caring and giving back. Thanks to her, there is a strong belief at every level of the organization that we at New Balance can individually and collectively make a difference in our business as well as in our local and global communities.

## SET...

**OUR ROLE IN THE WORLD** Today, New Balance has grown into a family of brands that include New Balance, Dunham, PF Flyers, Aravon, Warrior and Brine. We design and produce athletic footwear, apparel and accessories for multiple athletic and fitness activities, including running, training, light hiking, team sports, tennis, walking, as well as comfort, casual and lifestyle wear.

**INNOVATION** Throughout the years, New Balance has focused on bringing innovation in design, materials and construction to each of our products. We have been responsible for a number of firsts in our industry through the continual improvement of our products and a relentless drive to achieve a better fit and performance for all.



# HISTORY OF

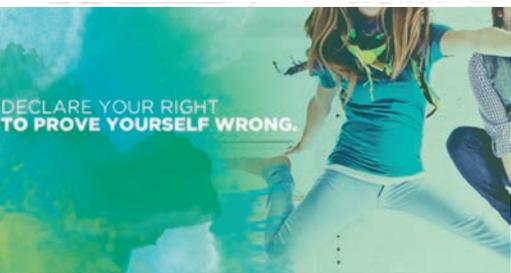
- NEW BALANCE ARCH CO.—ARCH SUPPORT FOR PROBLEM FEET **1906**
- LIGHTWEIGHT KANGAROO LEATHER, CREPE-SOLED SHOE FOR BROWN BAG HARRIERS RUNNING CLUB IN BELMONT, MASSACHUSETTS **1938**
- CUSTOM BASEBALL SHOE FOR THE BOSTON BRAVES **1941**
- THE TRACKSTER, THE FIRST RUNNING SHOE IN MULTIPLE WIDTHS **1960**
- NEW BALANCE 320, WHICH COMBINED A FLARED HEEL FOR STABILITY, FOREFOOT CUSHIONING AND WIDTH SIZING WAS RATED RUNNING WORLD'S #1 RUNNING SHOE **1976**
- NEW BALANCE W320, THE FIRST RUNNING SHOE DESIGNED EXCLUSIVELY FOR WOMEN BUILT ON A WOMEN'S-ONLY LAST **1978**
- GUM RUBBER OUTSOLE WITHIN A POLYURETHANE CORE AND WALL INTRODUCED IN THE CT300 TENNIS SHOE **1979**



- 1982** THE ICONIC 990 MADE IN THE USA FOOTWEAR SERIES IS BORN
- 1982** THE JAMBOREE, FIRST DEDICATED AEROBICS SHOE
- 1985** NEW BALANCE 565 WITH A HOUNDSTOOTH OUTER SOLE INTRODUCED AS FIRST MULTI-TERRAIN ROAD AND TRAIL RUNNING SHOE
- 1994** INTRODUCTION OF THE NEW BALANCE SUSPENSION SYSTEM, A MULTIPLE TECHNOLOGY TO BALANCE CUSHIONING, SUPPORT, SHOCK ABSORPTION, AND MOTION CONTROL
- 1995** MX650 CROSS-TRAINING SHOE, DESIGNED TO MEET THE NEEDS OF ATHLETES WHO MOVE DIRECTLY FROM ONE SPORT TO THE NEXT, REVOLUTIONIZED THE CROSS TRAINING CATEGORY
- 1997** NEW BALANCE 840—THE INTRODUCTION OF A TECHNICAL WALKING SHOE
- 2004** NEW BALANCE PERFORMANCE APPAREL LAUNCHES THE BIO APPAREL SYSTEM
- 2006** NEW BALANCE ZIP PATENTED RESPONSIVE CUSHIONING SYSTEM TECHNOLOGY WITH SHOCK-ABSORBING STRUTS
- 2008** NEW BALANCE OPENS SPORTS RESEARCH LAB
- NEW SHOE DEVELOPED SPECIFICALLY TO IMPROVE THE PERFORMANCE OF NASCAR PIT CREW MEMBERS AS THEY GO OVER THE WALL
- 2010** NEW BALANCE MINIMUS—A BAREFOOT-INSPIRED LINE OF SHOES CREATED SPECIFICALLY FOR RUNNERS SEEKING A TRULY MINIMALIST EXPERIENCE—IS DEVELOPED
- NEW BALANCE DEVELOPS REVLITE, A NEW LIGHTEST-IN-CLASS MIDSOLE FOAM COMPOUND



# PRODUCT INNOVATION



**LOCAL PRIDE, WORLDWIDE** New Balance is currently the only footwear manufacturer still making athletic shoes in the U.S.

We operate six owned New Balance footwear factories, five in New England and one in Flimby, England. We also work with contract footwear manufacturers who have established New Balance-dedicated facilities in the U.S., Mexico, China, Vietnam and Indonesia.

SEE LIST OF NEW BALANCE SUPPLIERS

In a globalized economy where manufacturing tends to chase lower labor costs, we remain dedicated to the ongoing enhancement of our multiple production locations by establishing continuous improvement initiatives, cascading our learnings from one region to another, and supporting as many local suppliers as we can. We believe that being closer to the consumer in the many areas that we manufacture in allows us to provide better service to our customers.

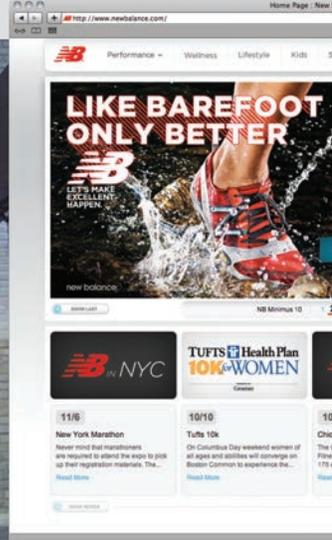
We are committed to the growth and development of the associates in our six owned factories. They embody the craftsmanship of shoemaking, possessing an average tenure of 8.4 years of experience with New Balance. In fact, some associates in our New England factories are third-generation craftspeople.

FACTORY TOUR BOOK

Each and every one of these associates contributes to the manufacturing innovations that enable us to make or assemble in the United States, 25 percent of New Balance shoes sold in the United States.<sup>1</sup> New Balance has remained uniquely consistent in its commitment to maintaining local production of athletic shoes and local jobs, both as a strategic goal of the company and as a responsible member of the communities in which we do business.

Find out more about our U.S. craftspeople and the impact that making shoes in the U.S. has on the local community.

SKOWHEGAN MAINE ASSOCIATE VIDEO





**A GLOBAL PRESENCE** All New Balance apparel is made in contract facilities, primarily in the Americas and Asia, with some production in Europe and the Middle East. Additional production for some of our other brands, as well as our market and specialty products licensees, occurs throughout North and South America, East, Southeast and South Asia, Europe, the Middle East and Africa. Market-specific licensees are typically manufactured within the region for which they hold a license.

As New Balance production expanded to include production beyond our owned factories, we took the values we hold for ourselves and instituted in these manufacturers a strong social compliance auditing and monitoring program in our contract facilities.

NEW BALANCE COMPLIANCE OVERVIEW/FACT SHEET  
NEW BALANCE CODE OF CONDUCT DOCUMENT

**NEW BALANCE ASSOCIATES 2010**

UNITED STATES: 2,313

EUROPE: 325

CANADA: 38

LATIN AMERICA: 38

ASIA PACIFIC: 832

**TOTAL NEW BALANCE ASSOCIATES: 3,608**

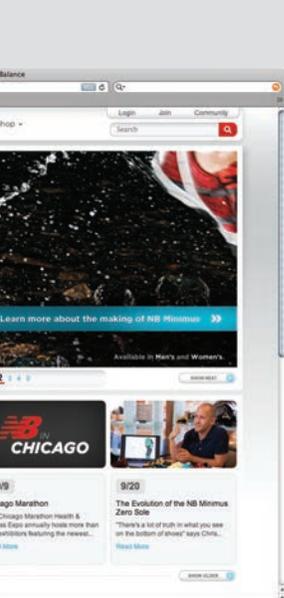
WARRIOR/BRINE ASSOCIATES: 500

**TOTAL ASSOCIATES: 4,108**

We have evolved into a global company offering New Balance products in more than 120 countries throughout the world through specialty retailers, department stores, New Balance licensed and owned retail and factory stores, and our online Shop New Balance. New Balance has wholly-owned operating subsidiaries in the United Kingdom, Hong Kong, Singapore, Australia, New Zealand, Mexico, Canada and South Africa.

We have grown to worldwide sales of \$1.8 billion in 2010, and employ more than 4,100 associates—many of whom are designing, manufacturing and selling New Balance athletic shoes and apparel, and Warrior and Brine equipment.

1 Twenty-five percent of New Balance shoes sold in the United States are produced by our U.S. workforce using U.S. and imported materials. When possible, we obtain materials from domestic suppliers. At times, due to availability, economic or quality reasons, there is a need to import components from foreign sources. Where the domestic value is at least 70 percent, we have labeled the shoe "Made in the USA."





OUR MISSION TO MOVE THE WORLD New Balance has built its business on inspiring people to move, and helping athletes achieve their performance goals. We strive to help our associates, and people around the world, to move and grow physically and emotionally, using their strength to impact their communities.

Although always embedded in our DNA, we've recently defined these efforts as a "movement for movement," one that stems from a core belief: people are meant to move. How do we serve the body in motion? Through our products. What is our role? To be catalysts and coaches. This is expressed in our internal rally cry, "Let's Move the World."



# LET'S MOVE THE WORLD

WE BELIEVE IN ONE SIMPLE TRUTH:  
**WE WERE BORN TO MOVE.**

MOVEMENT IS THE VERY ESSENCE OF BEING **HUMAN.** IT IS AS FUNDAMENTAL AS THE AIR WE **BREATHE.**

THIS IS MORE TRUE TODAY THAN EVER,  
FOR AS THE WORLD HAS GOTTEN FASTER,  
WE HAVE GOTTEN SLOWER.

MODERN CONVENIENCE AND TECHNICAL ADVANCES  
ARE WORKING HARD TO SLOW US DOWN.  
BUT WE ARE STRONGER AND SMARTER  
THAN WHAT PUSHES AGAINST US.

**IT'S TIME TO STAND UP FOR MOVEMENT.  
IT'S TIME TO GET PEOPLE INTO GEAR  
AND THAT MEANS GETTING PEOPLE  
INTO THE RIGHT GEAR.**

THAT'S WHY WE CREATE PRODUCTS  
THAT INSPIRE PEOPLE TO MOVE

**FURTHER,**  
**FASTER & MORE**  
**FREQUENTLY.**

WE DELIVER PRODUCTS THAT WORK.  
BECAUSE IF THEY DON'T WORK, THEY ARE JUST STUFF.  
AND THE WORLD DOESN'T NEED MORE STUFF.

**TO GET PEOPLE MOVING,**

WE MUST BECOME  
THE WORLD'S  
**COACH.**

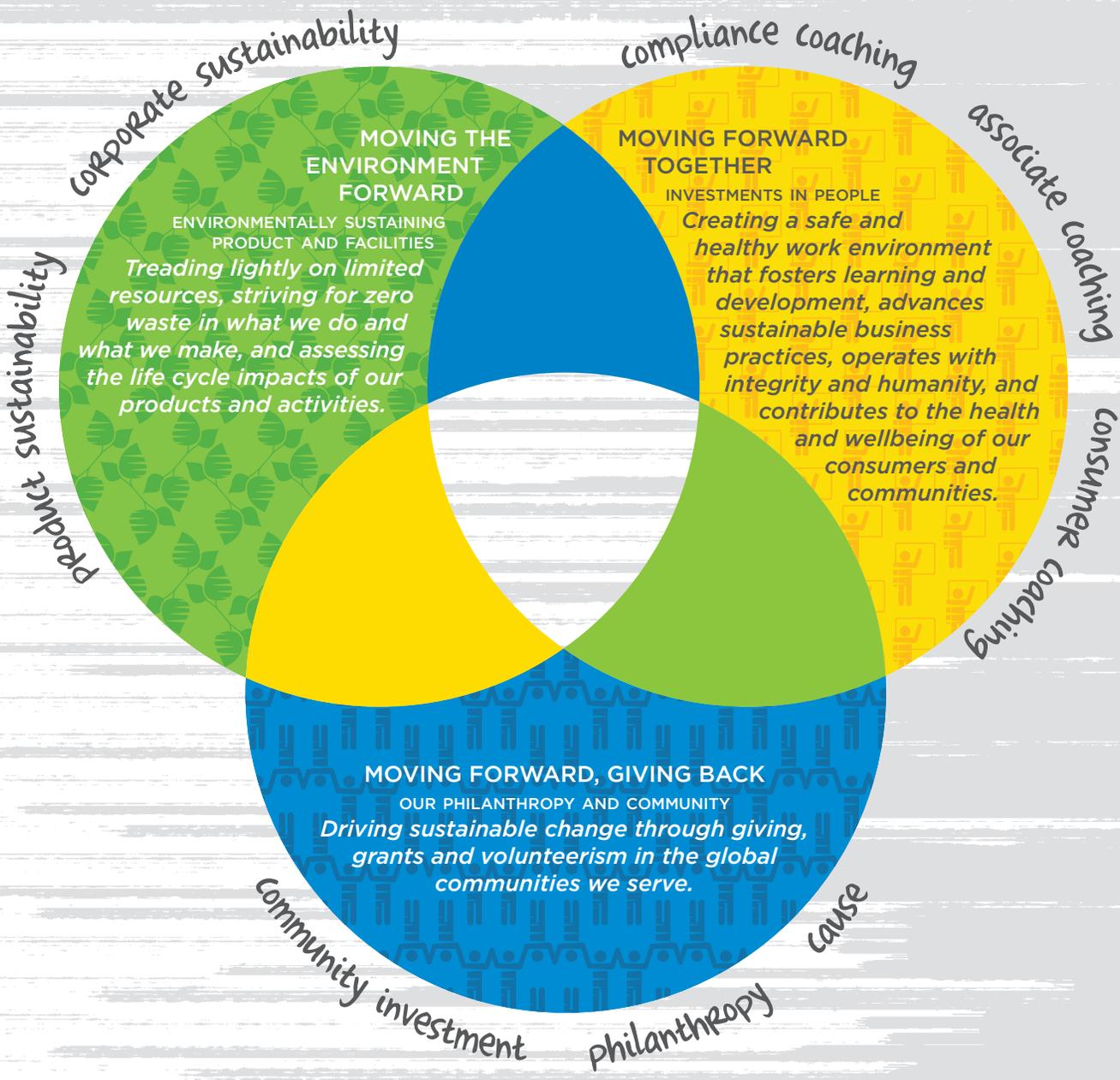
WE MUST PUSH  
WITH ONE HAND  
**AND HELP**  
WITH THE OTHER.

ALL OF OUR  
**ACTIONS**  
MUST SERVE AS  
**INSPIRATION**  
TO THOSE WE WANT  
**TO MOVE.**

WE ARE STARTING  
**A MOVEMENT FOR MOVEMENT.**  
BECAUSE WE KNOW THAT

ONE STEP CAN MOVE A PERSON.  
ONE PERSON CAN MOVE A COMMUNITY.  
AND ONE COMMUNITY CAN

**MOVE THE WORLD.**





Understanding our role as a catalyst and coach, we know that our movement must begin from within our own walls. First we move ourselves to make products that serve bodies in motion. Then we seek to move others.

REACH THE BEACH VIDEO

In the mid 1990s, New Balance formed a Corporate Social Responsibility (CSR) Committee dedicated to examining and improving human labor conditions and compliance in supplier factories. In 2007, the committee was renamed the Responsible Leadership Steering Committee (RLSC) and broadened its scope to include sustainability as well as social compliance. Currently, the committee encourages associates to act as catalysts and coaches around achieving our RL Missions:

**MOVING FORWARD, GIVING BACK**  
*We must drive sustainable change through giving, grants and volunteerism in the global communities we serve.*

We consider philanthropy to be a key value in our company. The first corporate donation to the American Red Cross in 1954 was just the beginning. Since then, the New Balance Foundation and our separate corporate giving program have matured into a major presence in the philanthropic community. We have supported causes, some for 20 years, which focus on the health of our children, finding a cure for breast cancer, sportsmanship and giving back in a sustainable

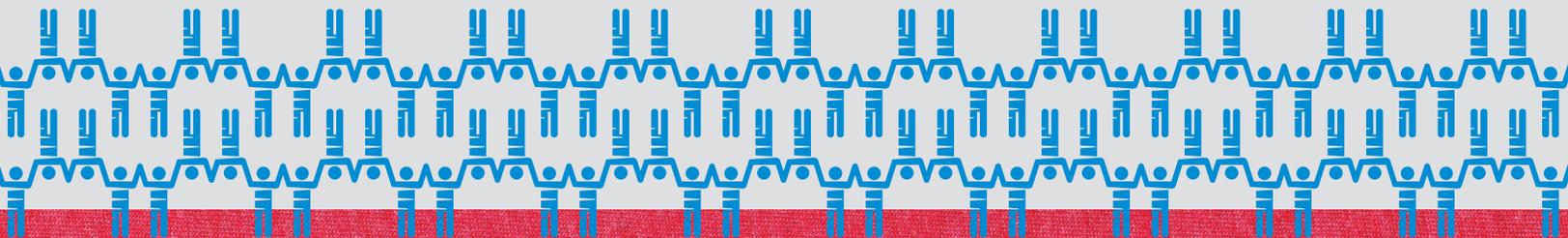
manner. In the past eight years alone, the New Balance Foundation and Corporation have invested more than \$50 million dollars in causes that we believe will make a long-lasting and sustainable change to the world.

FOUNDATION SUMMARY REPORTS:  
 MOVING FORWARD, GIVING BACK  
 THE GIVING VOICE

**NEW BALANCE FOUNDATION MISSION:**  
 TO SUPPORT CHARITABLE ORGANIZATIONS WHOSE HUMANITARIAN EFFORTS WORK TO THE BETTERMENT OF OUR CHILDREN AND COMMUNITIES WITH A PRINCIPAL FOCUS ON PROMOTING HEALTHY LIFESTYLES WHILE WORKING TOWARD THE PREVENTION OF CHILDHOOD OBESITY.

Within our Responsible Leadership efforts, we also see a broad role for educating and coaching people on movement as a fundamental part of life. We are particularly focused on young people worldwide who are challenged by obesity and nutrition issues, which has extended to using our retail stores as hubs of movement to coach and inspire children and adults.

Our associate volunteer and charitable donation matching programs are designed to reinforce and encourage our culture of giving back. In 2010, our U.S. associates participated in programs involving 3,727 volunteer hours, and we are working to capture the hours invested by our global and retail store associates.



**SUPPORT STORES** New Balance's community support reaches those across the U.S., much of it coming from local support provided by New Balance stores. This commitment to local communities is a foundation for New Balance stores. Owners like Molly Jackson of New Balance Sarasota have deep roots in the community and are committed to making a difference. In 2011, Molly Jackson and her store associates contributed more than 700 hours to philanthropy and funded \$75,000 to local organizations with cash and in-kind gifts. In June, the store donated \$1,500 in sports bras to aid uninsured or underinsured breast cancer patients. In addition, she established a Lace Up for the Cure event to bring awareness and raise funds for those participating in the Susan G. Komen 3-Day event. New Balance Sarasota's story is just one of many from New Balance Stores that are committed to local causes and are helping move the world forward.



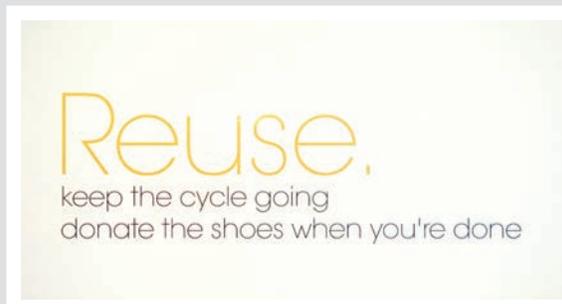
**MOVING THE ENVIRONMENT FORWARD**  
*We must tread lightly on limited resources, strive for zero waste in what we do and what we make, and assess the life cycle impacts of our products and activities.*

Our environmental awareness and our related commitment to pursuing sustainable paths for our products, facilities and operations are more recent extensions of our core values. We have embraced fundamental aspects of environmental sustainability, especially in our product design, materials selection

and manufacturing processes. Lean thinking has been a foundation of our beliefs for many years. We have incorporated lean principles of manufacturing into our processes and are building on our experience of identifying and eliminating waste as a key tenet of our strategies going forward. In the future, we hope to create products that are completely recoverable, that do not require the use of toxic substances, that create no waste and have no adverse impact on the environment.

➤ [LEARN MORE IN OUR PRODUCT SUSTAINABILITY FACT SHEET](#)

WE ARE MADE OF ENERGY. WE ARE MADE TO MOVE. HUMAN MOVEMENT CREATES ENERGY. SO WE'RE CURRENTLY EXPLORING THE POTENTIAL FOR CAPTURING THE INHERENT ENERGY OF PEOPLE IN MOTION AND REDIRECTING IT TO PROTECT OUR PLANET'S SCARCE RESOURCES.





**MOVING FORWARD TOGETHER** *We must create a safe and healthy work environment that fosters learning and development, advances sustainable business practices, operates with integrity and humanity, and contributes to the health and wellbeing of our consumers and communities.*

We know that our associates have always been our most valuable asset. For example, when lean thinking and work cells were introduced in 1987, associates were able to cross-train and take responsibility for the whole shoe assembly process. This greatly increased the opportunities for associates to build their skills and pursue varied career opportunities. Such a cross-training approach represents a fundamental belief held by our New Balance office and factory associates: our success is due to the associates we have along with our ability to consistently offer them opportunities to learn and grow.

The foundation of each of these Responsible Leadership goals is our people. This global movement is based on our company and our associates giving back, moving the environment forward and encouraging people to act as catalysts and coaches.

NEW HIRE BOOK



**ORGANIZATIONAL STRUCTURE** All teams within New Balance share accountability for Responsible Leadership activities. We also have a Responsible Leadership Steering Committee (RLSC) which is composed of:

**RESPONSIBLE LEADERSHIP STEERING COMMITTEE**

JIM & ANNE DAVIS, Chair & Vice Chair

ROB DEMARTINI, President & Chief Executive Officer

JIM CONNORS, VP Global Research & Development

DAVE CROSIER, EVP Value Chain

ALAN HED, EVP International

RAY HILVERT,  
General Manager, Footwear Marketing Management

KERRY KLIGERMAN, EVP Apparel

CHRISTINE MADIGAN, VP Responsible Leadership

CAROL O'DONNELL, VP Corporate Human Resources

JOE PRESTON, EVP Global Product & Marketing

CHRIS QUINN, EVP Sales North America

DUNCAN SCOTT, VP External Products





WE DELIVER PRODUCTS THAT WORK.

BECAUSE IF THEY DON'T WORK,

THEY ARE JUST STUFF.

AND THE WORLD DOESN'T NEED MORE STUFF.



HISTORICALLY, NEW BALANCE HAS BEEN KNOWN FOR CREATING HIGH-QUALITY, PIONEERING PRODUCTS THAT GET PEOPLE TO MOVE. TODAY, NEW BALANCE INNOVATION INCLUDES FINDING NEW WAYS WE CAN MOVE FORWARD WITH LIGHTER FOOTPRINTS.

It all began with William Riley's innovative arch support. Then, in 1960, New Balance changed the game with the launch of the Trackster, the world's first performance running shoe made in multiple widths. In 1970, New Balance introduced the 320, rated number one in running by *Runner's World*. Since then, accolades for performance, design and innovation have continued to pile up for the New Balance brand, including for today's industry-leading minimal profile running products.



In addition to harnessing innovation and creativity to create superior products that help athletes move further, faster and more frequently, our attention to waste has been one component of our success in the marketplace. A core belief of the company 30+ years ago—use only what you need, and no more—continues to inspire our associates as we expand across the globe and raise the bar on performance products with every quarter of our product development calendar.

Our decades-long embrace of lean manufacturing is a key driver for ongoing success as well as our thrifty use of natural resources (whether energy or materials or weight of our footwear), and our work eliminating waste and harmful substances from our manufacturing processes.

Our approach to environmental performance is grounded in our Responsible Leadership mission statement:

**MOVING THE ENVIRONMENT FORWARD WITH ENVIRONMENTALLY SUSTAINING PRODUCTS**

- Treading lightly on limited resources
- Striving for zero waste in what we do and what we make
- Reducing negative impact on the environment by designing and building products with end-of-life in mind
- Creating products that use sustainable materials and are produced efficiently
- Assessing the life cycle impacts of our products, so each day we move forward with lighter footprints



**KEY PERFORMANCE INDICATORS FOR NEW BALANCE PRODUCTS**

	DESCRIPTION	2010	2020 VISION
<b>ENVIRONMENTALLY PREFERRED MATERIALS</b> AVERAGE % EPM	PERCENTAGE OF COMPONENTS ON THE UPPER SPECIFICATION UTILIZING ENVIRONMENTALLY PREFERRED MATERIALS (EPM'S)	THE 25% TARGET WAS ACHIEVED 65% OF THE TIME	75%
<b>WASTE</b> KG WASTE/PAIR PRODUCED	SOLID WASTE GENERATED THAT IS MANAGED VIA LANDFILL, INCINERATION, WASTE TO ENERGY COMBUSTION, AND/OR REUSE/RECOVERY/RECYCLING*	0.38	50% REDUCTION OVER REGIONAL BASELINE
<b>WASTE</b> % OF WASTE REUSED/RECYCLED	SOLID WASTE GENERATED IN FOOTWEAR PRODUCTION THAT IS REUSED/RECYCLED*	98%	100%
<b>PACKAGING</b> KG PACKAGING/PAIR PRODUCED	MATERIALS FOR RETAIL PACKAGING (E.G., AVERAGE BOX AND ANCILLARY MATERIALS)	0.19	50% REDUCTION OVER BASELINE
<b>PRODUCT STEWARDSHIP</b> KG OF PRODUCT RECOVERED FROM CONSUMERS FOR REUSE/RECYCLE	ANY NEW BALANCE PRODUCT THAT HAS BEEN IN CONSUMER USE THAT HAS BEEN RECOVERED/RECYCLED/REPROCESSED FOR USE IN LIEU OF VIRGIN PRODUCTS OR MATERIALS	DATA NOT AVAILABLE	5 CONSECUTIVE YEARS OF GROWTH IN RECOVERED PRODUCT
<b>PRODUCT STEWARDSHIP</b> GRAMS VOCS AND ACETONE/PAIR	REGULATED VOLATILE ORGANIC COMPOUNDS PLUS ACETONE EMISSIONS**	3.6	90% REDUCTION OVER BASELINE

Note: In some factories, we manufacture our products with purchased sole units such that the impacts (e.g., VOC emissions) are not included in our reported environmental data. We are working to capture the environmental impact data associated with these purchased materials such that we can have a better assessment of impact per pair of our footwear products.  
 \*Data are for New Balance owned/operated facilities in the U.S. International data not currently available.  
 Does not include hazardous and universal waste. \*\*Data are for New Balance owned/operated facilities in the U.S.



# EYE ON SUSTAINABILITY

Key elements of our continuous environmental improvement process include:

- Education on environmental issues in product design, development and manufacturing
- Use of life cycle assessment (LCA) to compare commodity impacts and help inform materials selection
- A focus on material choices in design via use of an internally developed, environmentally preferred materials (EPM) tool
- Identification and control of hazardous substances to prevent their use in products and the manufacturing processes
- Waste reduction in manufacturing
- Improved packaging using EPMs

Each of these initiatives contributes to improvements in product quality, manufacturing efficiency, cost reduction and—most importantly—our impact on the planet. Currently, we’re making important progress on the major challenge of implementing measurement systems across our organization that will provide timely information for benchmarking and improving our sustainability performance.

➤ LEARN MORE IN OUR PRODUCT SUSTAINABILITY FACT SHEET

Additionally, our passion for waste reduction has led to a challenge to our design and development teams to reduce waste in footwear products by 10 percent annually beginning with benchmarking in 2012. This reflects our concern for the environment along with our values and heritage around lean thinking.

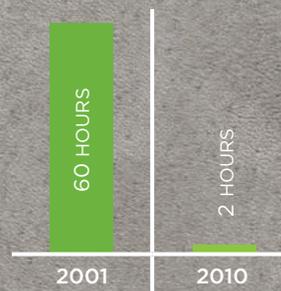


**A LEGACY OF LEAN IN NEW BALANCE U.S. MANUFACTURING** As 40-year New Balance associate John Wilson explains, New Balance has a long history of driving continuous improvement by utilizing quality circles, work teams, total quality management, and associate involvement programs over the years.

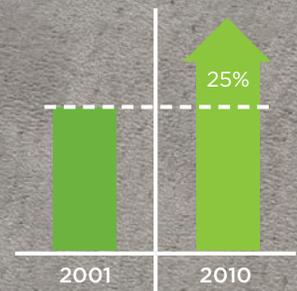
We furthered this cause in 2003 by officially adopting lean practices in our domestic factories. Immediately we began reducing throughput process time.

New Balance has seen great success from these lean initiatives. Domestic factories have reduced throughput time (the time it takes to make a pair of shoes) from eight days in 2001 to two hours in 2010. In addition, defect rates were reduced by 80 percent, and factories have recorded a 25-percent increase in pairs per person. Today these factories continue to focus on lean manufacturing, particularly in the areas of leadership standards, standardized work and associate problem solving.

THROUGHPUT TIME



PAIRS/ASSOCIATE





# 070 DESIGN + CONSTRUCTION



**UPPER** Interlocking design minimizes materials waste during manufacturing

- Saddle is 100-percent recycled polyester
- Mesh is a minimum of 25-percent recycled content
- 75 percent of components are EPMs, made primarily with recycled fibers and reduced-impact synthetics

**TEXTILES**  
25-percent or more recycled content

**ADHESIVES**  
Water-based adhesives join upper and midsole

**SYNTHETICS**  
Produced with fewer solvents than traditional synthetics

**OUTSOLE**  
Rice husk fillers reduce petroleum-based rubber content

*“Environmental focus is often discussed as a criteria for footwear. But with this project, we really isolated that concentration and made it the singular focal point. Similar to how concept cars pioneer new thinking or technology, the 070 learning generated a new perspective at New Balance for environmental performance and improvement.”*

*— Chris Wawrousek*

Traditional thinking has focused on pattern efficiency as the means to drive material waste reductions. Knowing this, Chris Wawrousek, Design Lead STUDIO, and the Outdoor team began designing a shoe that tested the limits for pattern efficiency. In 2008, the 070 was designed and manufactured to produce less waste and incorporate environmentally preferred materials (EPMs) and processes. As a result of the upper's uniquely efficient design, the parts fit together much like a puzzle in your hands and use as much of the original cutting materials as possible. This casual outdoor shoe delivered a 70-percent pattern efficiency, reducing waste by 24 percent. The model was named the 070 to mark this milestone.



In 2011, we introduced the New Balance Minimus footwear line across multiple categories. Originally inspired by the body in motion, Minimus products were developed in collaboration with ultra-marathoner and Team New Balance athlete Anton Krupicka. This barefoot-style running product delivers only what the runner needs and nothing more. We reached for the perfect intersection of minimal barefoot construction with just enough support to keep the runner injury-free, building a shoe that feels like a seamless extension of the body. Minimus seeks to use less material, thus requiring fewer resources and less energy in the manufacturing process while also creating less waste.



We applied this same philosophy to our REVLite technology. This exceptionally light mid-sole cushioning foam—in fact, it's the lightest in its class—sets a new standard in cushioning.



When a 2009 benchmarking study showed that one of our major footwear supplier factories in Asia produced 103 grams of scrap per pair—a higher amount than we typically see in our contract factories—we took immediate action. A 2010 pilot program looked at reducing waste in five styles throughout the prototype development process, ultimately finding ways to avoid the use of approximately 108,000 square yards of upper material by focusing on pattern efficiency and material usage. This pilot and others have helped us to apply knowledge and develop tools that enable our associates to work with our suppliers to generate less waste throughout the manufacturing process.

Ongoing sharing and learning from experts and peers, such as the Outdoor Industry Association (OIA) and the Leather Working Group (LWG), has influenced our design briefs to help us build environmentally better products.



DESIGN FOR MATERIAL USAGE AND PATTERN EFFICIENCY We believe that making better products always begins with design. A focus on performance, fit, durability and aesthetics, along with a commitment to using only what we need, have always been at the center of our design philosophy.

## PATTERN EFFICIENCY + MATERIAL USAGE

571  
MATERIAL  
USAGE  
1.21 SQ YDS

PATTERN  
EFFICIENCY  
61.11%



070  
MATERIAL  
USAGE  
0.53 SQ YDS

PATTERN  
EFFICIENCY  
70.69%



**WORKING WITHIN THE FOOTWEAR INDUSTRY AND THE SUSTAINABLE APPAREL COALITION** New Balance is a founding member of the Sustainable Apparel Coalition (SAC). The SAC is working to combine the OIA Eco Index framework and other eco-indexing tools, methodologies and frameworks into a single method for rating the responsible compliance and sustainability efforts behind a footwear or apparel product. Many teams at New Balance are involved in this effort, including our costing, materials, supplier management, marketing, product design and development teams as well as our factory partners and suppliers. Team members eagerly participate in meetings, knowing that they are ultimately changing the way the world will design, manufacture and deliver goods for the better of the planet.

➤ [APPARELCOALITION.ORG](http://APPARELCOALITION.ORG)

## NEW BALANCE FOOTWEAR ECOTOOLBOX

### MATERIALS

*Use of environmentally preferable materials (epms) for uppers, inserts, and soles/midsoles (epms determined by life cycle assessment)*

- ✓ RECYCLED CONTENT
- ✓ BIO-BASED CONTENT REPLACEMENTS
- ✓ RAPIDLY RENEWABLE MATERIALS
- ✓ LIGHT WEIGHTING

### CHEMISTRY

*Decorative Treatments*

- ✓ ELIMINATION
- ✓ REDUCTION
- ✓ EPM MATERIALS

*Adhesives*

- ✓ ELIMINATION
- ✓ SUBSTITUTION BY WATER-BASED AND HOT-MELT
- ✓ REDUCTION IN SOLVENTS

### DESIGN

*Eco-Innovation*

- ✓ INDUSTRY LEADING INNOVATION
- ✓ NEW BALANCE DESIGN INNOVATION
- ✓ DESIGN FOR RECYCLING
- ✓ DESIGN FOR WASTE REDUCTION
- ✓ PACKAGING REDUCTION/EPM MATERIAL INNOVATION

### WASTE

*Insert*

- ✓ ELIMINATION
- ✓ PROCESS CHANGE TO REDUCE WASTE

*Sole Tooling Efficiency*

- ✓ REUSE
- ✓ MINIMUM OF NEW TOOLING REQUIRED

*Soles and Midsoles*

- ✓ USE OF LOWER WASTE PRODUCTION METHODS

*Packaging*

- ✓ INCREASED EFFICIENCY OF BOX TO SHOE SIZE
- ✓ REDUCED MATERIAL USE

*Upper Material Usage*

- ✓ INCREASED PATTERN EFFICIENCY
- ✓ NESTING IMPROVEMENTS
- ✓ DECREASED MATERIAL USAGE



As early as the late 1980s, New Balance worked to reduce the waste of our leather in the design and material cutting for our shoes. As part of our lean manufacturing initiatives, we expanded our employment of the prototype process for new products to identify waste reduction opportunities in the use of raw materials (fabrics, foams, component parts). We have also engaged our suppliers to work closely with our product teams in an effort to optimize our patterns and eliminate material waste.

**LIFE CYCLE ASSESSMENT (LCA) AND THE NEW BALANCE ECOTOOLBOX** Our initial product sustainability efforts were guided by indicators of what we determined to be environmentally preferable things to do—the use of what most in the industry consider to be “green” materials, such as recycled polyester textiles in the product and the use of less solvents in manufacturing. Ultimately, we realized that we needed to take a broader view, which led to the development of the New Balance EcoToolbox.

In 2007, we began developing our EcoToolbox to review our use of raw materials, chemicals in manufacturing, design features and waste. Based on internal life cycle assessments, it incorporates specific attributes such as the percentage of EPMs in shoe uppers, design for

disassembly and reuse of tooling. This allows us to focus on identifying and making eco-improvements throughout the design and development process for footwear styles.

➤ [LEARN MORE IN OUR 2012 TOP 10 ECO RECOMMENDATIONS BEST PRACTICE GUIDE](#)

The New Balance EcoToolbox was informed and influenced by our participation in multi-stakeholder initiatives. Efforts like the pioneering Outdoor Industry Association Eco Index framework initiated systematically using supply chain data along with basic life cycle analysis data in benchmarking environmental sustainability performance in products. New Balance piloted the initial Phase 1 approach for the OIA Eco Index (gathering indicator data from manufacturing factories and the supply chains). We will continue to join other industry leaders and participate in future eco-indexing initiatives. New Balance is proud to say that we became an original founding member of the Sustainable Apparel Coalition (SAC) in 2010. Long term, we expect that eco-indexing initiatives will evolve toward product-specific LCA data and impact assessment, and New Balance welcomes the ability to drive transparency for consumer assessment of products.



**THE LEATHER WORKING GROUP (LWG)** is a group of brand owners, retailers, product manufacturers, leather manufacturers, chemical suppliers and technical experts who work together to develop an environmental stewardship protocol specifically for the leather manufacturing industry. New Balance joined with six other founding brand owners and tanneries to form the group back in 2005 with a shared goal of developing an audit protocol for tanneries with the help and expertise of the British Leather Technology Center (BLC). Today, the group continues to promote progress in the tanning industry by creating alignment on environmental priorities, bringing visibility to best practices and providing guidelines for continual improvement.



THE newSKY SHOE COLLECTION debuted in 2011 and is designed around three well-known principles: reduce, reuse, recycle. newSKY shoes use 95 percent rPET (recycled polyester made from PET bottles) for the entire upper of the shoe, laces, stitching, and tongue label. For the newSKY 01 model, this use of rPET saves the equivalent of nine PET bottles for Men's size 9.5 (or seven PET bottles for a Women's size 7) from ending up in a landfill. Additionally, newSKY requires 48 percent less upper material than a traditional athletic shoe and uses water-based glues to assemble the sole and upper. New Balance is excited to learn from other unique material suppliers, while inspiring consumers with this example of how a small amount of recycling can lead not only to reuse, but perhaps one day to complete renewal of the scarce resources of our planet.



**ENVIRONMENTALLY PREFERRED MATERIALS (EPM)**  
 Our LCA work shows that our best opportunity to improve the environmental impact of our products is to address the materials we use to build them. Based on internal LCAs of a variety of materials and cross-checking with industry experts, our initial EPM list included the following criteria:

- Synthetic mesh and linings—minimum 25-percent recycled polyester content
- Synthetic laces and webbing—minimum 25-percent recycled polyester content
- Natural uppers made of hemp, linen or organic cotton
- PU synthetics—minimum 30-percent reduced solvent used in process and/or minimum 25-percent recycled polyester content
- Leather produced at tanneries—meets the new tannery assessment for superior environmental performance (bronze award level or higher)

For this effort, we focused on identifying better choices within material types (for example, selecting hemp, linen or organic cotton if using a bio-based material), rather than the more common way of evaluating all material types and identifying those that rank the best.

This program has also been expanded to include sole materials, although our current tracking approach needs to be updated to account for this change. In pursuit of better materials for outsoles and midsoles, New Balance is introducing the use of Green Rubber™, a cured rubber from postconsumer rubber products that has been devulcanized, in a MW/WW910 outsole, thereby reducing the amount of virgin rubber by 15 percent. The same shoe will use two regrind EVA materials in the midsole. In 2010, we successfully tested the blending of pre-consumer (industrial) re-ground rubber with virgin rubber to reduce virgin rubber consumption by approximately three percent in outsoles where it is used. As we gain experience with these materials, we expect to incorporate increasing levels of recycled content and alternative materials in our outsoles and midsoles, while maintaining and potentially improving performance, functionality, and durability.

We track the use of EPMs in parts, identify the styles that incorporate EPM-qualified parts, and set goals for the percentage of EPM-qualified parts in products. Depending on the product category, shoes may contain as few as 20 parts or as many as 90 parts. In products developed for 2009 and 2010, business units achieved the following use of EPMs:

	2009 EPM PART %*	2010 EPM PART %*
RUNNING	22%	35%
SPORTS/OUTDOOR	26%	29%
KIDS	32%	39%
LIFESTYLE	28%	28% (INC. IMAGE)

\*Total epm parts in the shoe upper.

Since the 2009 style season (for which work began in late 2007), New Balance has set a quarterly goal of using environmentally preferred materials for at least 25 percent of shoe upper material parts for New Balance U.S. developed footwear styles. For 2010 deliveries, this goal was achieved an average of 65 percent of the time, up from 45 percent in 2009. Due to cost pressures in 2011, delivered product will likely lower the rates of EPM use, but the footwear team continues its commitment to using EPMs as extensively as possible.

While we are confident in the overall direction of our EPM efforts, we are challenged to simultaneously strengthen our program and measure our progress accurately. New Balance is doing this by shifting our focus to an LCA-based program. This compares all commonly used materials on a multi-dimensional set of criteria and continuously increases the EPM content of products across all styles in all product categories as we expand the definition of EPM-qualified materials. We are also shifting our focus to participation in industry-wide efforts like the SAC to allow our industry to tackle challenges that no single brand owner could address on its own. We are increasing our engagement with suppliers to develop new materials that meet performance, aesthetic and environmental standards. Finally, we are working on developing internal systems to better capture our EPM usage by weight.



**RECYCLING AT NEW BALANCE** We and our store owners have been testing footwear and apparel take-back programs that encourage consumers to bring their used footwear and apparel to a New Balance store. These pilot efforts include evaluating alternatives for making products with a useful life available to others and to appropriately recycle and/or dispose of shoes and clothing that cannot be used. We expect to expand the program so that every New Balance store in the U.S. will be accepting and donating footwear to those who need it by the end of 2011. Organizations are vetted and shoe donations are made to a variety of groups, from local communities to developing countries.

anue® ∞



NB<sup>x</sup>



**APPAREL OVERVIEW** New Balance apparel remains an important focus in our overall business strategy. While much of our sustainability focus has been on our footwear products, we are expanding our sustainability efforts in apparel, and increasing our use of standards, metrics and databases to measure continuous improvement. As a founding member of SAC, we are pilot-testing version 1 of the Sustainable Apparel Coalition Index to analyze a few of our products, including one of our highest volume items, the Tempo Tee program. By using the Index to help make product development decisions, we expect it will provide insight into how we can enhance our apparel sustainability efforts through improved product development and supplier decisions, resulting in a variety of environmental gains.

We are well along the path of implementing our Restricted Substances (RS) program with our apparel suppliers who now go through a qualification process that includes RS specifications. We have also put a risk protocol in place to test apparel and accessory items prior to production.

Our direct suppliers are the cut-and-sew factories and suppliers providing finished New Balance products. We have more work to do to identify their key supply chain sources (including dye houses, screen printers and garment washing facilities) and bring those suppliers into the RS program. Additionally, we need to standardize program elements for all New Balance brands and teams (e.g., Warrior and military).



**CURRENT COLLECTIONS THAT INCORPORATE SUSTAINABILITY-DRIVEN IMPROVEMENTS:**

- Anue, our premium yoga brand, is made primarily from the fabric Nirvana, which uses an 88-percent recycled polyester blend. Launched in Spring 2010, the goal for the Anue collection was to test and incorporate environmentally improved fabrics.
- Our NBx Collection uses Polygiene on polyester/spandex styles to eliminate odor-causing bacteria and reduce the need for laundering. Polygiene is a Bluesign-approved fabric that incorporates natural silver salt, a registered USEPA permanent antimicrobial agent.

For spring 2013, we are developing an apparel collection that corresponds with newSKY and features fabrics based on recycled plastics reborn as performance polyester.

**NEW BALANCE RESTRICTED SUBSTANCES LIST (RSL)**  
 GROUP A PRIORITY CHEMICALS FOR REPLACEMENT, RSL MANUAL 7, JANUARY 2012

THESE CHEMICALS, WHICH USUALLY CAN BE EASILY SUBSTITUTED WITH MORE ENVIRONMENT FRIENDLY ONES, MUST BE ELIMINATED DURING THE MANUFACTURE OF NEW BALANCE PRODUCTS.

SUBSTANCE	TOXICOLOGY	INDUSTRIAL USE
CRESOL	POTENTIAL CARCINOGEN	SOLVENT OR CLEANSER
DIMETHYLFORMAMIDE	POTENTIAL CARCINOGEN	SOLVENT OR CLEANSER
ETHYLENEGLYCOLMONOBUTYLEETHER	HARMFUL	SOLVENT OR CLEANSER
FORMALDEHYDE	HIGHLY CORROSIVE AND CARCINOGENIC	RESIN, FINISHER OR CLEANSER
METHYLENECHLORIDE	POTENTIAL CARCINOGEN	SOLVENT OR CLEANSER
PHENOL	CORROSIVE AND TOXIC	SOLVENT
TETRACHLOROETHYLENE	POTENTIAL CARCINOGEN	CLEANSER OR DEGREASER
TOLUENE	HIGH FLAMMABILITY AND POISONOUS	SOLVENT OR CLEANSER
XYLENE	POISONOUS	SOLVENT OR CLEANSER
TRICHLOROMETHANE	ACUTE POISONOUS	SOLVENT OR CLEANSER
1,1,2-TRICHLOROETHANE	POTENTIAL CARCINOGEN	SOLVENT OR CLEANSER
1,1-DICHLOROETHYLENE	ACUTE POISONOUS & POTENTIAL CARCINOGEN	SOLVENT OR CLEANSER
BENZENE	CARCINOGENIC	SOLVENT OR CLEANSER
DI-N-BUTYLPHTHALATES	ENDOCRINE DISRUPTOR	PLASTICIZER
1,1,1-TRICHLOROETHANE	POTENTIAL CARCINOGEN	SOLVENT OR CLEANSER
N-METHYLPYRROLIDONE	IRRITATING TO EYES AND SKIN	SOLVENT OR CLEANSER
ETHYLBENZENE	HIGH FLAMMABILITY AND HARMFUL	SOLVENT OR CLEANSER
TRICHLOROBENZENE-ALLISOMERS	HARMFUL AND IRRITATIVE	SOLVENT OR CLEANSER
NONYLPHENOL	HARMFUL AND POTENTIAL CARCINOGEN	DETERGENTS, SOFTENER, DISPERSANT, DEGREASER, PLASTICIZER
OCTYLPHENOL	HARMFUL AND POTENTIAL CARCINOGEN	DETERGENTS, SOFTENER, DISPERSANT, DEGREASER, PLASTICIZER
NONYLPHENOLSETHOXYLATES	HARMFUL AND POTENTIAL CARCINOGEN	DETERGENTS, SOFTENER, DISPERSANT, DEGREASER, PLASTICIZER
OCTYLPHENOLETHOXYLATES	HARMFUL AND POTENTIAL CARCINOGEN	DETERGENTS, SOFTENER, DISPERSANT, DEGREASER, PLASTICIZER
2-ETHYOXYETHYLACETATE	HIGH FLAMMABILITY AND POISONOUS	SOLVENT
2-METHOXYETHANOL	HIGH FLAMMABILITY AND POISONOUS	SOLVENT
2-ETHOXYETHANOL	HIGH FLAMMABILITY AND POISONOUS	SOLVENT
1,2-DICHLOROETHANE	HIGH FLAMMABILITY, POISONOUS AND & POTENTIAL CARCINOGEN	SOLVENT
BIETHER	HIGH FLAMMABILITY AND POISONOUS	SOLVENT



## CHEMICAL MANAGEMENT AND RESTRICTED SUBSTANCES (RS)

Historically, the footwear industry has used a wide variety of chemical substances to make its products, some of which—heavy metals, solvents, phthalates and certain dyes—are considered to be hazardous. To address potential hazards before they enter factories making New Balance products, we have established a Chemical Review Board that reviews all chemicals considered for possible use. If a chemical is reviewed and found to be inappropriate for use, it is sent to our Restricted Substances Team, which is responsible for maintaining and implementing our Restricted Substances List (RSL) for our domestic and global factories.

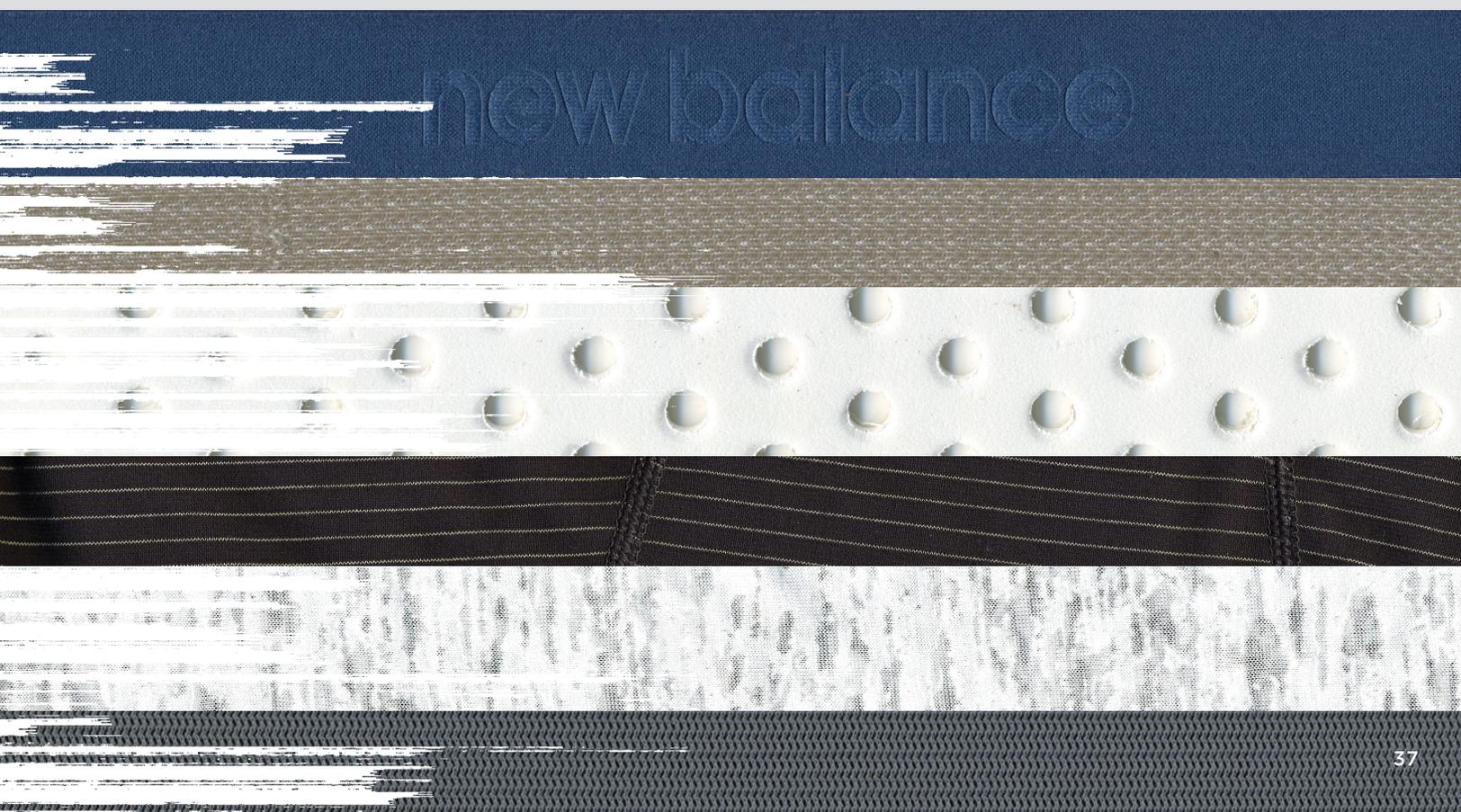
The RS program is designed to protect the environment of the host communities where we make our products, the health of workers in the manufacturing facilities, consumer health, and our brand integrity. It is applied to all footwear, apparel and equipment that New Balance makes (both in our own factories and our contract factories) as well as to all products made by our licensees. Key elements of our monitoring process include an RSL manual that suppliers are required to acknowledge and implement, auditing to determine compliance and a corrective action process to bring about full compliance.

Key benefits of the RS program include:

- All New Balance footwear is PVC free
- Toluene is not allowed in raw materials and manufacturing
- All children's footwear is formaldehyde free
- All but two footwear styles are latex free
- Suppliers bring alternative materials to New Balance and institute continuous improvement programs for chemical safety

The New Balance RSL helps ensure that our suppliers' product materials comply with strict requirements issued by any country regarding the environment, worker health and consumer product safety. Certain chemicals on the RSL are prohibited in all New Balance brand footwear, apparel, and accessories. The RSL also specifies maximum levels for certain other chemicals, testing requirements and methods that our suppliers must use to ensure that they are complying with New Balance specifications. The program addresses more than 380 chemicals, and incorporates legislation and regulations covering the U.S., Europe, Japan, China and other countries, along with California's Proposition 65.

➤ [GET MORE DETAILS IN THE NEW BALANCE RSL 2012 MANUAL](#)

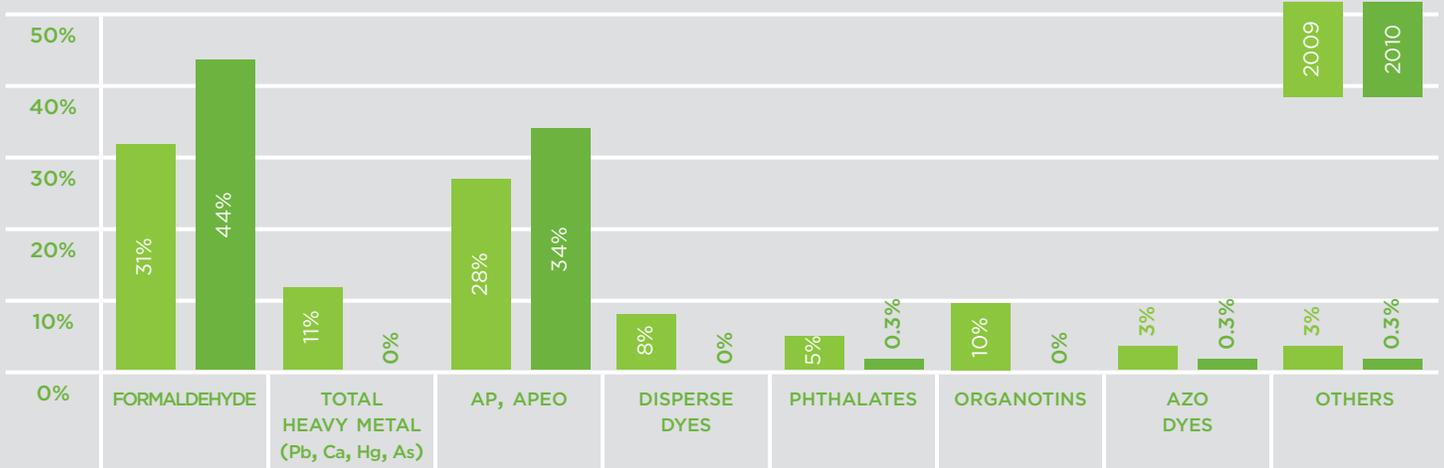


### PASS RATE PERCENTAGE FOR ASIAN MATERIAL SUPPLIERS



\*822 materials tested in 2009, 831 materials tested in 2010

### TOP RSL FAILURES



The majority of failures were due to excessive levels of formaldehyde, alkylphenols and alkylphenol ethoxylates.





Although New Balance purchases raw materials directly for its own factories and audits suppliers for compliance, contract factories are required to purchase materials that meet New Balance product specifications. Thus, they are responsible for evaluating their suppliers' compliance with New Balance RSL requirements. Additionally, New Balance audits contract factories and, when necessary, tests to ensure compliance by their suppliers, creating a system that is complex and resource intensive. All materials are assessed for compliance prior to use in New Balance products. Ongoing testing is conducted using a risk protocol to assess any potential for a raw material to fail to meet RSL requirements. The protocol includes factors such as the material type, colors, supplier and production process.

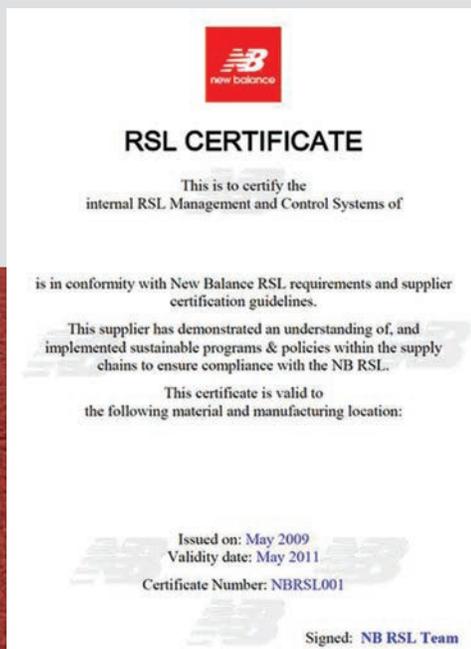
The RS Team oversees the process for educating contract factories on the RSL, testing products to determine if prohibited substances are present or if maximum allowable levels are exceeded, and reporting results. Suppliers who can show they have appropriate chemicals management systems in place and can demonstrate consistent compliance may be certified by the team and operate with less oversight by New Balance. Factories that are not consistently in compliance with the RSL are subject to extensive testing requirements and potentially may lose the opportunity to do business with New Balance.

Recently, we implemented the New Balance RSL Certification Program, which is designed to increase the ability of contract factories to control the materials they receive and reduce the complexity and resource requirements of the overall program. The certification program engages with suppliers who wish to take a

proactive approach. New Balance provides extensive training in gaining raw material supplier compliance, including providing a list of approved laboratories for material testing and conducting random audits of certified suppliers and their raw materials. About 20 percent of the suppliers who request an initial audit as part of seeking certification are approved; suppliers that fail must make improvements and undergo an additional audit. Random auditing of certified suppliers and their raw materials has resulted in an approximate two-percent failure rate.

Certified suppliers generally see multiple benefits to the program. Among them are a reduction in testing and associated costs, a lower risk of RSL failures, and a deepening of the partnership with New Balance as we consolidate our supply base and focus on the best suppliers. This can result in an increase in their New Balance business, and they often use their certified status in marketing efforts as an indicator of best-in-class RS management.

The New Balance Restrictive Substance program is well established with good controls for Asia, U.S. and UK footwear factories and their raw material suppliers (supply chain tiers 1 and 2). In Asia, chemical suppliers (supply chain tier 3) are also covered by the program. The RS program has been expanded to include our apparel business. We conducted RS apparel audits that led to testing of 521 materials (as of the end of August 2011), of which 17 failed (a 96.8-percent pass rate). A program for New Balance licensees is under development. Revising the standard licensee contract to strengthen RSL requirements on licensee products is critical to going forward with a licensee RSL program.



**YI CHYI BENEFITS FROM NEW BALANCE PROGRAM** Yi Chyi is one of the first New Balance suppliers to meet the compliance guidelines for our RSL Certification Program. The benefits Yi Chyi receives include reduced testing time and costs, increased partnership, reduced risk for RSL failures and improved communication with New Balance. Additionally, Yi Chyi is now recognized by developers and operation managers throughout the footwear industry as a preferred supplier with exceptional product chemistry compliance. Since certification, their overall business has increased. These efforts by Yi Chyi benefit New Balance by creating safer products, reducing risk and protecting our brand image.



new balance 

Sports Research Lab



As the New Balance RS program matures, we can point to our leadership role in establishing an effective program that provides a high degree of confidence in the chemical integrity of our products. We run the risk of becoming complacent about its effectiveness, however, as we work to align the costs of the program with our lean manufacturing goals. An encouraging sign is the degree to which our Tier 1 suppliers have embraced the goals of RSL—providing safe workplaces and safe products—which we hope will lead to material innovations that are consistent with these goals and reductions in the resources needed to maintain the efficacy of the program.

REACHIMPACT.COM  
AFIRM-GROUP.COM

## ADHESIVES IN MANUFACTURING

Adhesives have replaced most means of mechanical fastening in athletic shoes because they provide great latitude in design, are durable under a variety of environmental conditions, and maintain integrity throughout numerous repetitions of multiple stresses (bending, flexing, compressing, etc.). They are also useful for a wide variety of shoe materials, including leather, rubber, synthetic and bio-based textiles, synthetic leather (polyester with a polyurethane coating), and polyurethane and EVA foams.

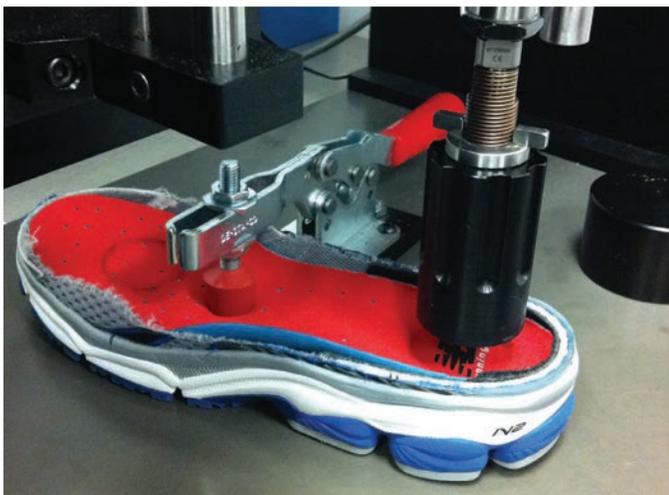
A polymer (usually either polyurethane or polychloroprene, also known as neoprene) is dissolved in a solvent (e.g., methyl ethyl ketone), which can then be brushed on the materials to be joined. The solvent evaporates as it is a volatile compound, and the two surfaces are joined (sometimes with heat) to create a high-strength

bond. Unless controlled, the volatile solvents are a hazard in the workplace and to the environment. Solvents may also be used as cleaners, in primers to facilitate better bonding, and in hardeners for adhesives.

Footwear manufacturers have been actively working towards alternatives such as water-based and hot-melt adhesives in a move to minimize any potential impact to the environment and workers. Furthermore, water-based and HMMC (hot-melt moisture cure) cements have other advantages for quality and process ease, although in some cases they are also more difficult to use.

In 1995, New Balance began moving away from using solvent-based adhesives to attach uppers, soles, linings and other components during production with the introduction of reactive hot-melt systems. Use of alternatives required extensive testing and, in some cases, redesigns to improve manufacturing efficiencies and meet product performance objectives. In our U.S. factories, we have virtually eliminated conventional solvent use in compliance with air quality regulations limiting VOCs and with OSHA exposure standards.

Outside the U.S., we are transitioning away from solvent-based adhesives, transferring our experience with hot-melt systems in our domestic factories to our contract manufacturers, and encouraging the use of water-based adhesives. As contract manufacturers learn how to use alternative adhesives, we are changing our specifications to mandate the use of these alternatives, tracking shipments of alternative and solvent-based adhesives from chemical suppliers to our contract manufacturers, and matching these shipments against the expected ratio of water-based/hot-melt systems to solvent-based adhesives given the types of products that we order with our contract factories.





**COMMITMENT TO U.S. MILITARY WORK** New Balance is a footwear and apparel provider to the United States Military. Core functions of the proud military team include apparel and footwear product research and design and technical specialty.

**MILITARY APPAREL PRODUCTS** In 2008, New Balance developed and designed the new physical training uniform for the Marine Corps. Developed after extensive research with the Marine Corps, this physical training system is currently being fielded to every U.S. Marine. New Balance is also working with other service branches to provide new, customized physical training uniforms and tactical apparel to best meet their unique needs. The military team has successfully positioned New Balance to be a go-to brand for research innovation and development on apparel programs within the military community.



## MILITARY ATHLETIC FOOTWEAR PRODUCTS

New Balance has provided quality performance footwear to service men and women for many years, and is currently investing resources into producing U.S.-manufactured athletic footwear for the military that is compliant with Berry Amendment regulations. New Balance is working with key uniform researchers and purchasers within the Department of Defense to determine footwear requirements needed by each

branch. This research has led to the development of prototype footwear for testing and evaluation by the various military branches.

All New Balance military apparel is manufactured in the United States and is available through the U.S. General Services Administration (GSA), and through military retailers such as the Army and Air Force Exchange Service (AAFES) and other service exchange systems.



# PRODUCT PACKAGING

In the 1990s, New Balance adopted a single-sheet design for its shoebox product packaging that integrated the top with the rest of the box. Inside the box, wrapping tissue was used to separate the shoes and paper toe stuffing, with a few products using molded pulp foot forms. Our shoebox materials have long been made from 100-percent recycled paper products using pre-consumer (currently approximately 20-35 percent) and post-consumer (currently approximately 65-80 percent) pulp, and are 100-percent recyclable. Master shipping cartons contain approximately 30-percent virgin fiber. All inks used in printing are soy-based rather than petroleum-based.

We continue research on how to minimize material use in all packaging as well as how to innovatively deliver product to retailers and consumers. Our store owners are conducting pilots on consumer reuse of boxes and ways to increase recycling of cardboard.

The apparel team is evaluating all packaging associated with shipping and delivering apparel products. Near-term deliverables include using recycled hangers starting in 2012. Going forward, we want to reduce the amount and weight of packaging, cardboard, tissue and stuffers used in current structures and also develop new ways to deliver footwear and apparel to users.





**MOVING OUR PRODUCTS FORWARD:** As we continue creating footwear and apparel that inspires consumer movement, we'll move forward to accomplish three goals on a consistent basis:

- **BE CAREFUL OF THE MATERIALS WE USE.** Not only will we maintain a drive towards innovative, environmentally preferred options, but we'll measure our progress on a quarterly basis and learn from past decisions.
- **CONTINUE TO MINIMIZE WASTE IN EVERYTHING WE DO.** First we'll build behaviors and processes into daily business that reward the reduction of waste, be it materials or energy; then we'll measure our year-over-year reductions and put that insight to use.
- **SHARE OUR KNOWLEDGE ALONG WITH THE RESPONSIBILITY TO ADDRESS INDUSTRY AND PLANET CHALLENGES WITH OTHERS.** Because there are many challenges no one brand owner or industry can effectively address alone, we'll continue to participate with other brands, industry experts, non-governmental agencies and governments to drive real change and intellectual movement.



MOVEMENT IS THE VERY ESSENCE

OF BEING HUMAN.

IT IS AS FUNDAMENTAL

AS THE AIR WE BREATHE.



AT NEW BALANCE, WE TAKE “LESS IS MORE” TO HEART. BY WORKING TOWARD LESS — LESS ENERGY, LESS WASTE, LESS HARM — THE REWARD IS MOST CERTAINLY MORE: MORE HEALTHFUL, MORE PRODUCTIVE, MORE SUCCESSFUL.

The approach New Balance takes to environmental performance is centered on our Responsible Leadership Mission statement:

#### MOVING THE ENVIRONMENT FORWARD WITH ENVIRONMENTALLY SUSTAINING PRODUCTS

- Treading lightly on limited resources
- Striving for zero waste in what we do and what we make
- Reducing negative impact on the environment by designing and building products with end-of-life in mind
- Creating products that use sustainable materials and are produced efficiently
- Assessing the life cycle impacts of our products so each day we move forward with lighter footprints

We have embraced lean manufacturing for many years as a key driver for our continued success.

This approach guides our efforts to be thrifty in our use of natural resources (whether energy or materials), and to eliminate all waste associated with our manufacturing processes.

Complementing our lean manufacturing initiatives is the New Balance commitment to going beyond basic compliance to environmental regulations. We want our own factories and contract factories to operate in a manner that is safe for everyone making our products and for the communities in which they are located.

At New Balance we strive for continuous improvement. Our efficiency with resources is no different. We constantly analyze our processes, our use of technology and our designs for new ways to make better products with less material, less energy, less waste, less emissions, and less problematic substances.



**REDUCE, REUSE, NEW BALANCE** Strengthening sustainability throughout each New Balance facility, from Massachusetts to Maine, was a critical focus of the New Balance Corporate Services team in 2010. “Recycling was huge for our group in 2010,” said John Campbell, the team’s director. “We recycled nearly everything, from the usual cardboard, to a demolished warehouse, to 11 miles of old sprinkler piping. Plus, we continued our energy efficiency improvements with a big push into LED lighting and investing in high performance windows.”

The warehouse known as the “Green Building” (for its long-time paint color) had stood behind the manufacturing facility in Skowhegan, Maine since the mid-19th century. When it was demolished in 2010, 2,316 tons of debris were generated—of which more than 98 percent was reused or recycled. Many items were reused in our Maine facilities. New Balance associates also went through building materials and fixtures to identify recyclables such as steel that was then installed in our Lawrence Mill location, saving more than \$55,000.

A sprinkler upgrade at our Lawrence manufacturing and warehouse facility increased fire protection. But it required stripping the building of 200 tons of unneeded glass, metal and wood materials, including 11 miles of old sprinkler piping. One hundred percent of these materials were recycled.

Recycling cardboard is an easy win—except when there’s a lot of it and you must break down boxes one at a time before placing them in a recycling bin. New Balance found that baling cardboard saves space, reduces the workload, generates more revenue, and encourages greater recycling. We installed cardboard balers at two of our Maine facilities in 2010 and one at our third Maine factory in 2011. Over 400,000 kilograms of cardboard were recycled from our Maine locations, and a total of 1.4 million kilograms were recycled from all New Balance-owned and operated domestic facilities.

New Balance factory stores throughout the country also began an upgrade to LED lighting, saving money and energy while reducing maintenance due to longer bulb life.

➤ [LEARN MORE IN OUR CORPORATE SERVICES FACT SHEET](#)





Success comes in increments. Some of these are more visible, such as the high-performance windows installed in a 100+-year-old factory building in Lawrence. Others are more hidden, like our redesigned shoe parts that reduce scrap material. Our change from batch-based manufacturing to continuous flow has had a significant, long-lasting impact on our resource use. Today we need fewer machines; and when replacements are needed, we seek more energy-efficient equipment such as our Amaya embroidery and Adler sewing machines.

Decades of commitment to lean manufacturing and the efficient use of resources have allowed us to continue producing millions of pairs of New Balance shoes in the United States. Our goal has been to increase efficiency and increase production while maintaining a stable workforce. It has also resulted in our ability to track much of the environmental data reported in this section. While we have pursued lean manufacturing with our contract manufacturers, we have just begun to implement the systems necessary to track similar data across a wide variety of suppliers for footwear, apparel, and licensees. New Balance expects to include global environmental data in our next Responsible Leadership report.

### KEY PERFORMANCE INDICATORS FOR ENVIRONMENT

	DESCRIPTION	2009	2010	2020 VISION
ENERGY USE	AVERAGE MJ PER PAIR OF SHOES MANUFACTURED	13.76	14.58	5 CONSECUTIVE YEARS OF DECLINE IN PER PAIR ENERGY USE
GREENHOUSE GAS EMISSIONS	AVERAGE KG CO <sub>2</sub> e PER PAIR OF SHOES MANUFACTURED	7.76	8.97	<4
WATER USE	AVERAGE LITERS PER PAIR OF SHOES MANUFACTURED	3.75	4.16	<3.0
VOC EMISSIONS NEW BALANCE OWNED AND OPERATED IN THE U.S.	TOTAL METRIC TONS OF VOCS*	1.93	1.65	<1
VOC EMISSIONS CONTRACT FACILITIES THAT MAKE NEW BALANCE PRODUCTS	TOTAL METRIC TONS OF VOCS*	2,467	2,569	<1
ACETONE EMISSIONS NEW BALANCE OWNED AND OPERATED IN THE U.S.	TOTAL METRIC TONS OF ACETONE**	23.52	21.57	<1

Note: In some factories, we manufacture our products with purchased sole units such that the impacts (e.g., VOC emissions) are not included in our reported environmental data. We are working to capture the environmental impact data associated with these purchased materials such that we can have a better assessment of impact per pair of our footwear products.

\*Does not include acetone. \*\*Data are for New Balance owned/operated facilities in the U.S.; international data not currently available.



## LESS ENERGY

### ENERGY AND GREENHOUSE GAS (GHG) EMISSIONS

Athletic shoe factories use a variety of machines to cut parts and join them together, mold materials, apply overlays, embellish features and do a myriad of other operations. Almost all of these steps involve the use of energy in the forms of electricity and heat. Factories also require lighting, ventilation systems and, to varying degrees, heating and cooling (especially in New England, with its warm summers and cold winters). Use of hot-melt adhesives instead of volatile organic compounds (VOC) adhesives sometimes leads to the use of air conditioning in the middle of winter in Maine.

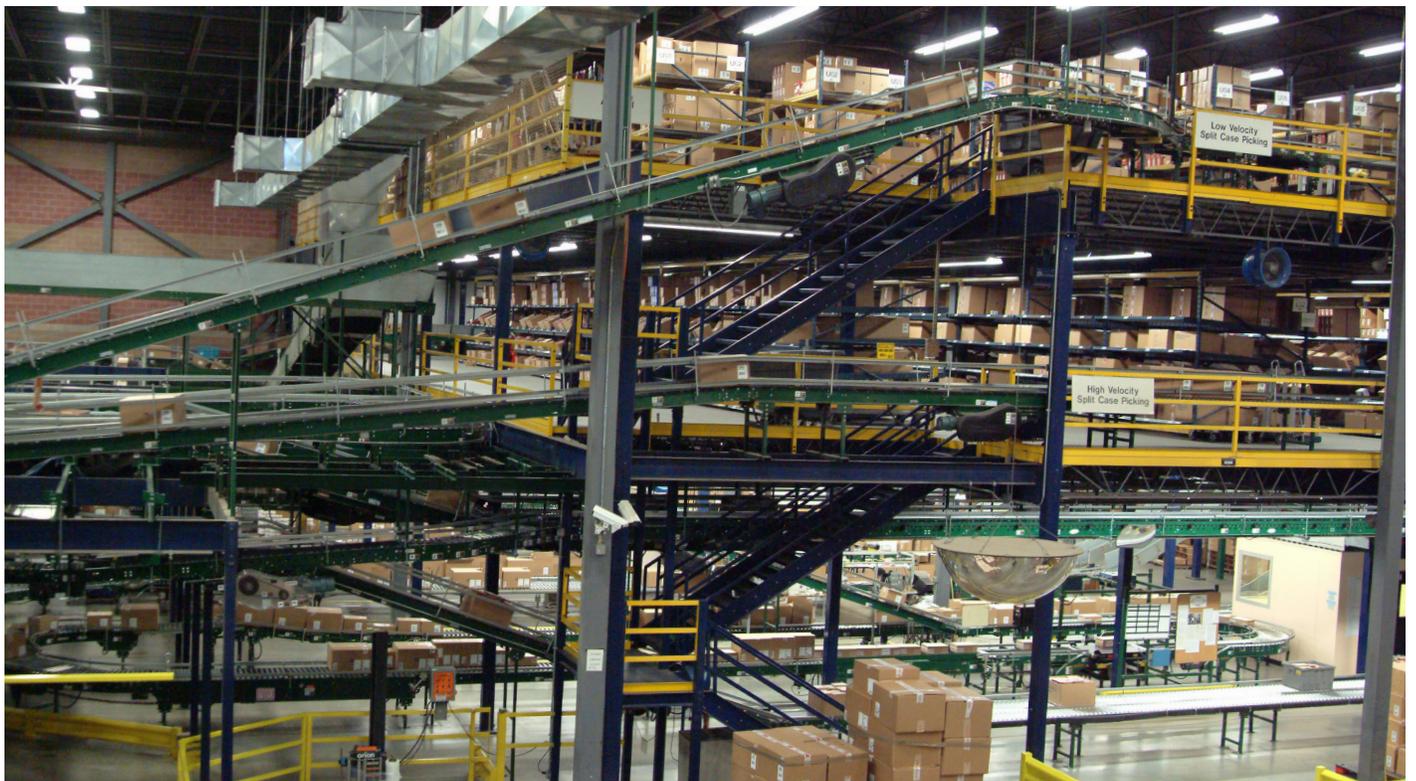
New Balance has piloted the use of an air-cooled chiller in factories where process heat requires air conditioning even in winter. This technology uses heat generated in the manufacturing process to chill air or water through absorption, then uses it for air conditioning. This pilot program resulted in a 4.3-year simple payback, and we plan to expand the use of this technology to our other facilities.

New Balance takes a holistic approach to energy use in its own facilities. We address the buildings and the operations within, as well as the energy purchased. Complementing shell upgrades, such as the windows in our Lawrence manufacturing facility, has been an

ongoing effort to improve lighting. We initially moved from older T12 fluorescent lamps and magnet ballast technology to T8 lamps and electronic ballasts, and more recently began the process of switching to even more efficient T5 lamps with an eye toward implementing future LED lamp technologies. We take advantage of natural light whenever possible and have implemented improved controls and fixture reductions. HVAC (heating, ventilation and air conditioning) systems have been upgraded with more efficient, variable-frequency motors.

Our associate coaching and development programs feature an educational effort that highlights the cost of using useless energy. Much like leaving desktop computers on when no one is using them, leaving assembly machines on when no one is making shoes is an inefficient use of energy. Associates help save in the cost-per-pair of shoes, which contributes to the continued success of domestic production.

Since the mid-2000s, New Balance domestic factories have achieved an energy savings of nearly nine percent annually. Energy use in 2009 at the New England facilities was reduced by 10 percent from 2008, saving approximately \$600,000, although it was followed by an 11-percent increase in energy use in 2010. Extreme weather played a partial role in increases but more importantly, the businesses developed and expanded operations at existing sites.





Our New England facilities use approximately 27 percent renewable source electricity. Currently, we are evaluating alternative energy possibilities such as potential wind and solar installations for some facilities. We also expect to increase our use of renewable energy in the near future.

Greenhouse gas emissions at our New England facilities result from direct (Scope 1) and indirect (Scope 2) energy use. Similar to New Balance energy use, our GHG emissions increased by eight percent from 2009 to 2010. We do not use any GHG substances (e.g., sulfur hexafluoride) in our processes.

To date, we have not tracked Scope 3 emissions such as those associated with business travel, shipping (to and from our facilities) or commuting. Additionally, New Balance contract manufacturing facilities have not tracked GHG emissions consistently, but we are engaging with them to establish tracking and reporting systems.

<sup>1</sup> Environmental data reported in this section are for nonretail New Balance owned and operated domestic facilities. We are working to expand our data tracking to all New Balance owned and/or operated facilities as well as at our manufacturing partners in the U.S. and globally. We expect to standardize data collection for all New Balance products and activities in 2012.

**U.S. FACILITY ENERGY USE**

MJ

U.S. DOMESTIC FACILITY	2009 ENERGY USE (MJ)	2010 ENERGY USE (MJ)
TOTAL	85,383,297	94,522,496

**U.S. DOMESTIC FACILITY CO<sub>2</sub>EQ**

KG

U.S. DOMESTIC FACILITY	2009 KG CO <sub>2</sub> EQ	2010 KG CO <sub>2</sub> EQ
TOTAL	7,605,226	8,248,459



# NEW BALANCE DATA CENTER PAPER REDUCTION

## PAPER USE

## PAGES PRINTED



18 PALLETS

2001

\$45,000  
SAVINGS YEARLY



1.75 PALLETS

2010



4,027,949 PAGES

2001

90% REDUCTION



354,472 PAGES

2010

**EARTH  
2011 DAY**

with new balance

## HAPPY EARTH DAY!

What can you do in 2011 to reduce your ecological footprint?

### At Work

- Only print when necessary and print double-sided
- Share your commute
- Add an environmental signature to your e-mail
- Recycle shoes
- Make a pledge on NB Link to get your reusable NB cup

### At Home

- Start a recycling routine
- Switch your light bulbs to eco-friendly options
- Ensure your car tires are filled-up with air
- Wash full loads of laundry in cold water; when possible, air dry clothes
- Put your computer to sleep mode when not in use



**EARTH  
2011 DAY**

with new balance

## GET INVOLVED WITH NB'S EARTH WEEK!

- Pledge your sustainability on NB Link and get a reusable NB cup
  - Celebrate "Take Your Child to Work Day" with sustainability activities
  - Recycle your wardrobe by bringing in new or gently-used clothing for donation
  - Plant a tree at the Lawrence DC, 8:00 - 10:00 a.m. or 10:00 a.m. - 12:00 p.m.
  - E-cycle your electronics: Wed., 4/20, Lawrence S. Union Parking Lot C, 7:00 a.m. - 4:30 p.m. Thurs., 4/21, Boston Manufacturing Front Lot, 7:00 a.m. - 4:30 p.m.
  - Read daily NB Link features highlighting sustainability
- For more information on Earth Week activities, visit NB Link or click this e-mail.





Finally, the New Balance Information Technology (IT) team has been engaged in a range of initiatives to reduce resource use and conserve. The IT team took a leadership role in changing practices in the data center to eliminate report printing wherever possible. This effectively reduced paper use by 90 percent between 2001 and 2010, down from approximately 1.5 pallets (each pallet is 400 reams, 1 ream = 500 pages) per month (equivalent to about 432 trees per year) to 1.75 pallets per year (equivalent to about 42 trees per year). This amounts to a savings of more than \$45 thousand yearly and avoids the use of 390 trees a year.

IT-related energy use fell thanks to efforts like the implementation of virtual server software that allowed

for hardware consolidation (saving more than \$2 million to date); upgrades of obsolete equipment such as printers and tape drives; upgrades of CRTs to LCD monitors; and a switch to multi-function printer/copiers in centralized locations. The team also completed a migration to an integrated voice, data and video network, consolidating three separate networks into one. This reduces hardware, energy consumption and maintenance, provides a more robust and efficient system, and has saved an additional \$250,000. The IT team also implemented telecommuting capabilities, electronic data exchange for invoicing, the recycling of obsolete electronics and a partnering program with suppliers who provide paper from certified sources.

## VIRTUAL SERVER SOFTWARE

SAVED: over \$2 million to date

## INTEGRATED NETWORK VOICE + DATA + VIDEO

REDUCED: hardware + energy use + maintenance

SAVED: \$250,000 to date

## UPGRADED OBSOLETE EQUIPMENT

printers  
tape drives  
LCD monitors  
multi-function printer/copiers

## U.S. DOMESTIC SOLID WASTE

2009			2010		
RECYCLED WASTE	METRIC TONS	%	RECYCLED WASTE	METRIC TONS	%
CARDBOARD	1,393	55%	CARDBOARD	1,539	63%
RUBBISH RECYCLED	968	38%	RUBBISH RECYCLED	690	28%
OPEN TOP RUBBISH	95	4%	OPEN TOP RUBBISH	103	4%
METAL	20	1%	METAL	51	2%
PLASTIC	<1	0%	PLASTIC		0%
PAPER	1	0%	PAPER	9	0%
SHREDDING (PRODUCT)	<1	0%	SHREDDING (PRODUCT)	8	0%
WOOD	9	0%	WOOD	3	0%
<b>TOTAL RECYCLE</b>	<b>2,487</b>	<b>98%</b>	<b>TOTAL RECYCLE</b>	<b>2,405</b>	<b>98%</b>
NON-RECYCLED WASTE	METRIC TONS	%	NON-RECYCLED WASTE	METRIC TONS	%
LEATHER	47	2%	LEATHER	47	2%
<b>TOTAL NON-RECYCLE</b>	<b>47</b>	<b>2%</b>	<b>TOTAL NON-RECYCLE</b>	<b>47</b>	<b>2%</b>
<b>TOTAL WASTE</b>	<b>2,534</b>	<b>100%</b>	<b>TOTAL WASTE</b>	<b>2,452</b>	<b>100%</b>





# LESS WASTE

**WASTE AND RECYCLING** New Balance's U.S. facilities have hosted an aggressive program for reducing waste for more than a decade. This is due in part to our lean manufacturing focus as well as to our long-term goal of achieving zero-waste to landfills. Our approach is to address the sources of waste first, then seek recycling opportunities.

Nearly all the waste that is generated at these New Balance facilities can be recycled as a useful material. A small percentage is sent to waste-to-energy facilities to capture the embodied energy value. Leather waste generated in our Maine facilities is sent to a landfill as we have not yet identified a recycler and cannot send it to an energy recovery plant. Prototypes for new products and style changes, while wearable, cannot be donated as a portion are single shoes and the others are proprietary designs we do not wish to disclose.

New Balance facilities are either small-quantity generators or very small-quantity generators of hazardous waste. In 2009, we generated less than one metric ton of hazardous waste and approximately 5.6 metric tons of universal wastes (such as mercury-containing lamp tubes and batteries). In 2010, our hazardous waste increased to 11.8 metric tons when we upgraded a boiler and were required to dispose of more than 3,000 gallons of old fuel oil. Universal waste went down to just over 2 metric tons that year. Further, we reduce our hazardous waste generation by separating acetone from paint waste and recycling the acetone into solvent-based adhesives.

## HAZARDOUS WASTE SHIPMENTS KG

	2009		2010	
	UNIVERSAL	HAZARDOUS	UNIVERSAL	HAZARDOUS
MAINE	1,802	357	1,510	493
MA	3,778	425	553	11,351
TOTAL	5,580	781	2,063	11,844

The majority (95 percent) of our universal waste is PCBs that were removed from decommissioned equipment.



# FLIMBY, UK MANUFACTURING FACILITIES



CELEBRATING THREE DECADES IN FLIMBY New Balance proudly boasts domestic manufacturing facilities in the U.S., but we're equally proud to be operating a factory in Flimby, UK. The Flimby factory, which will celebrate its 30th anniversary in 2012, is home to more than 210 associates. These talented associates embrace their hand-crafting roles each day when they arrive at the factory which is tucked away in the Lake District. It's evolved into a true success story, growing from producing only 2,000 pairs per week in the early 1990s to an average of 25,000 pairs per week in 2009. The recent construction of a new, 21,500-square-foot facility will enable the factory to continue this impressive growth. Throughout many changes, one thing has remained: the commitment of our Flimby associates, who have been and continue to be the backbone of the factory's success.



**WATER** Footwear generally does not involve direct water use in the production processes, although incidental use may occur during some operations such as injection molding. Generally, water is more a function of facility operations (sanitary, food, landscaping, cooling). Our New England facilities used approximately 35 million liters in 2010. One location increased significantly year over year due to a variety of factors which included sprinkler maintenance and landscaping changes. We are using this basic data to review our water use and develop plans to reduce usage.

**U.S. DOMESTIC WATER CONSUMPTION**  
LITERS

LOCATION	2009	2010
BOSTON FACTORY	1,978,416	2,465,214
LAWRENCE DC	11,291,969	20,593,403
LAWRENCE	3,451,584	3,443,089
NORRIDGEWOCK	3,230,600	3,575,739
NORWAY	2,335,886	1,949,886
SKOWHEGAN	3,575,780	3,206,227
<b>TOTAL WATER</b>	<b>25,864,235</b>	<b>35,233,558</b>

**LESS HARM**

**VOC EMISSIONS AND ALTERNATIVE ADHESIVES**  
Like the rest of the footwear industry, our use of solvent-based adhesives and primers in our factories results in the emission of VOCs that contribute to the formation of smog and other forms of air pollution. In 2009, the New Balance domestic factories averaged 0.28 grams VOC per pair; our UK facility in Flimby averaged 4.19 grams VOC per pair.

**U.S. DOMESTIC AND UK FLIMBY VOC EMISSIONS\***  
METRIC TONS

LOCATION	2009	2010
BOSTON	1.55	1.46
LAWRENCE	0.10	0.04
NORRIDGEWOCK	0.13	0.01
NORWAY	0.01	0.01
SKOWHEGAN	0.14	0.13
FLIMBY UK	4.18	4.29
<b>TOTAL VOCS</b>	<b>6.11</b>	<b>5.94</b>

\*Does not include acetone emissions.



Our VOC emissions at New Balance owned and operated factories dropped 3 percent between 2009 and 2010. Where solvent use is necessary, we use acetone (a solvent that is exempt from VOC regulatory controls as it is unlikely to contribute to ground-level ozone formation) as much as possible in our domestic operations for priming, cleaning and adhesives. New Balance-owned factories reduced acetone use by eight percent, from a 2009 total of 23.52 metric tons to 21.57 metric tons in 2010.

Data<sup>2</sup> for our worldwide contract manufacturing factories:

**GLOBAL CONTRACT FACILITIES ADHESIVES USE**  
METRIC TONS

	2009*	2010
VOC-BASED	2,467	2,569
WATER-BASED	195	324
HOT-MELTS	—	52

\*Partial data.

2 We were not able to obtain data from one adhesive supplier.

**GREEN BUILDING** New Balance operates almost two million square feet of space, which includes factories, offices, showrooms and warehouses in the U.S. One of our primary goals is to preserve and maintain our existing buildings, some of which were constructed more than 100 years ago. We look for opportunities to make these buildings as energy- and operationally-efficient as possible.

Although New Balance has not certified any facilities to a green-building standard such as LEED (Leadership in Energy and Environmental Design) or Green Globes, we do integrate LEED elements into our renovations, tenant improvements and new construction. As a privately-held company, we are able to focus on enhancing long-term value in our facilities. While incorporating LEED elements into projects can increase initial project costs by up to 25 percent plus additional project time, meeting our return-on-investment requirements is easier when LEED-inspired features provide value through lower long-term operational cost. Under some conditions, we have used savings obtained through energy efficiency upgrades to fund green-building initiatives and onsite use of renewables.

For new and retrofitted corporate owned stores and licensed stores, New Balance has begun to implement a number of green-building initiatives, including specifying:

- Low VOC paints
- Environmentally preferred flooring options
- Water-based stains/sealers for store fixtures
- Graphics printed on environmentally preferred materials when possible
- Efficient lighting with compact fluorescents and energy efficient spotlights
- Reusable bag program available to stores
- Recycling bins

On several measures, New Balance domestic factory performance is outstanding, particularly in the areas of VOC emissions and recycling. On others—such as energy use, greenhouse gas emissions and waste generation—New Balance is clearly lagging behind.

We are pleased to have measurements in the U.S. along with the unique knowledge we gain from owning and running our own athletic footwear factories here. But we know we are just beginning our journey toward better goal-setting, better measurement systems, and better cross-pollination of our experience and expertise among all of our own athletic footwear factories and suppliers. New Balance is working towards taking best practices, whether they are found overseas or in Maine, and moving our business and the industry intellectually forward with this distinct understanding.



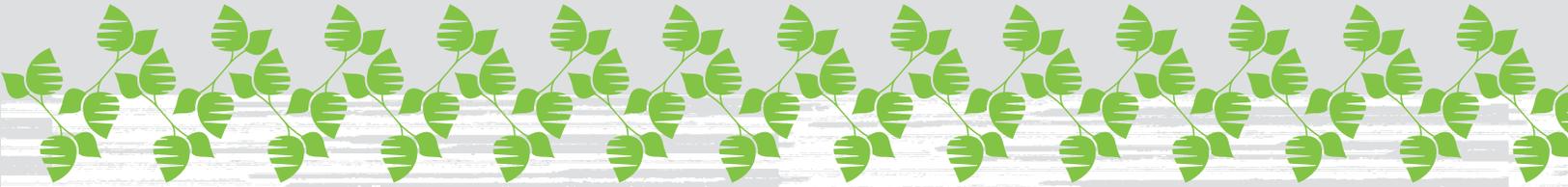


**MOVING FORWARD TOWARD A BETTER ENVIRONMENT**

OVERALL ASSESSMENT OF PERFORMANCE—NEW BALANCE DOMESTIC MEASURES VERSUS OTHER INDUSTRY BRANDS

FY09	KG WASTE/PAIR	% OF WASTE REUSED/RECYCLED	KG CO <sub>2</sub> e/PAIR	MJ/PAIR (DIRECT & INDIRECT)	LITERS WATER/PAIR	GRAMS VOC/PAIR
NEW BALANCE*	0.37	98%	8.29	12.4	3.75	4.2

\*New Balance owned and/or operated in the U.S. manufacturing facilities; VOC data includes acetone. \*\*2008 data.



**MOVING FORWARD WITH THE ENVIRONMENT:** Long before environmental responsibility became a global movement, New Balance was already operating under the values of energy efficiency, sustainability and the reduce-reuse-recycle tenets of lean manufacturing. Among other efforts, we will continue to honor our commitment to being a responsible manufacturing and retail partner in the following ways:

- IN 2013, we will complete a solar power project at one of our owned manufacturing facilities
- IN 2014, we will convert our company freight transportation fleet to LP gas or other energy-efficient fuel
- IN 2015, 75 percent of all electricity used at our domestic factories will be derived from or offset by renewable energy sources



ALL OF OUR ACTIONS

MUST SERVE AS INSPIRATION

TO THOSE WHO WANT TO MOVE.



“THERE WILL BE NO FUTURE FOR NEW BALANCE IF WE DO NOT REALIZE HOW MUCH WE NEED ONE ANOTHER TO ACHIEVE OUR GOALS: THE GOALS WE SET FOR NEW BALANCE, THE GOALS WE SET FOR OURSELVES, THE GOALS WE SET FOR OUR FACTORY PARTNERS.”

—ANNE DAVIS

It is vital that we serve as catalysts and coaches to our retailers, suppliers, licensees and to our associates worldwide. New Balance is committed to associate development and training because we realize that the growth and success of our associates forms the foundation of our entire organization.

Additionally, we pledge to uphold the highest standards in our facilities for the protection of our associates, safe operation of our physical plants and a healthy working environment. Our core values of teamwork, integrity and total customer satisfaction have contributed to our success in these endeavors.

The ideal New Balance work environment is one which provides our associates with a safe and healthy workspace while also encouraging their continuous development and drive to push the

business forward. Our continued global progress towards achievement of these work environment goals is due in large measure to our coaching and social responsibility compliance programs.

## FULFILLING CAREER POTENTIAL

Our associates are the backbone of our success. As we work to move people physically, emotionally and intellectually, we know that providing each associate with the right training and development is key so they can move forward, as New Balance moves forward.

### ASSOCIATE DEVELOPMENT AND SUPPORT

New Balance seeks to be an employer of choice in many ways—among them, our commitment to domestic

manufacturing, our success in the marketplace, our unwavering focus on innovation, and our dedication to our associates and their ongoing success. All of our development and learning programs are designed to help associates at each level of employment attain a distinct group of abilities that correspond to New Balance's leadership competencies:

- Values-Driven Role Model
- Global Strategist
- Results-Driven Leader
- Inspirational Talent Developer
- Innovative Risk Taker
- Professional Expert

For example, we can outline some of our U.S. programs and measurements in place for associate development. Associates are supported through training, education, solicitation of feedback and the presence of a healthy workplace. We recognize that the latter is especially critical to making New Balance an attractive employer.

In addition to traditional training and development programs, New Balance offers an array of support programs to help associates balance their work and drive for success. Some of these include:

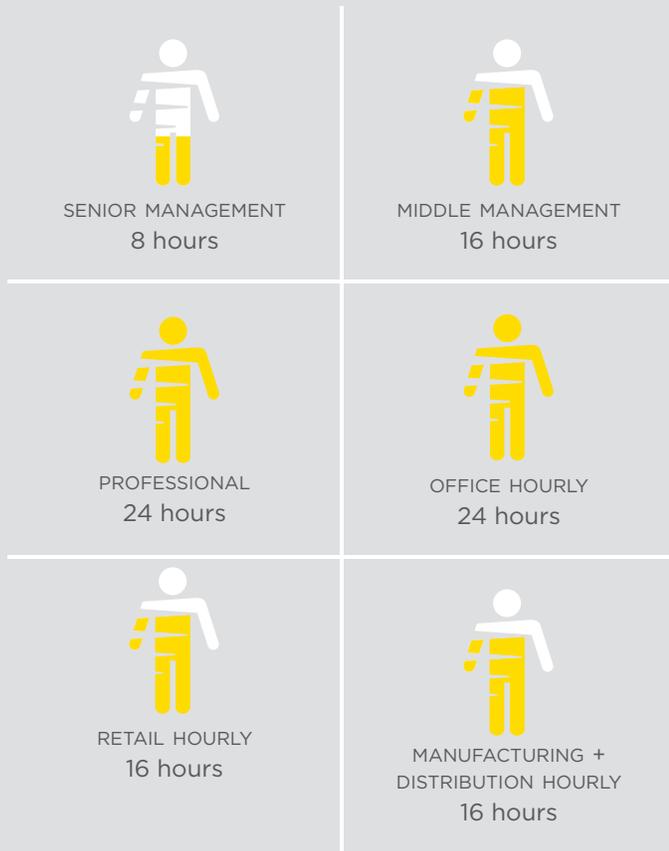
- Employee Assistance Program counseling and referral services
- Lunch-and-Learn programs regarding retirement planning
- Tuition reimbursement and external skills training during employment
- Transitional services and outplacement on an ad hoc basis

Going forward, we look to strengthen our measurements and tracking in non-U.S. locations in order to better benchmark and report progress.

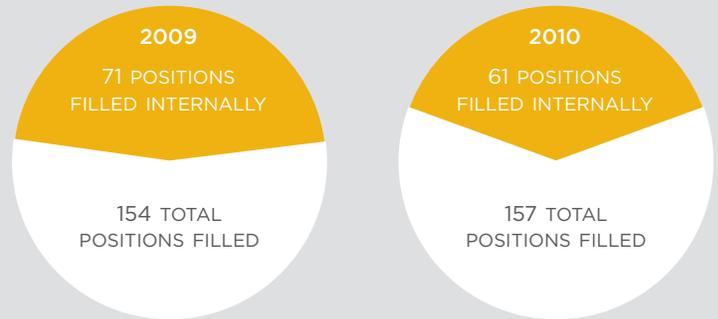




2010 AVERAGE TRAINING HOURS PER YEAR PER U.S. ASSOCIATE



promotions, new assignments and outside hires. Of these, 61 positions (39 percent) were internal promotions and new assignments of current associates; 96 positions (61 percent) were filled with external candidates.



New Balance also supports associates' efforts to live a balanced and healthy lifestyle, which is necessary for them to perform at their best. We provide a variety of programs that promote movement, health/wellness and life skills, including:

- Life Balance programs (health, wealth, self) —various self help programs
- Direct Life—pedometer program with coaching
- Fitness reimbursement programs
- Sports Leagues sponsorships for associates
- Smoking cessation assistance
- Walking workstations installed in offices
- Mini gyms
- Sitter City (babysitting assistance)
- Onsite financial planning



**LOOKING WITHIN TO GROW** Our associates' continuous improvement gives us opportunities to promote internally whenever possible, soliciting external applications when necessary. In 2010, a total of 157 office positions were filled through

## TRAINING COURSES

NEW BALANCE TRAINING COURSE CATALOGUE

COURSE TITLE	CONTENT
CREATIVE EDGE	WHAT CAN WE DO TO FIRE UP OUR CREATIVITY WITHIN OURSELVES, OUR TEAMS, AND WORKGROUPS, AND INCREASE CREATIVITY WITHIN THE ORGANIZATION?
G.R.O.W. (INSIDEOUT COACHING) FOR INDIVIDUAL CONTRIBUTORS	HOW CAN YOU HELP OTHERS MAKE BETTER DECISIONS IN LESS TIME?
NBEE TOOLS: VALUE STREAM MAPPING FOR THE OFFICE	HOW CAN WE ELIMINATE WASTE, STREAMLINE WORK, AND EXCEED CUSTOMER EXPECTATIONS?
TEAM SYNERGY	HOW DO YOU MAXIMIZE THE TALENTS OF YOUR TEAM AND ACHIEVE THE BEST RESULTS POSSIBLE?
CORNERSTONES	WHAT ORGANIZATIONAL RESULTS DO WE WANT TO ACHIEVE? WHAT ARE THE VALUES THAT SHAPE HOW WE ACHIEVE THOSE RESULTS?
GLOBAL TEAMBUILDING: CHINA	HOW ARE WE DIFFERENT; HOW ARE WE ALIKE? HOW SHOULD I INTERACT WITH MY GLOBAL COUNTERPARTS?
INSIDEOUT COACHING FOR MANAGERS	HOW CAN YOU IMPROVE PERFORMANCE WITHOUT MORE EFFORT, MORE KNOWLEDGE, OR MORE WORK?

# SHOE SCHOOL



SHOE SCHOOL IN SKOWHEGAN, MAINE:  
A U.S. Manufacturing Tour and Training Program  
for New Balance Associates and Our Partners

[RUNNINGINSIGHT.COM](http://RUNNINGINSIGHT.COM)

"Today was humbling. Stitching was not my forte, however the process as a whole was mind blowing. I have a new appreciation for the product and an overwhelming respect for each and every one of the people who make New Balance their place of employment. Their pride in their company is shown in every cut, stitch, punch and smile that they produced today. I met Oscar, Amanda and Julie, all of whom work on the line, and now they are the faces on the boxes that live in my stock room. It will be a pleasure to work for them on my end in getting the word out about the company—and, more importantly, getting the boxes out of the stock room, onto the feet of my customers and out the door!"

THANK YOU NOTE FROM A RETAILER Jenn Wohlgamuth,  
Owner of Second Sole, Pittsburgh  
ATTENDED MARCH 9, 2011



**DEVELOPING WITHIN LOCAL MANUFACTURING**  
New Balance's development and continuous improvement initiatives extend deeper than the office environment. Our ability to maintain and grow manufacturing within the U.S.—where costs of production are typically higher than in other parts of the world—rests in part on the innovation and productivity of our craftsmen and craftswomen who are dedicated to the art and science of shoe making.

Our Shoe School program allows us to provide a hands-on education for our non-manufacturing company associates and our retail customers about the craftsmanship, commitment and distinctive work of our manufacturing teams. New Balance is the only company that offers retailers and other key stakeholders a chance to see a domestic athletic footwear manufacturing facility, meet the people in our facilities, and learn about the craft of shoe-making first hand.

Such dedication is critical to the success of our highly productive lean manufacturing system, which integrates Toyota Production System (TPS) principles and the automation of many stitching functions into New Balance's unique manufacturing culture. Our success in maintaining world-class athletic shoe factories can be tied to our consistent embrace of the TPS principles

and to the shoe-making expertise that New Balance associates develop on the job or brought with them to our factories.

TOYOTAGEORGETOWN.COM

Training in our domestic factories is approached a little differently. Here, our goal is to embed a sense of pride in the craft of shoemaking within every associate. In our Norridgewock factory, New Balance is piloting a classroom model in which associates gather together to hear about a topic relevant to their jobs. Additionally, a one-on-one coaching model is employed, giving associates a half hour each quarter with their supervisors to get feedback on performance along with guidance on skill development. They also participate in weekly 15 minute planning meetings designed to create a common language within the factories. These interactions total about 15-20 hours of training time annually per factory associate. New Balance also offers more than 20 orientation programs for manufacturing associates on topics such as "Bringing Your Best Self to Work," "Understanding Lean," "Communication" and "Giving Feedback." Performance reviews are provided for every associate and are keyed to the quarterly meetings; particular emphasis is given to helping associates develop personal goals and leadership skills.

**STAGES OF IMPROVEMENT** New Balance thoroughly embraces continuous improvement and associate development to help move the business forward. As an owner of factories, we are able to explore firsthand what truly works to drive improvement and growth with manufacturing associates. For example, in 2008 New Balance established learning centers in the Lawrence and Norridgewock factories. These areas were dedicated to manufacturing training (outside of the daily production goals) and had the ability to produce shoes on a small scale, just enough for the needs of associate training.

Through time, trial and error, and significant research, New Balance has established its current form of training—NB Stages—and extended it to additional facilities. These continuous improvement efforts have cut needed training in half and allowed for more skilled and cross-trained associates.

**STAGE 1—BASIS KNOWLEDGE** Visuals are employed to depict materials and machines used in the manufacturing process. Testing boards and written exams then evaluate associates' knowledge of this information.

**STAGE 2—FUNDAMENTAL SKILLS** We break down the operation of the machine and position to decipher each essential function, then evaluate skill building through time testing.

**STAGE 3—ELEMENTAL TRAINING** Here we focus on the important steps within each operation's sequence.

**STAGE 4—STANDARDIZED WORK** All remaining manufacturing function and responsibilities are brought together, allowing for gained efficiency prior to an associate joining a value stream.

**RETENTION AND TURNOVER** Investing in learning and development initiatives is one way we create workplaces that are attractive to a high-quality workforce. Our domestic factory average rates of pay are well above minimum wage and the national average (mean) for shoe machine operators (all nonexempt associates are paid hourly rather than by piecework).

Turnover rates for New Balance are below U.S. averages for all segments of the business.

**2010 TURNOVER RATE**

	U.S.	NEW BALANCE
<b>MANUFACTURING (NON DURABLE)</b>	35.1%	12.0%*
<b>RETAIL TRADE</b>	43.8%	41.7%**
<b>OFFICE (WHOLESALE TRADE)</b>	24.7%	8.8%***

\*Bureau of Labor Statistics, Job Openings and Labor Turnover Survey, Nondurable goods manufacturing. \*\*Bureau of Labor Statistics, Job Openings and Labor Turnover Survey, Retail Trade. \*\*\*Bureau of Labor Statistics, Job Openings and Labor Turnover Survey, Wholesale Trade.



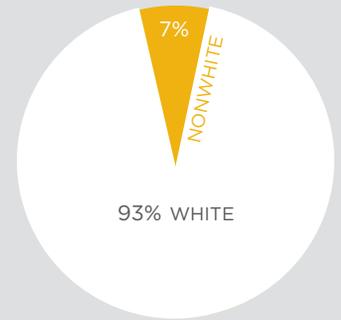
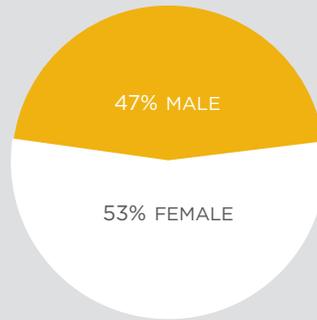


PROMOTING DIVERSITY

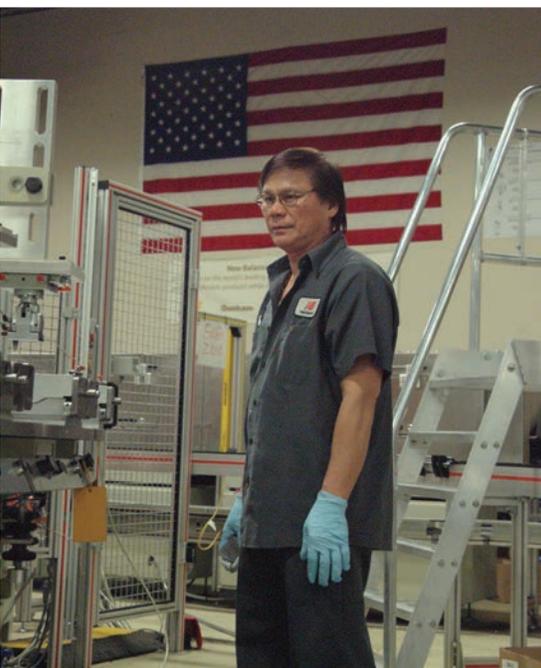
ISSUE	METRIC	NEW BALANCE
DIVERSITY	% FEMALE MANAGERS	41.6%*

\*U.S. \*\*Global only available data.

NEW BALANCE DOMESTIC WORKFORCE



In New England (where the majority of our associates are located), the general population is about 88 percent white and 12 percent nonwhite. Hispanics and Latinos are over-represented in sales and operatives (manufacturing employees), and under-represented in other job categories.



# NEW BALANCE

is dedicated to creating a strong, lasting and productive relationship with our associates that is built upon our foundational commitment to support each associate's achievement of their full potential as they grow throughout their career.

At New Balance, we move forward  
when we are all inspired to  
move forward together.

It is equally important  
to our relationship that  
New Balance provides  
our associates with  
a workplace that is  
safe and healthy.





## SAM HO DAYCARE



**BEYOND BENEFITS** An onsite shop at Sam Ho (our contract factory partner in Vietnam) gives factory workers the opportunity to buy smaller quantities of goods at a lower and more stable cost, without jeopardizing quality. The factory purchases goods at bulk prices, and factory workers can then purchase goods such as dairy, cosmetics, rice and sugar for their families.

Another important benefit offered to workers making New Balance footwear at both the Freetrend facility in China and the Sam Ho facility in Vietnam is onsite daycare programs. This low-cost childcare service provides workers' children with a safe, clean and healthy environment to spend the day while their parents work.

New Balance encourages all of our factory partners to explore such unique and favorable benefits to help create a healthy and happy work-life balance for their team members.



# ENSURING A SAFE AND HEALTHFUL WORKPLACE

We have always believed it’s our responsibility—to our associates and to the employees of our contract manufacturing partners—that we uphold applicable labor and environmental standards. That’s why, relatively early in our industry, New Balance moved to make corporate social responsibility a management priority for our own operations as well as for our supply chain partners.

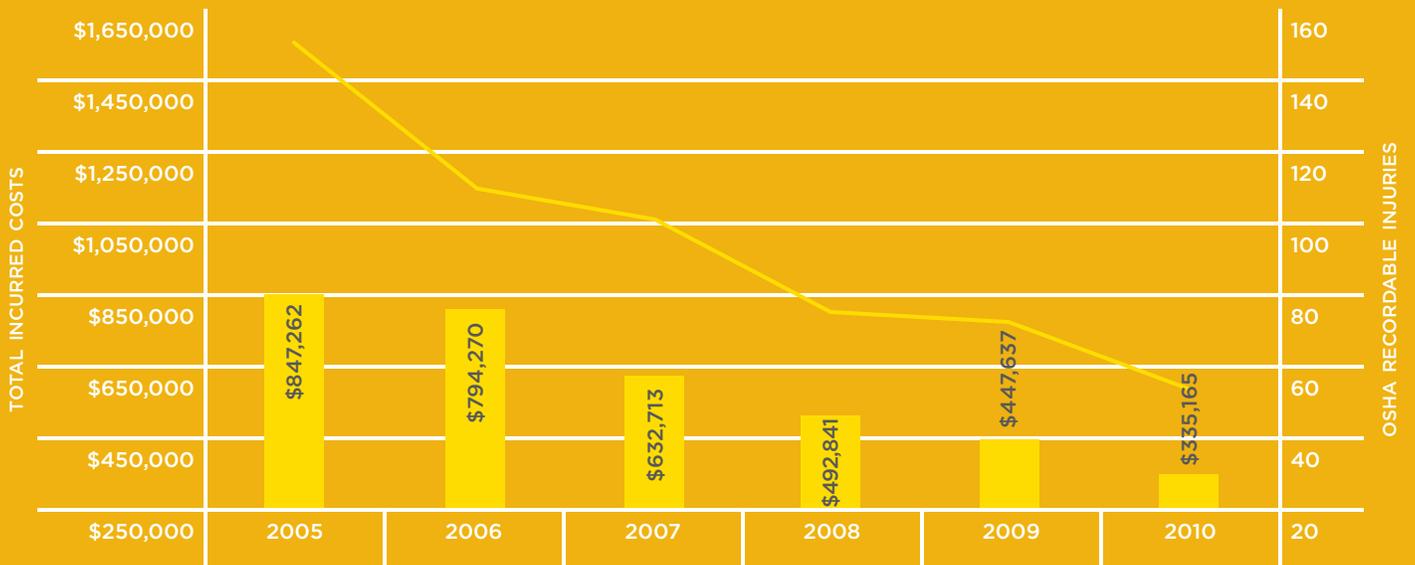
The New Balance approach is focused on:

- Identifying all relevant social compliance issues
- Providing training and coaching on compliance issues
- Auditing performance
- Giving feedback and working with factory management on performance and corrective actions
- Monitoring progress on remediating deficiencies and providing consulting assistance when needed
- Withdrawing from relationships when deficiencies are not remedied

## KEY PERFORMANCE INDICATORS FOR SOCIAL RESPONSIBILITY

	2010	2020 VISION
<b>AUDITS AND CORRECTIVE ACTION</b> PERCENT OF FACILITY AUDITS THAT RESULT IN A CORRECTIVE ACTION PLAN	100%	5 CONSECUTIVE YEARS OF DECLINE OF PERCENT OF CORRECTIVE ACTIONS THAT INCLUDE SIGNIFICANT ISSUES
<b>NONCOMPLIANCE (DOMESTIC)</b> # OF CITED INSTANCES OF EHS NONCOMPLIANCE AT DOMESTIC FACILITIES	12	0 (MAJOR VIOLATIONS)
<b>PRODUCT AUDITS</b> PERCENT OF RSL AUDITS THAT PASS	93%	100% (POSITIVE LIST)







## DOMESTIC FACTORIES

New Balance has always been committed to providing a safe and healthy work environment for our associates, which includes maintaining compliance with applicable health and safety regulations. We also strive to continually improve beyond minimum compliance to build an overall safety program with world-class performance and reputation.

In our own factories, we place a strong emphasis on training, internal compliance assessment and continuous improvement as the primary means of providing excellent working conditions. New Balance leadership is responsible for establishing a culture that encourages associates to work safely and report any unsafe condition or behavior.

A key element of our program is an aggressive incident reporting process that includes recording near-misses, a behavior emphasized in 2009, which was deemed the Year of Incident Reporting. Near-miss reporting allows us to be proactive in correcting hazardous conditions before a costly accident occurs. Other key components are internal audit programs that provide checks and balances to maintain compliance, and strong training programs to educate associates on how to meet New Balance's safety expectations.

We view the annual number of the U.S. Occupational Safety and Health Administration (OSHA) recordable injuries as a strategic indicator for safety performance. New Balance injuries have been reduced dramatically (more than 60 percent) in the past five years, underscoring the effectiveness of our programs.

Currently, the frequency of injuries (incidence rate) is trending down from 8.4 in 2007 to 5.3 in 2010, although the lost-time case rate is basically level at 2.0 in 2007 and 2.1 in 2010. The comparable 2010 national industry sector incidence rate is 4.0, and the lost time case rate is 0.9. In conjunction with OSHA inspections over the past few years that have identified issues at New Balance sites that have required corrective action, we have initiated both physical improvements in our factories as well as managerial system changes to better meet our responsibilities to our associates for a safe workplace.

In response to these OSHA inspections, New Balance instituted additional internal audits at all of our factories in order to improve our issue-identification process, and subsequently implement corrective action where needed. In addition, we introduced new proactive programs to address specific issues such as creating company best practices for electrical safety and establishing standard operating procedures that guide associates working on or near energized electrical circuits.

We have also put several behavioral-based safety programs into place at factory sites including, an Early Symptom Intervention Program to address discomfort symptoms before they become a problem. This program includes coaching in proper movement that will control symptoms and provides medical referrals when needed. We recently implemented a comprehensive program to reduce musculoskeletal injuries caused by the repetitive nature of operations required in footwear manufacturing, which we expect will accelerate downward trends in injuries.



1 Incidence rates and lost-time case rates are per 100 full time employees or 200,000 hours worked.

2 Rubber and Plastics Footwear Manufacturing (NAICS 316211), Bureau of Labor Statistics, "Injuries, Illnesses, and Fatalities, Summary Tables," TABLE 1. Incidence rate of nonfatal occupational injuries and illnesses by industry and case types, 2010.

Our Mission: "Demonstrating measurable leadership, we build global brands that athletes are proud to wear, associations are proud to create and communities are proud to host." We support this mission by conducting our internal and external relationships according to their Core Values: Transparency, Total Customer Satisfaction, and Integrity.

The Code of Conduct defines our minimum expectations. We expect our suppliers to ensure that no-employee condition or trade work conditions exist at all facilities where our merchandise is manufactured.

This Supplier Code of Conduct expresses the commitment of New Balance Athletic Shoe, Inc. to do business only with those manufacturers and suppliers that share its commitment to fair and safe labor practices.

- EMPLOYMENT PRACTICES**
- All Suppliers, as well as the Code of Conduct, are subject to compliance with applicable national and local laws. All vendors shall operate in full compliance with laws of their respective country of manufacture.
- Child Labor**
- No person shall be employed at an age younger than 16 or 15 where the prevailing law allows such employment, or younger than the age for completing compulsory education if that age in the country of manufacture is greater than 16.
  - All facilities are required to maintain official documentation allowing for verification of each worker's date of birth.
  - All facilities must be in compliance with local regulations regarding the employment of young workers. These regulations shall include types of work, schedules and labor intensity as applicable under local labor laws.
- Harassment or Abuse**
- Workers shall be treated with respect and dignity. Workers shall not be subject to any physical, verbal, sexual or psychological harassment or abuse in connection with their employment.
  - There shall be no corporal punishment.
  - Retaliation for a lawful concern, reporting, objection or explosive shall not be permitted.
- Health and Safety**
- Employers shall provide a safe and sanitary working environment using OSHA standards as a benchmark. In order to avoid preventable work-related accidents and injuries.
- Non-discrimination**
- All employment decisions must be made in a nondiscriminatory manner.
  - Workers shall be employed, promoted or compensated based upon their ability to perform their job, rather than on the basis of gender, race, color, sexual orientation, religion or cultural beliefs.
  - There shall be no discrimination based on pregnancy or disability.
  - There shall be no discrimination against workers based on political affiliation or union membership.
- Wages and Benefits**
- Employers shall pay workers for all work completed and shall pay at least the minimum wage required by law or the prevailing industry wage, consistent with the local or national minimum, whichever is higher, and shall provide legally mandated benefits.
  - There shall be no deduction of wages for disciplinary purposes.
  - The employer shall not engage in false apprenticeship practices that are used to avoid payment of compensation.
- Work Hours**
- As part of normal business operations including those countries where domestic law does not limit work hours, suppliers shall not require in excess of a 60-hour work week or regularly scheduled overtime.
  - Workers shall be entitled to one full day off of each seven-day work week.
  - Workers shall not be asked or required to take work hours or off performance.
  - All hours worked must be documented by writing and made available to New Balance staff, upon request.
- Overtime**
- International business environment requiring work hours beyond the local or federal workweek (which is lower) shall be subject to the laws regarding the payment of overtime in addition to compensation for regular hours of work.
  - Countries where there are no legal standards regarding overtime premiums, industry standards shall be the norm. In no event shall this be a rate less than the regular hourly rate.
  - Factories shall carry out operations in ways that limit overtime to a level that complies with national labor laws and ensures productive and humane working conditions.
- Freedom of Association**
- Employers shall respect the right of workers to join and organize associations of their own choosing, and to bargain collectively. Where local law limits the right of freedom of association, employers shall do their best to provide alternative means of free association, including, if at all cases, implement effective systems to assure open communication with employees.
- Forced Labor**
- There shall be no use of forced labor, whether in the form of prison labor, bonded labor, bonded labor, or otherwise. There shall be no penalties or fines for refusing overtime.
  - Workers shall not be locked inside of factory premises for any reason.
- Environmental Conditions**
- All facilities shall comply with all local environmental laws. Manufacturers, subcontractors and suppliers must comply completely with all applicable environmental regulations in their country.
- Subcontractors**
- This Code of Conduct applies to all subcontractors utilized by New Balance suppliers.
  - All Suppliers are required to take all necessary steps to ensure that its subcontractors adhere to this Code of Conduct. No subcontractors will be used without New Balance's prior approval.
- In the event of any willful non-compliance with the Code of Conduct, New Balance may terminate or refuse to renew our supply agreements with suppliers based on the suppliers' awareness of the Code of Conduct.



## YOUR WORKPLACE RIGHTS

**WORKING HOURS**

Regular hours: Regular working hours should not exceed 7 hours a day and 40 hours a week (or a 5-day workweek), or 8 hours a day and 40 hours a week (or a 5-day workweek) if the 2020 Indonesian minimum wage for your region is 18 Rupiah per hour.

**Over-time**: With approval of employee representatives, working hours may extend to a maximum of 10 per day, 50 per week in rare cases. Overtime work is voluntary.

**Rest days**: You are entitled to at least 160 rest days for each working 120 days, including 12 days rest of working 120 days, 160 rest days for each 120 working days. Employers must provide paid leave for each 120 working days. Employers must provide 120 days of rest for each 120 working days. Employers must provide 120 days of rest for each 120 working days.

**Women's working hours**: Work between 11pm and 5am for female employees is prohibited. Employers are obliged to provide protective measures, and maintain safe and healthy working conditions for pregnant women and women who are breastfeeding. Pregnant employees must not work overtime hours, if this poses a risk to their health or the health of their unborn child. Women who are pregnant or breastfeeding must not be granted overtime work.

**2 days**: Distribution takes per month is granted upon request.

**WAGES AND BENEFITS**

Minimum wage must not be less than the minimum wage based on daily and monthly calculations, such as follows:

The calculation of monthly wage is 1/12 of the monthly wage. The calculation of daily wage rate is 1/24 month for those working 20 days a month, or 1/24 month for those working 26 days a month. The 2020 Indonesian minimum wages for your region are:

City/Province	Minimum Wage (Rp)	Minimum Wage (Rp)
Kota Tangerang	Rp13,200/month	Rp553.33/hour
Kota Tangerang	Rp13,200/month	Rp553.33/hour
Kota Tangerang	Rp13,200/month	Rp553.33/hour
Semarang	Rp10,200/month	Rp425.00/hour

**Other**: Other terms are not applicable.

**Annual leave**: Annual leave (vacation) shall be 12 days per year for employees who have worked for 12 months or more. Annual leave shall be 12 days per year for employees who have worked for 12 months or more. Annual leave shall be 12 days per year for employees who have worked for 12 months or more.

**Maternity leave**: You are entitled to paid leave of 12 days per year and an additional 3 months in the 1st and 2nd year of work for those working 12 full years continuously, repeated every 6 years.

**Maternity leave**: Pregnant women are entitled to 1.5 months rest prior to giving birth, and 1.5 months after, with medical certification. Those employees suffering childbirth are entitled to 1.5 months' rest, with medical certification.

**Sick Leave**: You are entitled to paid sick leave as follows: 4 months at 100% regular wage, 4 months at 75%, 8-12 months at 50%. 24 months paid for unemployment 50% pay.

**Social Insurance**: Mandatory Insurance Social Security (BPJS):

Contribution	Employer (%)	Employee (%)
BPJS Kesehatan	3.7%	2.9%
BPJS Ketenagakerjaan	3.2%	0.2%
BPJS Tabung Pensiun	0.2%	0.2%
BPJS Perlindungan Sosial	0.2%	0.2%



**new balance**

**意见箱**  
Suggestion Box



## CREATING A SAFE, HEALTHFUL, AND RESPONSIBLE WORKPLACE AT CONTRACT FACTORIES

New Balance cares about the working conditions of the people who make our products, regardless of the country in which they work. We began addressing social compliance with our contract footwear suppliers in the late 1990s. In 2004, New Balance hired full-time staff to develop and implement a program that, in 2006, expanded to include apparel, accessories and licensee products. Currently 10 full-time members comprise the Social Compliance Team: two in the U.S., one in Hong Kong, one in Vietnam and six in China.

SEE LIST OF NEW BALANCE SUPPLIERS

Our requirements are defined in the New Balance Supplier Code of Conduct. All U.S. and foreign suppliers and licensees must agree to adhere to our Code standards in order to do business with us. Like many other codes of conduct, the New Balance Supplier Code of Conduct is based upon standards laid out in the eight Core Conventions of the International Labor Organization. As a participating company in the Fair Labor Association (FLA), we have also committed to ensuring that our Code aligns with the FLA Code of Conduct.

ILO.ORG

We require our Code of Conduct be posted in the appropriate local languages at our supplier factories. Additionally, our supplier factories must post a labor law summary poster designed by New Balance. Each poster summarizes workers' rights under local law and provides phone numbers to report grievances, similar to posters required in U.S. workplaces.

READ THE NEW BALANCE CODE OF CONDUCT DOCUMENT IN THE LANGUAGE OF YOUR CHOICE  
SEE THE NEW BALANCE LABOR LAW SUMMARY POSTERS

When our Social Compliance program was first developed, we placed compliance staff in our core footwear factories (where production for New Balance can reach 100% of factory capacity) in China and Vietnam to provide day-to-day monitoring of working conditions. Over the past several years, we have evolved to a consultation approach in which we conduct a comprehensive Monthly Performance Review (MPR) of each of our major footwear suppliers. The MPR requires the factories to collect data on work hours, wages and turn-over along with other compliance issues. Both New Balance and the individual factories use the data to monitor Code of Conduct compliance, and provide the basis for consultations.

For non-core footwear factories, apparel factories, licensees and other suppliers where New Balance is far less than 100 percent of the factory's business, our Social Compliance Program currently uses an audit-remediate-audit model to help ensure working conditions meet minimum standards and remedy issues that are found.

Our experience has shown that improving working conditions requires a commitment from each contract factory to build skills among its management and staff, define the tasks needed to meet social compliance standards and assign capable, empowered people to carry them out. The New Balance program encourages factories to develop strong internal organizations that clearly establish responsibilities for all areas of social compliance, including grievance procedures that provide workers with a voice.





FACTORY MANAGER



WORKER REPRESENTATIVE COMMITTEE



WORKER UNION (IF IT EXISTS)



WORKING HOURS TEAM



PERSONNEL/HUMAN RESOURCES TEAM



GRIEVANCE HANDLING TEAM



EMPLOYEE COUNSELING TEAM



EMPLOYEE RECREATION TEAM



Increasingly, our Social Compliance team is focused on developing the skills of factory employees who are best positioned to improve and maintain factory compliance. New Balance identifies and recommends appropriate outside expert training programs and also provides some training directly. Given the size and geographical scope of our global supply chain, direct training may be constrained by practical and logistical considerations. However, training programs utilizing local resources, when done well, provide essential knowledge specific to local conditions and are often less expensive and more culturally relevant than outside programs.

SEE THE LIST OF TRAINING PROGRAMS THAT NEW BALANCE RECOMMENDS FOR OUR SUPPLIERS

We strive to conduct annual audits of contract factories producing New Balance branded footwear and apparel. In addition, we audit key suppliers of soles and are working to extend our program coverage to other key material suppliers. Most audits result in a Corrective Action Plan (CAP) that outlines any compliance issues identified during the visit. We then conduct follow-up audits to determine how the issues identified in the CAP have been remedied. Throughout this process, we work to encourage continuous improvement in factory compliance with New Balance standards. In many cases, we measure progress not by how “perfect” a factory is, but by how far they have come in improving their repeated compliance performance over time.

2010 AUDITS

	FOOTWEAR	APPAREL + LICENSEE
AUDITS COMPLETED	37	166
NUMBER OF AUDITS THAT RESULTED IN A CAP	37	156
TRAINING PROGRAMS	14	52

We are firmly committed to continuing to evolve our Social Compliance program to ensure that factories that make New Balance products provide workers with safe, healthy, and responsible workplace environments. As such, we continue to benchmark our programs against the best practices offered by other leading companies and engage with multi-stakeholder organizations, members of civil society, global trade union leaders, government officials and other key stakeholders to continue to strive for a world class program.





**NEW BALANCE'S EFFORTS AGAINST CHILD LABOR** In 2010, an audit uncovered a 14-year old girl working in a New Balance supplier factory in China—a major violation of the New Balance Supplier Code of Conduct. The New Balance Social Compliance Team moved quickly to identify the underage worker, whose mother also worked in the factory. We held intense discussions with factory management regarding the business and legal implications of hiring underage workers. Ultimately, the factory took responsibility for their poor hiring practices and worked to improve their screening processes to ensure that all new-hires are of legal age. Our Social Compliance Team worked to ensure that the underage worker was removed from the workplace (she was able to continue living in the factory dormitory with her mother), and attend a local vocational high school, paid for by factory management.





**SOCIAL COMPLIANCE CHALLENGES** New Balance is proud of our success to date with our Social Compliance program, particularly in our core factories making New Balance branded shoes. Our challenge now is to improve the effectiveness of our code of conduct across the more distant parts of our supply chain, particularly in our licensee factories. We are currently working on a new initiative with external monitoring resources to improve our audit coverage of these licensee factories, which will also open up resources to strengthen our internal team oversight of apparel and other company branded product facilities.

We face an ongoing challenge in efficiently managing the flow of compliance information for our growing supply chain. Last year, we underwent a significant upgrade of our information technology systems that we hope will provide more detailed tracking of supplier factories' performance and the ability to use trend analysis to inform future program initiatives. We also officially integrated the Social Compliance program into our product sourcing team, a re-alignment that not only gives compliance and sourcing managers more timely access to factory compliance information, but also ensures more aligned communication to factory management when we need to address specific social compliance concerns.

Over the last few years, we've begun to address issues with some raw materials used in New Balance products. However, small quantities purchased from producers with immense scale of production provides us with limited leverage to influence their internal operations (the exception being our key shoe material suppliers). Cotton, for example, is a material where we are a relatively small user and not recognized as a significant customer. To address workplace problems that arise in these supply chains, we typically work together with other concerned companies, non-governmental organizations (NGOs), trade unions and other key stakeholders. New Balance has joined initiatives in two areas:

- **FORCED CHILD LABOR** For many years, companies and other stakeholders have spoken out against the use of forced child labor in the production of cotton in Uzbekistan. New Balance formally requires our suppliers not to use Uzbek cotton.
- **BONDED LABOR** New Balance recently signed a statement along with a number of other companies condemning the practice of bonded labor in the textile sector in India.

 [READ THE STATEMENT](#)







**INDUSTRY COLLABORATION** Beginning in the 1990s, companies and brands began to work collaboratively to achieve social compliance performance that individual organizations had found difficult to accomplish alone. Recently, New Balance has joined other companies, universities and nonprofit organizations to participate in joint efforts to improve working conditions in countries where we have suppliers. In this way we can magnify the benefits of social compliance efforts, learn from others, and share our knowledge and experience.

We are working closely with the following multi-stakeholder organizations.

**FAIR LABOR ASSOCIATION (FLA):** In January 2010, New Balance joined this long-standing, multi-stakeholder organization of colleges and universities, NGOs and brand owners. As a participating company in the FLA, we have the opportunity to:

- Collaborate and learn from other company experiences in social compliance, participate in multi-stakeholder dialogue and wrestle with some of the most challenging issues facing our industry today.
- Adopt FLA Company Obligations and Benchmarks to strengthen our program.
- Use sophisticated audit tools, self-assessment forms and other materials developed through multi-stakeholder consultation to help better articulate our requirements to suppliers and ensure that our internal program meets the highest standards.

FAIRLABOR.ORG

**SUSTAINABLE APPAREL COALITION (SAC):** In 2010, New Balance became a Founding Circle member of this group, which was comprised of 30 leading companies. While the Coalition's work is helping the industry focus on minimizing environmental impacts in the development and production of footwear and apparel, the SAC has recognized that environmental sustainability cannot be separated from the fair treatment of workers. Because of this shared conviction, New Balance has become involved in the SAC effort to develop a Social Compliance Index to complement the planned Sustainability Index.

APPARELCOALITION.ORG

**BETTER WORK/BETTER FACTORIES CAMBODIA:** In 2010, New Balance signed the International Buyers Principles of the ILO Better Work program. The Better Work and Better Factories Cambodia programs are a unique partnership between the International Labor Organization (ILO) and the International Finance Corporation (IFC) that seek to help governments, workers and companies achieve compliance with the ILO's core labor standards and national labor law. We actively participate in the ILO Better Factories Cambodia (BFC) and Better Work programs in Vietnam, Jordan, Indonesia and Haiti.

BETTERWORK.ORG

**FAIR FACTORIES CLEARINGHOUSE (FFC):** In 2010, New Balance joined this web-based data sharing platform. With more than 20 member companies, New Balance is able to interact with most brands with whom we share factories to exchange audit data and work together to respond to problems.

FAIRFACTORIES.ORG

## MARKETING COMPLIANCE

New Balance remains dedicated to complying fully with guidelines, regulations and laws governing marketing and economic behavior. Over the past year, New Balance has been involved in several lawsuits with respect to our toning shoes. The basis of the lawsuits involves marketing claims about the product and its benefits to consumers. As a result of these lawsuits, New Balance examined our process to authenticate and substantiate all product claims that are targeted to consumers. These might be benefits to the consumer, features in the product, or comparisons to competitive products. What we found was that we needed to develop a better system of substantiating claims for both the protection of the company and our consumers in response to an increase in regulations, at both the state and federal level, that are designed to protect consumers. In addition, as a company, we were incorporating more features to keep our products in a competitive advantage. Working with our legal, development and marketing teams, we are implementing a system which will give us the confidence in our claims that our products perform for our consumers as we intend.



Sustainable  
Apparel  
Coalition



FAIR LABOR  
ASSOCIATION

**A BODY IN  
MOTION IS  
ALWAYS  
HEADED IN  
THE RIGHT  
DIRECTION**



## MOVING FORWARD TOGETHER: TRAINING, COMPLIANCE AND BEYOND

We strive to ensure that the New Balance programs for domestic and contract facilities are individually extensive in coverage, comprehensive in scope and forward-thinking in integrating training to build capacity for sustained workplace compliance. Looking ahead, we will be working to show the benefits of compliance in a more quantitative and sustained way, which includes outlining key benchmarks to mark progress toward our program goals. We recognize that OSHA violations at New Balance domestic facilities indicate a need for additional management attention to workplace safety and health.

As a company that both owns manufacturing facilities and works with contract suppliers worldwide, we have a unique opportunity to leverage our experiences with many different approaches and apply learnings from one set of facilities to others. Longer term, New Balance is working towards a more global approach that integrates compliance programs under an overall, broadly conceived management system that uses the best elements from U.S., European and global labor and environmental, health and safety standards.



THE NEW BALANCE VISION FOR COMPLIANCE IN 2020 is of an integrated management and compliance program that encompasses all contributors to New Balance products across the supply chain, whether directly owned, contract or material suppliers. New Balance also seeks to be a thought leader in this area, participating in global multi-stakeholder coalitions to address environmental and social challenges that a single brand cannot take on alone. The New Balance vision for our people is to consistently offer engaging opportunities for intellectual growth, to seek the best in training and development, to achieve world-class compliance levels, and to reward progress. New Balance seeks to provide an environment where associates can develop to their potential and continue to be challenged as they move the business forward.



WE MUST PUSH WITH ONE HAND

AND HELP WITH THE OTHER.



FOR OVER HALF A CENTURY, WE — OUR ASSOCIATES, THE COMPANY, OUR FOUNDATION — HAVE BEEN PROMOTING SUSTAINABLE CHANGE BY SHARING WHAT WE KNOW, VOLUNTEERING OUR TIME, AND GIVING GENEROUSLY TO THE GLOBAL COMMUNITIES WE SERVE.

Since the first charitable donation in 1954, New Balance has grown its commitment to the communities we serve. While we emphasize supporting the communities in our own backyard, we also strive to move the world. Through the New Balance Foundation, corporate giving, volunteer opportunities and owned production facilities, New Balance maintains our founding values, our culture of Responsible Leadership, and our ability to give back. We know we must do well, but we must also do good.

NEW HIRE BOOK

“RESPONSIBLE LEADERSHIP HAS ALWAYS BEEN AT THE HEART OF OUR ORGANIZATION. NOT A BUZZ WORD, NOT A FLAVOR OF THE MONTH, NOT SOMETHING YOU CAN LEARN IN A THREE-DAY

SEMINAR. WE REALIZED THAT THIS IS MORAL FIBER THAT IS WOVEN INTO OUR CULTURE. IT IS PART OF WHO WE ARE AND WHAT WE STRIVE TO BE.”

—Anne Davis, New Balance Vice Chair

## FOUNDATION AND CORPORATE PHILANTHROPY

The New Balance brand is built on health and wellness; we create products that inspire our consumers to move further, faster and more frequently. Our mission statement underscores our commitment to being a supportive member of our communities.



SUSAN G. KOMEN FOR THE CURE



WEST END HOUSE

KEY PERFORMANCE INDICATORS

	2010	2020 VISION
<b>ASSOCIATE VOLUNTEERISM PERCENTAGE</b> % OF ASSOCIATE PARTICIPANTS	U.S. 21% INT 2.7%*	100% OF ASSOCIATES ACTIVELY ENGAGED
<b>ASSOCIATE VOLUNTEERISM PERSON-HOURS</b> TOTAL PERSON-HOURS	5,136	4 HOURS AVERAGE PER ASSOCIATE
<b>GLOBAL COMPANY &amp; FOUNDATION GIVING</b> (CASH, IN-KIND, AND PRODUCT) TOTAL ANNUAL GIVING	\$10,908,725	PROVIDE AN ADDITIONAL \$110,000,000 OVER 2011-2020
<b>LOCAL COMMUNITY ECONOMIC IMPACT</b> LOCAL PURCHASING AND CHARITABLE CONTRIBUTIONS IN NEW ENGLAND—CHANGE IN IMPACT OVER PREVIOUS YEAR	\$138,000,000	5 CONSECUTIVE YEARS OF GROWTH IN IMPACT

\*This data may be under-reported. We are working on improving our measurement systems.

CRADLES TO CRAYONS



PAN MASS CHALLENGE





## DEMONSTRATING RESPONSIBLE LEADERSHIP, WE BUILD GLOBAL BRANDS THAT ATHLETES ARE PROUD TO WEAR, ASSOCIATES ARE PROUD TO CREATE, AND COMMUNITIES ARE PROUD TO HOST.

New Balance owners Jim and Anne Davis established the New Balance Foundation in 1981 with funds generated from the company's profits. The Foundation supports continued corporate giving through partnerships that advance a diverse range of worthwhile initiatives, particularly programs that address the prevention of childhood obesity. Since its inception, the New Balance Foundation has invested more than \$50 million in causes that will make a long-lasting and sustainable impact. The Foundation strives to promote healthy lifestyles, particularly in youth, and overall community improvement.

FOUNDATION SUMMARY REPORTS:  
MOVING FORWARD, GIVING BACK  
THE GIVING VOICE

**NEW BALANCE FOUNDATION MISSION:**  
TO SUPPORT CHARITABLE ORGANIZATIONS  
WHOSE HUMANITARIAN EFFORTS WORK FOR  
THE BETTERMENT OF OUR CHILDREN AND  
COMMUNITIES, WITH A PRINCIPAL FOCUS  
ON PROMOTING HEALTHY LIFESTYLES WHILE  
WORKING TOWARDS THE PREVENTION OF  
CHILDHOOD OBESITY. IN SERVICE OF THIS  
MISSION, THE FOUNDATION IS COMMITTED  
TO SUPPORTING GRASSROOTS CHILDREN'S  
INITIATIVES IN THE COMMUNITIES IN WHICH  
NEW BALANCE OPERATES FACILITIES.

Combined donations for New Balance corporate giving and the New Balance Foundation totaled nearly \$11 million in 2010, or approximately 0.7 percent of global sales. Company support includes grants, product and in-kind donations, associate volunteerism and sponsorships.

**SUSAN G. KOMEN FOR THE CURE®** Since 1989, New Balance has partnered with Susan G. Komen for the Cure® at the corporate level and has been a National Series Sponsor of the Race for the Cure since 1991—making New Balance the longest-running sponsor of the Race series.

In 2010, more than 1.6 million people participated in the Race for the Cure Series in 127 5k races. As a National Series Sponsor, New Balance worked with 79 retailers (up from 24 in 2009) and Komen for the Cure Affiliates across the U.S. to promote awareness through cross-promotions at the local level.

In addition, New Balance has been a National Series Sponsor of the 3-Day for the Cure®, a 60-mile walk. In 2010, walks were held in 15 markets with nearly 34,000 participants. New Balance stores had a significant presence leading Gear Up Gatherings and training walks. Overall sales of the Lace Up for the Cure® Collection of shoes, apparel and accessories (of which five percent is donated back to Susan G. Komen for the Cure®, with a minimum donation of \$500,000) resulted in a total donation of nearly \$1.4 million.

NEWBALANCE.COM/KOMEN  
KOMEN.ORG  
THE3DAY.ORG

**PAN MASS CHALLENGE** This bike-a-thon raises millions of dollars for cancer treatment and research at the Dana-Farber Cancer Institute through its Jimmy Fund. In 2010, New Balance became the co-presenting sponsor of the Pan Mass Challenge alongside the Red Sox Foundation. In addition to providing 6,000 bike bags and rider jerseys for all participants and 15,400 t-shirts for volunteers, New Balance established a Pan Mass Challenge-branded online store. Riders and volunteers received a 15-percent discount on New Balance items, with 15 percent of retail sales donated to the Pan Mass Challenge. For the “heavy hitters”—those who raised more than \$6,300—New Balance created 1,900 custom Pan Mass Challenge 498s that were given out at a special dinner. Many associates and President and CEO, Rob DeMartini represented New Balance at the event. Rob participated in his fifth PMC ride in 2011.

PMC.ORG





## new balance FOUNDATION Obesity Prevention Center Boston Children's Hospital

CHILDREN'S HOSPITAL BOSTON received a \$7 million gift in January 2011 from the New Balance Foundation to establish the New Balance Foundation Center for Childhood Obesity Prevention. This landmark gift—the largest for Children's Hospital ever—will help transform the lives of overweight and obese children nationwide with research and programs.

Currently, Children's Hospital's multidisciplinary pediatric obesity treatment program, Optimal Weight for Life (OWL), is one of the largest and most prominent in the U.S. It evaluates and treats more than 1,000 at-risk children annually.

Through the newly-established Center, David Ludwig MD PhD, and his team is expanding and enhancing clinical care, continuing obesity research, and developing resources to spread knowledge beyond Children's Hospital to a national and global audience. Specifically, the Center's team will create a toolkit, a community-based health guide, and a website that will become go-to resources for kids, families, nonprofit partners, community health centers, schools and others. The Center hosts meetings and nutrition/fitness-focused events each year and a national symposium every two years to bring together experts and other organizations to present obesity research findings and share ideas on best practices in translating research into clinical care.

 [CHILDRENSHOSPITAL.ORG](http://CHILDRENSHOSPITAL.ORG)



**PLAYWORKS** In November 2011, New Balance Foundation announced a national partnership with Playworks, a national nonprofit organization that supports learning and a positive school climate by providing healthy, inclusive play and physical activity. Together, they expect to expand the power of play to more than 120,000 students in 22 cities across the U.S. New Balance Foundation's \$1.2 million investment over two years will help drive advocacy, outreach, engagement and other initiatives that directly work to build the movement for play. The funding will also support professional development initiatives for the hundreds of Playworks coaches who serve low-income schools nationwide. As part of the agreement, New Balance will be the official footwear and apparel provider for Playworks and will outfit the coaches on the playground.

 [PLAYWORKS.ORG](http://PLAYWORKS.ORG)



**CHILDHOOD OBESITY** The core focus of the New Balance Foundation is the prevention of childhood obesity, which we believe contributes significantly to the overall health and wellbeing of our communities. We use a holistic approach that includes medical, academic and grassroots nonprofit partnerships and work with partners who engage kids and their families through exercise and play as well as nutrition.

In 2010, New Balance Foundation entered a multi-year partnership with nationally-distributed *ChopChop* magazine to inspire and educate children on the topic of cooking, nutritional literacy and exercise. We look

forward to bringing what we learn here to our other partners as we all work together to better the lives of children and families.

➤ [CHOPCHOPMAG.ORG](http://CHOPCHOPMAG.ORG)

In 2011, New Balance Foundation established a new partnership with Playworks, a national nonprofit organization that supports learning by providing safe and healthy physical activity to schools at recess. New Balance supported school sponsorship along with volunteer and employee engagement activities at 27 schools in Metro Boston.

# CHOP CHOP

THE FUN COOKING MAGAZINE FOR FAMILIES  
FALL 2011



# METROLACROSSE



# WEST END HOUSE



# HABITAT FOR HU.



**NEW ENGLAND AQUARIUM** In 2007, New Balance Foundation pledged \$3 million to the New England Aquarium to establish the New Balance Foundation Marine Mammal Center. The goals of this new center are to educate all visitors about wildlife conservation and present these charismatic marine mammals as role models for children in developing and maintaining healthy, active lifestyles. Programs encourage young people to “Move It” with an innovative New Balance Foundation Marine Mammal Center guide that highlights exercises that mimic the seals’ activities. Hosting more than 1.3 million visitors each year, the Aquarium is a leading ocean conservation organization with research scientists working around the globe while also serving as a major public education resource in New England.

Additionally New Balance partners with a wide range of other small and large organizations in New England to drive awareness around healthy lifestyles and movement, including the Greater Lawrence Family Health Center, Kids in Motion at the West End House in Allston, MA, New Balance Foundation Kid Power at the Waterville, ME, YMCA and Boys and Girls Club, Tenacity, Franciscan Children’s Hospital and Habitat for Humanity.

**METROLACROSSE** We are particularly interested in working with underserved youth. New Balance Foundation has had a 10-year partnership with nonprofit MetroLacrosse, the largest urban lacrosse and education program in the country. MetroLacrosse uses the sport of lacrosse to spread the importance of physical fitness, nutrition and life skills such as teamwork, leadership, dedication and perseverance to young people who may not have easy access to the sport. To date, the New Balance Foundation, together with New Balance, Warrior and Brine, have provided more than \$2 million in financial support and product donations to sponsor lacrosse-based youth development programs. *Boston Business Journal* honored New Balance Foundation with the 2011 Community Partner Award for our work with MetroLacrosse.

➤ FIND OUT MORE ABOUT THE NEW BALANCE FOUNDATION GRANTS PROCESS

**DISASTER RELIEF** From the company’s very first donation to the American Red Cross in 1954, to supporting our extended family in every region of the world, the New Balance Foundation and New Balance associates have tried to help those in need. We have helped supply product and financial support after the 2004 Indian Ocean earthquake/tsunami, the 2005 Hurricane Katrina, the 2008 China earthquake, the 2010 Haiti earthquake and the 2011 earthquake and tsunami in Japan, just to name a few. A few grant recipients, such as the International Red Cross, work in the U.S. and globally.

Beyond disaster relief, the New Balance Foundation is challenged to extend its giving outside of the U.S. The Foundation is exploring several ways in which it can support nonprofits in New Balance communities outside the U.S. We are in the process of establishing an international foundation which will be named the New Balance Foundation for International Giving.

MANITY

# ASSOCIATE VOLUNTEERISM

New Balance supports a culture of giving and volunteering among our associates. We provide opportunities to increase their participation in their communities during and outside of work hours. Our new-hire orientation program in Boston and Lawrence, MA, includes a segment that introduces new employees to our Community Connection program, complete with a half-day of service at a local nonprofit alongside other new hires.

New Balance volunteerism and giving back is just as important to our factory associates as it is to office associates. In fact, Maine factory associates have logged roughly 4,800 volunteer hours from 2007–2010—equivalent to 600 work days—through our Community Connection program. In 2010, through the Move More Kids program supported by the Foundation, we “moved” 8,766 children and adults in Maine. Our long-term goal is to have company associates average at least four hours of volunteerism

a year. This is a particularly significant and challenging goal for a company that includes manufacturing teams.

SEE NEW BALANCE ASSOCIATE VOLUNTEERS IN ACTION

Across the globe, New Balance offices and New Balance branded retail locations support local causes and communities. In South Africa, New Balance associates have partnered with a nonprofit that helps schools provide children with food, clothing and educational materials. New Balance Guangzhou associates regularly volunteer at a school for disabled students. Unfortunately our measurement systems for global and retail involvement are still being developed. Right now we are only capturing a small percentage of our 1,400 international associates who participate in volunteer activities.

Finally, we believe this focus on community pays off in associate satisfaction. In our 2010 annual global associate survey, more than 95 percent of associates reported that they “were proud of the way we support our community,” and more than 96 percent say that “we are proud to work at New Balance.”



## KaBOOM! PLAYGROUND BUILD



# GLOBAL VOLUNTEERISM



# ASSOCIATE VOLUNTEERISM

**COMMUNITY CONNECTION** provides associates with an opportunity to volunteer with nonprofits on company time. In 2010, more than 500 New Balance associates in the U.S. volunteered more than 5,136 hours on 50 service projects with 30 community organizations. Internationally, more than 30 associates gave 124 hours of their time to projects in their communities.

**DOLLARS-FOR-DOERS** allows associates who volunteer on their own time with approved organizations to earn a cash donation to the organization. The more time they spend volunteering, the greater the donation provided by New Balance.

**PERSONAL VOLUNTEER TIME** enables associates who volunteer eight hours at a nonprofit of their choice to receive a full day's pay as if they were working their regular job at New Balance.

**CORPORATE MATCH** doubles associates' charitable donations to organizations and causes. Each associate is entitled to \$500 worth of matching funds annually.

**HOLIDAY AND CHARITY DRIVES** help meet local needs in any New Balance community where associates wish to organize a fundraising event. These have included bake sales for a food pantry, Toys for Tots and food and clothing drives for local children's organizations.

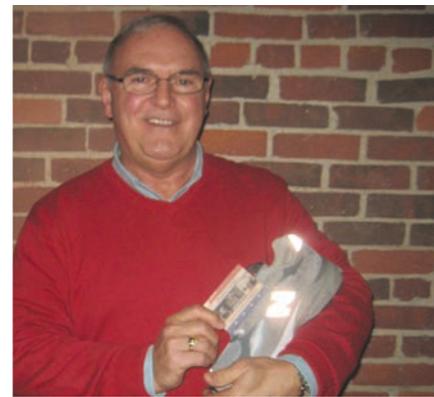
# GENERATIONS OF SHOES

"You used to walk down these streets and see nothing but shoe manufacturers," said George Skafas, production manager, Lawrence, MA. "I have memories of walking around hearing the sounds of shoes being manufactured. Today, thankfully, New Balance remains committed to domestic manufacturing and our associates."



Skafas has deep-seeded roots in the manufacturing business, with a family history of shoe manufacturers. His parents, grandparents, aunts, uncles and one of his sons all worked for a variety of manufacturers.

"For four generations, my family has worked in the shoe-making business. And with more than 50 years in the industry and 12 years with New Balance, I've seen it evolve," Skafas said. "My early days, prior to coming to New Balance, were tense and stressful. It was about getting as much out the door as quickly as possible."



Today, Skafas embraces New Balance's devotion to continuous improvement and lean manufacturing.



"We're dedicated to quality and associate development on all levels, which fosters a warm and unique atmosphere," Skafas said. "It truly comes from the top, and Jim and Anne's devotion to our culture and values."



# LOCAL COMMITMENT ON A GLOBAL SCALE

New Balance owns and operates five U.S.-based athletic footwear factories that employ 1,300 associates in New England, along with 225 employees at our owned factory in Flimby, England. We also have a dedicated supplier who operates a New Balance footwear manufacturing facility in California. As noted in chapter one, to further meet global demand, we work with contract footwear and apparel manufacturers in other countries, including China, Vietnam and Indonesia.

New Balance has the distinction of being the only company still producing athletic footwear in the U.S., with a long history of supporting local communities who host our facilities. As a U.S. manufacturer, we purchase goods and services from more than 38 U.S.-based suppliers who employ more than 5,356 U.S. workers.

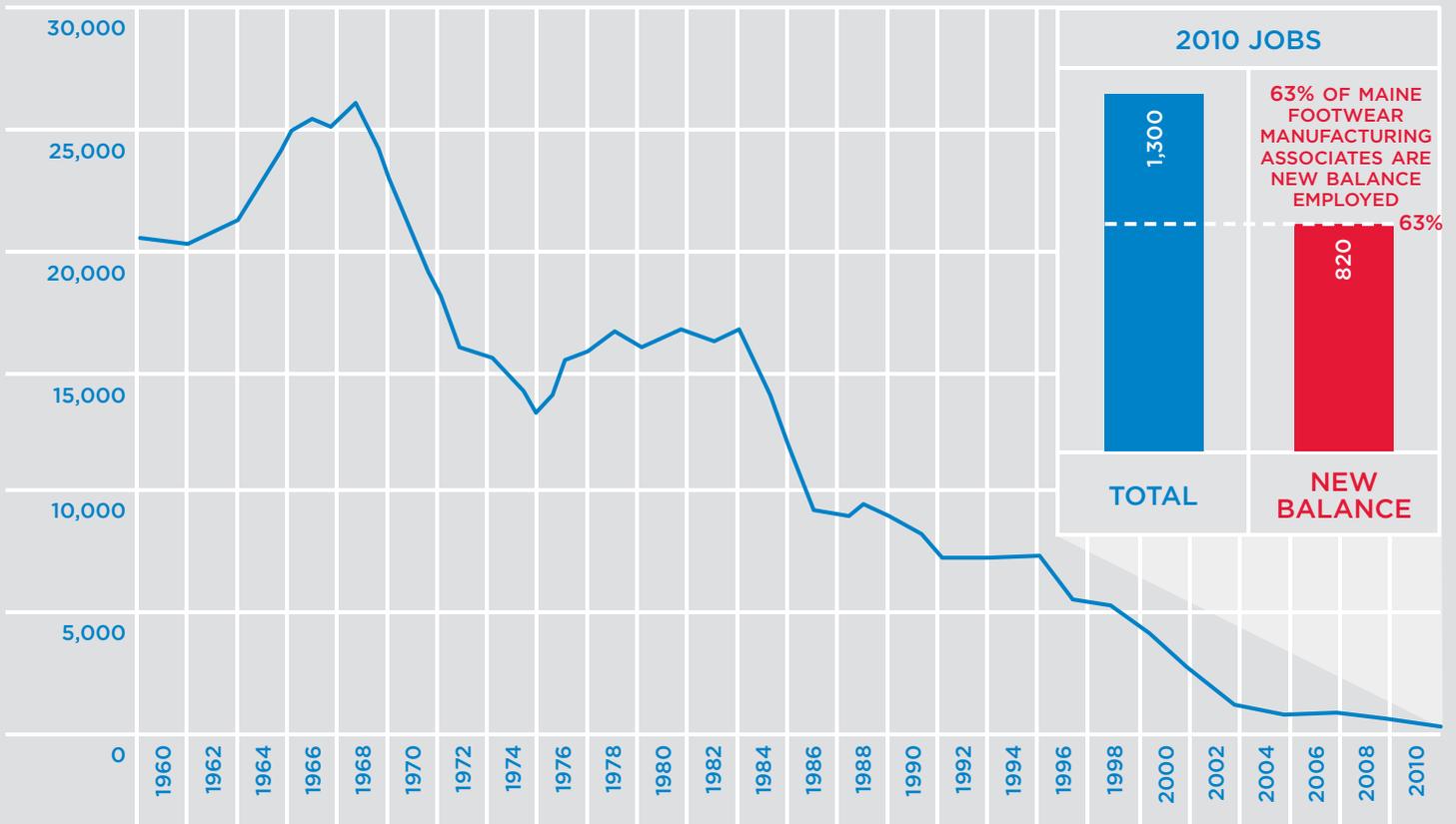
We strongly believe that maintaining our own production facilities brings value to our customers. It also brings value to the company through the close connection that marries innovation in product research and development with the manufacturing flexibility of the craftspeople

who produce our shoes. The commitment of New Balance to maintaining domestic production capacity is reflected in the presence of third generation associates in our factories in New England.

**COMMUNITY ECONOMIC SUPPORT AND DOMESTIC PRODUCTION** New Balance has a significant impact on the New England economy, particularly in Massachusetts and Maine, due to our manufacturing and distribution operations, corporate headquarters and retail stores. Expenditures for salaries, purchases, capital improvements and charitable giving in 2009 for the six New England states totaled nearly \$138 million. The ripple effects of these expenditures (e.g., when households earn salaries from New Balance, they spend money on food, housing, clothing, recreation, charities, etc.) increase the impact throughout the New England economy and beyond by some estimates of a 2.38 multiplier—or an estimated total impact of almost \$330 million a year into the New England economy.

The chart below shows Maine footwear manufacturing jobs over the last 50 years. Employment hit a peak of around 26,000 in the late 1960s, trending down rapidly in the years since to just 1,300 in 2010. New Balance accounts for more than half of the footwear employment that remains in 2010.

FOOTWEAR MANUFACTURING JOBS IN MAINE



Source: Glen Mills, Maine Dept of Labor. 1 Personal communication, Glen Mills, Director of Economic Research, Center for Workforce Research & Information, Maine Dept. of Labor, email September 22, 2011

## CHARLES RIVER PATH



CHARLES RIVER PATH Starting in January 2010, New Balance has provided funding to support snow removal efforts by the Department of Conservation and Recreation (DCR) along the 17-plus mile Charles River path in Boston. New Balance wanted to give runners, joggers and walkers a clear and safe running path so they could move further, faster, and more frequently, no matter what the weather conditions were outside. "New Balance is excited to once again support the DCR's efforts to keep the Charles River clear for recreation," said New Balance CEO Rob DeMartini. "With so many athletes training for the Boston Marathon, outdoor recreation is vital this time of year. Our goal is to continue to enable area fitness enthusiasts the option of working out safely along the Charles River."



NEW BALANCE HUBWAY The innovative New Balance Hubway bike share system launched in July 2011 in partnership with the City of Boston. With 61 stations and more than 600 bikes around the city, New Balance Hubway is a program under Boston Mayor Thomas M. Menino's nationally recognized Boston Bikes initiatives to make Boston one of the world's premiere cycling cities. New Balance Hubway promotes an environmentally friendly way of transportation by allowing users to rent bikes from one station and return them at another within the city. New Balance Hubway includes a state-of-the-art, third-generation, solar-powered automated system to track usage. In 2011, more than 3,000 early adopters signed on and 80,000 trips were taken. New Balance is proud to partner with the City of Boston to help promote physical fitness and alternative transportation.

 [THEHUBWAY.COM](http://THEHUBWAY.COM)



## HOLDING OURSELVES ACCOUNTABLE

New Balance compares favorably on several community and employee measures, particularly on philanthropic donations and gender diversity. However, it's imperative that we improve our reporting measures because we know there is more activity taking place worldwide than we are accurately capturing right now.

ISSUE	METRIC	NEW BALANCE
PHILANTHROPIC DONATIONS	% OF SALES	0.7%
ASSOCIATE VOLUNTEERISM	HOURS/ ASSOCIATE	1.30*

\*U.S., \*\*North America only available data.  
 \*\*\*Global only available data.

Each of our volunteer programs connects our associates with opportunities to physically and emotionally move the world and protect the planet. Activities also connect associates to the work of the New Balance Foundation: our grant recipients offer volunteer opportunities to our associates so that they can experience our investment firsthand.

## MOVING THE MOVEMENT FORWARD

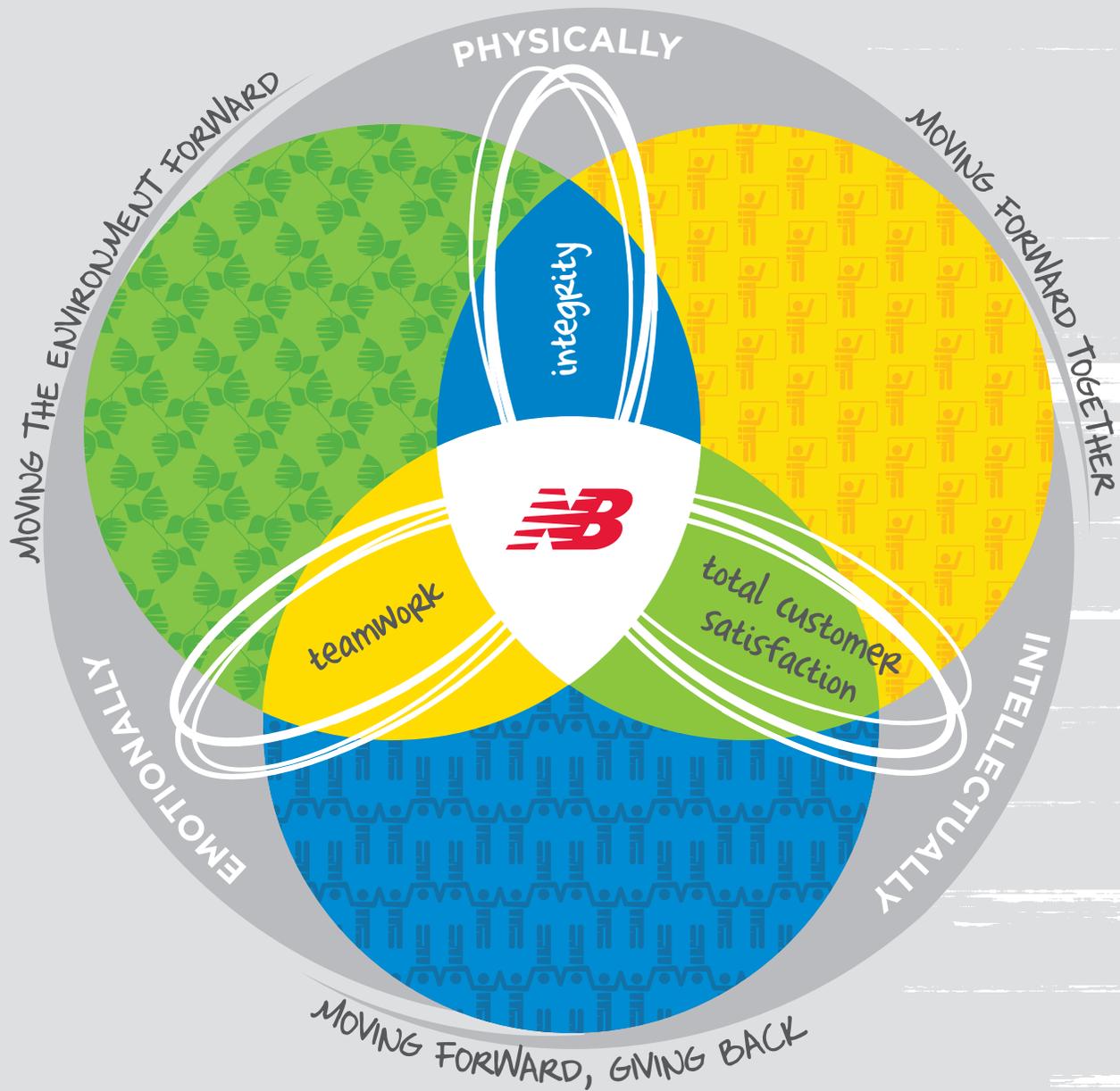
Our interest in making a difference in the health of youth worldwide has led us to a renewed focus on movement and energy. Our internal rallying cry of Let's Move the World is a platform for moving people physically and intellectually. We engage with technology innovators who are developing novel ways to capture human motion and transform it into useful energy in the form of electricity. We are interested in inspiring people to move in our footwear and apparel—even one day capturing the energy generated by consumer movement.

Even our athletes give back. Our approach to athlete contracts is unique, as it's much more about partnership than celebrity. We only partner with world-class athletes who are the best in their sport and who also share our values and commitment to giving back. This includes Jenny Barringer-Simpson, a World Champion, American record holder, Olympian and committed role model for inspiring girls; and Dustin Pedroia, an all-star baseball player who is a dynamic advocate for the Run to Home Base program. We are working on developing a scorecard to evaluate our athletes on their annual charitable contributions and community philanthropy.

Philanthropy and volunteerism is deeply embedded in the company. Although we have had numerous successes with our international programs in general, we are less successful in measuring volunteerism among our associates globally and among our retail team members. We strive to determine on a daily basis if we are making a meaningful and sustainable impact and how best to measure progress, learn from it and inspire real change. We are not just interested in counting volunteer hours or gifting dollars. We really want to continue to learn from our efforts and our stakeholders, and then turn those learnings into sustainable change.

OUR VISION FOR NEW BALANCE IN 2020 is to be recognized nationally for being best at embedding Responsible Leadership across the entire company, domestically and internationally; to be known for innovative programs that deliver better performance on all aspects of Responsible Leadership; and to be acknowledged as an exemplary example of an ethical corporate citizen.

NEW BALANCE HAS LONG BEEN COMMITTED TO FURTHERING THE MOVEMENT FOR MOVEMENT, AND INSPIRING MOVEMENT AROUND THE GLOBE. NEW BALANCE RESPONSIBLE LEADERSHIP HAS TAKEN THIS SEVERAL STEPS FURTHER, SETTING IN MOTION A MISSION TO TRANSFORM OUR COLLECTIVE ENERGY AND MOVE THE WORLD.



**THIS IS HOW WE MOVE**

We operate today with the same core values and sense of responsibility that we've always possessed. These ideals have successfully carried us through more than a century of accomplishment.

This report expresses a deepening commitment in how we live out our historic ideals. Our three areas of leadership

**MOVING FORWARD, GIVING BACK**  
**MOVING THE ENVIRONMENT FORWARD**  
**MOVING FORWARD TOGETHER**

were created to perform in harmony with one another.

By simultaneously engaging in all three, we can move the world physically, emotionally and intellectually.



WORKING TOGETHER. BUILDING MOMENTUM. Today, New Balance has implemented the necessary strategies and systems to accurately measure our successes in these three areas and report that data back to you. This transparent approach to our findings, and a sincere call for feedback to drive change for the better, underscore our pledge for continuous improvement in all of our endeavors.

We invite your comments and suggestions at:

[RLReport@NewBalance.com](mailto:RLReport@NewBalance.com)

“WHAT I HOPE FOR EVERYONE

WHO WORKS AT NEW BALANCE IS

THAT WE DON'T SIMPLY TALK ABOUT THE

CONCEPT OF CORPORATE RESPONSIBILITY.



INSTEAD, WE SHOULD EACH CARRY



AS A FIBER OF OUR BEING

AN ATTITUDE OF CONTRIBUTION AND CARING.”

—ANNE DAVIS

LETTERS

MOVIE

THE

WORLD

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### CHAPTER

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