

RUNNING RESPONSIBLY

2011/2012 Brooks Sports, Inc. Corporate Responsibility Report



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**RUN
HAPPY**

A MESSAGE FROM OUR CEO

At Brooks Running Company, we exist to inspire people to run and be active. We express our mission in part through the high-performance running gear we create, helping to facilitate an active, fit and healthy lifestyle for our customers. We're 500+ people around the world who are united by a desire to do meaningful work, and to run, move, and live an active and happy life.

We want everyone associated with our brand—from customers, our partners and their employees to the world around us—to benefit from exceptional product. But we're keenly aware that because we create physical products, we inherently impact the earth and people around us. And knowing that most runners prefer logging miles outdoors only heightens our interest in preserving the earth (as a place to run with clean air) and keeping water clean (for hydration). Our customers care about Brooks' footprint as well.

Our rapid growth over recent years compounds our impact; as demand for our brand increases, we match it. We speed up, add headcount, make and ship more product, expand into new territories. We've doubled our business in the last three years—a great achievement for Brooks, but also greater environmental and social effects as a result.

This "Running Responsibly" corporate responsibility report examines many of our environmental impacts on a per-shoe basis so runners have a personal understanding of what they're buying into when they choose Brooks. We also analyze our impacts against a host of other corporate and social responsibility measures. For example, among our top seven footwear styles, nearly half of the average total shoe weight came from environmentally preferred materials, up 12% since our 2009 baseline. And if we look

through that per-shoe lens, we find that even as we produced more gear to meet higher demand, we reduced greenhouse gas emissions 22% per shoe since 2010. Our report highlights these measures and more, as well as some challenges in our progress against earlier baselines and benchmarks—great strides in some areas and much work yet to do in others.

As we begin each day, our mission is to inspire people to run, to be active, to move. This is a high calling that can improve people's lives and we deliver on it when we give runners "runnable" gear. If we don't do that, we fail them. So while sustainability serves as a filter for every decision we make regarding product, sourcing, manufacturing and operations, we're careful not to degrade the performance of product runners trust to take them the distance. Our long-term focus is to be the best at making great running gear in the least impactful way possible.

After all, runners can choose from many brands. We believe most want to align with one that connects—one that gets them, one that celebrates their love of the run, and one that values doing things right as much as doing the right things. So at the end of the day, it's not just what we do, it's how we do it that matters. We look forward to sharing our progress with you along the way.



Sincerely,

A handwritten signature in black ink, appearing to read "J. Weber".

Jim Weber

President & CEO, Brooks Sports, Inc.

ABOUT THIS REPORT

The intention of this, our second corporate responsibility report, is to provide our stakeholders with a performance update of our material, social and environmental issues. For further information regarding our understanding of our impacts and detailed approaches, please consult our inaugural 2009 – 2010 corporate responsibility report and our Running Responsibly website. www.brooksrunning.com/runningresponsibly

Scope and Boundary

In this report, we outline our progress toward reducing the environmental and social impacts of Brooks Sports, Inc., during calendar years 2011 and 2012, except where otherwise noted. Our reporting covers impacts associated with all our global business operations, our product for both Brooks and Moving Comfort brands, and in instances where we have been able to obtain relevant data, from business partners that help manufacture and get our product to market.

Framework

This report is written in accordance with the Global Reporting Initiative (GRI) G3.1 Guidelines. We undertook all necessary measures to ensure the reported information is complete, accurate, and balanced. As such, this report depicts our best efforts to disclose information on all our material impacts. When data was unavailable, or not as complete as we would like, we included explanation. Brooks self-declares this report to meet the standard set out by the GRI for an A level report. We're committed to continually improving our disclosures, transparency and reporting processes as we move forward.



AN INTRODUCTION TO BROOKS SPORTS, INC.

Here at Brooks Sports Inc., we are more than just another company who makes running shoes, we are a company dedicated to the run. To us, running isn't cross-training for another sport—it's an experience to embrace, and we love the friends who share our passion. After we hit the trails for a ten-miler, we come back down and put our knowledge and experience into every Brooks product.

We make high-performance running gear that is meant to help you embody our Run Happy mantra. Our "running only" philosophy has enabled us to cut out any distractions in order to provide the very best gear and the very best service to our customers. From our classic, best-selling Beast and Adrenaline running shoes, to the newest design and latest technology of the PureProject collection, we have truly created the perfect ride for every stride.

Brooks was founded in 1914, and has been a subsidiary of Berkshire Hathaway since 2006. This partnership has allowed Brooks the freedom to choose our own path while still benefiting from the support structure of Berkshire Hathaway. Together with our partner brand, Moving Comfort, we represent the best that the Berkshire model has to offer.

WE DO ONE THING...

And we do it better than anyone on the planet.

Our purpose is simple: We exist to inspire runners and to enhance their running experience.

That's it. No distractions. It's all about the run – our blue line, our compass, our North Star.

For some in the industry that's not enough. But it's more than enough for us. Staying laser-focused has served us well, and it will be a major key to future success.



OFFICES
Seattle, WA (HQ)
Germany
United Kingdom
Austria
Italy
Switzerland

DISTRIBUTION CENTER
Sumner, WA

LICENSEE DISTRIBUTORS
Canada
Chile
Australia
Malaysia

Operating in fifty-five countries around the world, Brooks and Moving Comfort bring exacting quality and enduring vision to every product we make. From enthusiastic design teams to skilled manufacturers and discerning Quality Assurance/Quality Control personnel, we make a product that we stand behind. In the same vein, we believe there is no point in making a great product if it never gets to the people who want to use it. Therefore, we are dedicated to providing the best distribution network and customer service experience possible. We also have licensing agreements with carefully selected independent companies who help spread Run Happy® far and wide. They manage the design, manufacturing, and distribution of specific products using the Brooks name. In 2012, we worked with four licensee distributors around the world.

From top to bottom—and head to toe—Brooks is gear for runners, by runners. By loving what we do and never compromising our standards, we continue to push forward for a new personal best, as only a runner can.

As of December 2012, our brands' collective bench included 458 dedicated employees with operations in the United States, United Kingdom, Germany, Switzerland, Italy, and employees located at manufacturing facilities across Asia, serving our primary markets in North America, Europe, and Asia.

GOALS & PROGRESS



CULTURE GOAL

Organizational Alignment to Values

Align organizational processes, culture, and people to our values.



In a recent employee survey, 85% of respondents believed "Brooks employees live our values".

We plan to measure organization alignment to our values on a periodic basis through employee surveys.



COMMUNITY GOALS

INCREASE RUN B'CAUSE PARTICIPATION

Donation

-23 percent since our baseline in 2009

Achieve 90% U.S. employee product donation participation in the Run B'Cause program by 2017



Volunteering

-8 percent since our baseline in 2009

Achieve 50% U.S. volunteering participation in the Run B'Cause program by 2017



EXPAND RUN B'CAUSE PROGRAM

Expansion

Expand Run B'Cause program to our global offices by 2014



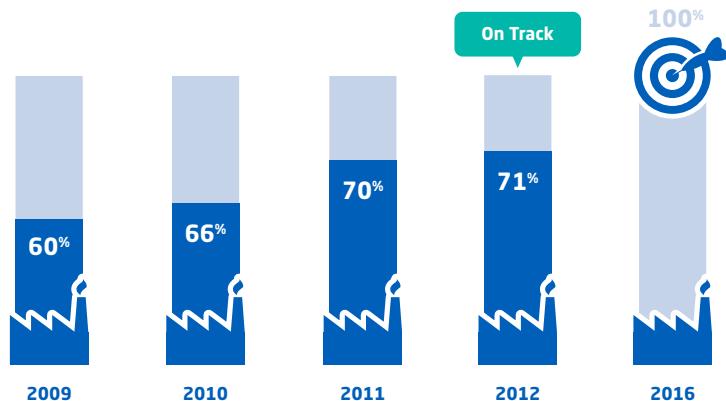


FAIR LABOR GOALS

IMPROVE WORKPLACE CONDITIONS IN OUR SUPPLY CHAIN

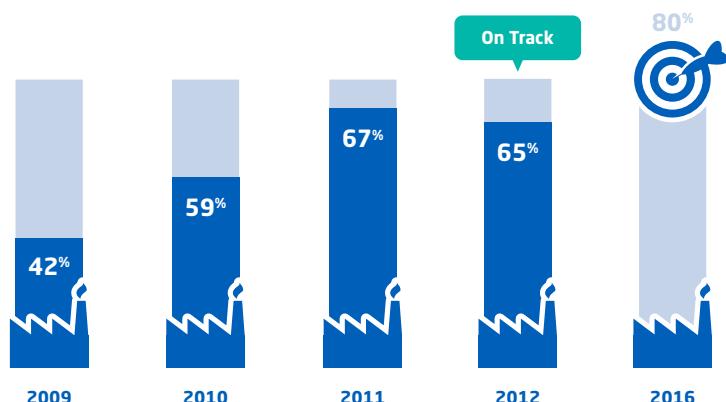
Strategic Tier 1 Suppliers

100% of our strategic tier 1 suppliers to meet our Yellow rating¹ or better by 2016



All Tier 1 & Licensee Factories

80% of all tier 1 and licensee factories to meet our Yellow rating¹ or better by 2016



1. See page 28 for definition.



CLIMATE GOALS

REDUCE OPERATIONAL GHGs AND ENERGY

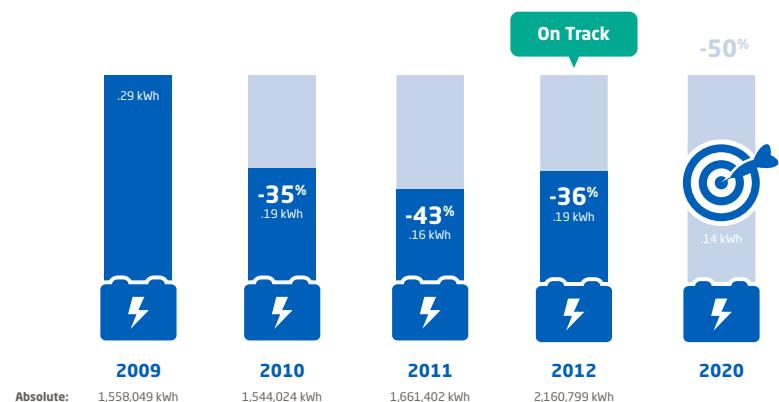
GHG Emissions

Reduce operational GHG emissions per product 50% by 2020, compared to 2009.



Energy Consumption

Reduce operational energy consumption per product 50% by 2020, compared to 2009.



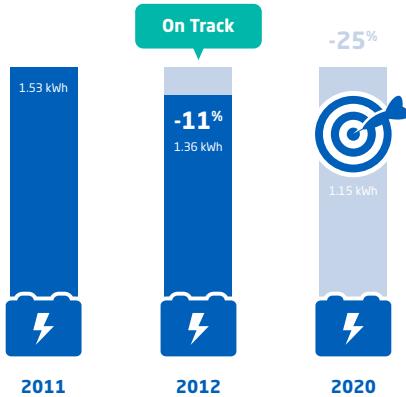


CLIMATE GOALS (CONT.)

REDUCE MANUFACTURING ENERGY AND WATER

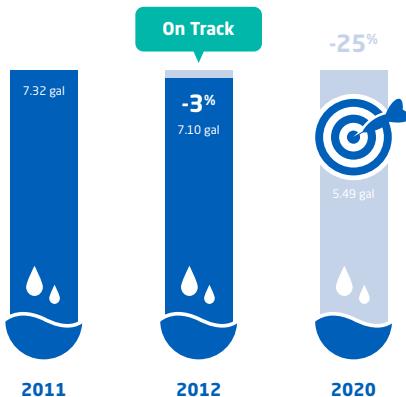
Energy Consumption

Reduce contract manufacturing energy consumption per product 25% by 2020, compared with 2011.



Water Consumption

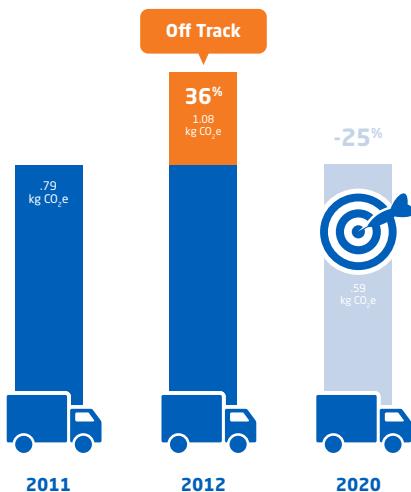
Reduce contract manufacturing water consumption per product 25% by 2020, compared with 2011.



REDUCE TRANSPORTATION GHGs

Inbound Transportation GHGs

Reduce inbound transportation GHG emissions per product 25% by 2020, compared to 2011.



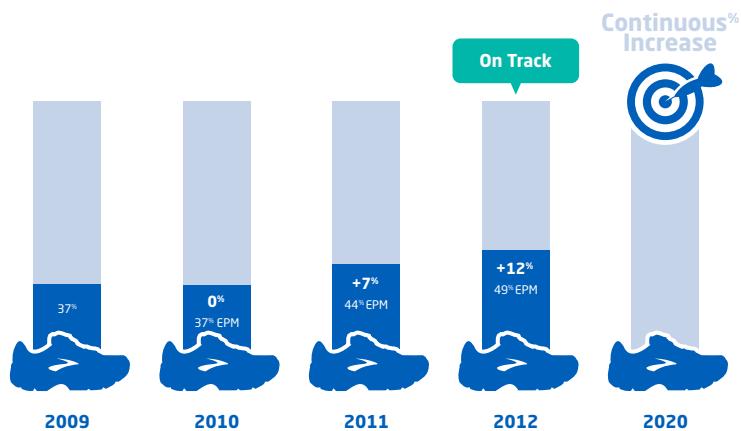


PRODUCT RESPONSIBILITY GOALS

IMPROVE MATERIALS SUSTAINABILITY

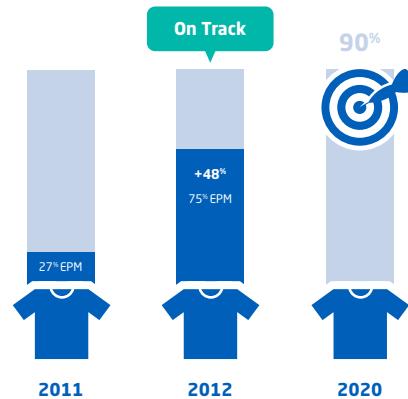
Footwear

Continually increase the amount (by weight) of Environmentally Preferred Materials (EPMs) used in our 7 top-selling footwear styles (see p.48 for definition of EPM)



Apparel

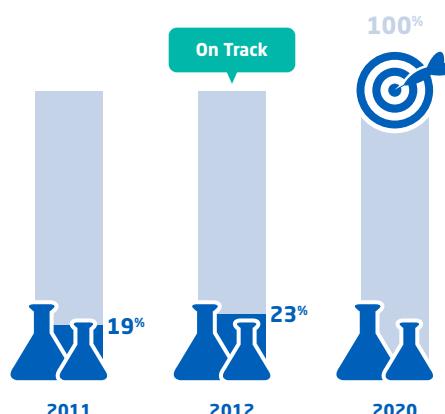
Certify 90% of apparel fabrics in accordance with an industry-best sustainable production standard by 2020.



EMBRACE SUSTAINABLE CHEMISTRY

Eliminate VOCs in Footwear Assembly

Eliminate the use of all VOC-emitting chemicals from footwear assembly by 2020.



Sustainable Chemistry

Eliminate the use of all known hazardous chemicals from the entire product supply chain by 2020.



We have a vision, and are holding ourselves accountable with a deadline. Our next step is understanding. We are working with other brands and NGOs who share the vision, as well as in partnership with our own suppliers, to get a grasp on our hazardous chemical impacts, and eliminate them by 2020.

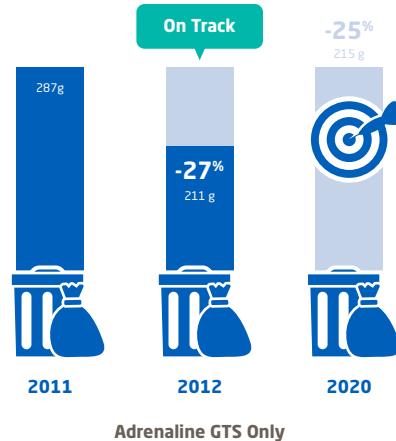


PRODUCT RESPONSIBILITY GOALS (CONT.)

REDUCE WASTE

Footwear Material Waste

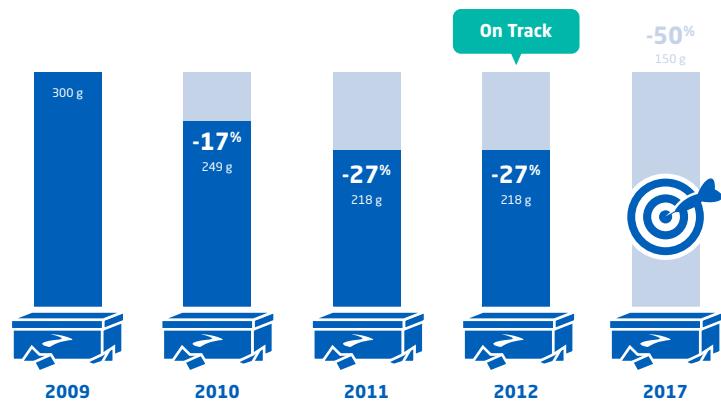
Reduce volume of footwear material waste generated during product assembly 25% per shoe by 2020 compared to 2011 baseline.



Adrenaline GTS Only

Footwear Packaging Waste

Reduce the total weight of materials used in footwear packaging 50% per shoebox by 2017 from 2009 baseline.



RUNNING RESPONSIBLY:

Our Corporate Responsibility Strategy

We, the people who make Brooks go, are active. We treasure and thrive in the outdoors and enjoy spending time in our local communities. We know what really matters: the long-term well-being of people, the planet, and our role in nurturing both. As a company that reflects the values of its employees, Brooks is committed to building extraordinary running gear with maximum positive impact on both humanity and the earth.

The Running Responsibly program is a reflection of this philosophy. Initially a proactive effort to manage our social impact, the Running Responsibly program has evolved into a strategic and holistic Corporate Responsibility platform. The program wholeheartedly embraces sustainability through five lenses; culture, community, fair labor, climate and product responsibility, focusing our efforts on those material sustainability issues most pertinent to our company and value chain. Core to its purpose, the Running Responsibly strategy interacts with all areas of our business, seeking the long-term prosperity of our people, planet and business.

We're continually looking to evolve our Running Responsibly strategic approach to ensure alignment with key sustainability issues, and recognize its interdependence within our overall business strategy. We recently engaged with Business for Social Responsibility (BSR), the global nonprofit consultancy, to undertake a peer review of our material issues, helping steer the current approach. Our next development will include a deeper

level of engagement with our wider stakeholder group to further enhance our approach and strategy. We invite you, our stakeholders, to send your comments and suggestions regarding this report and our CR performance to: runningresponsibly@brooksrunning.com

Brooks' Running Responsibly program is led by our Corporate Responsibility team, which engages with all levels of the organization to manage our environmental and social issues. Our CR team reports to senior leadership, receiving the sponsorship and accountability needed to accomplish our corporate responsibility goals. Of course, CR isn't an isolated program on the shoulders of a few, it's a way of thinking and acting that infuses all we do, at every level. Brooks culture is more than words on a page—it's those words put into actions, every day, and it's built on a platform of personal empowerment and accountability. We expect employees to own this brand, and that includes stewarding the environmental and social CR goals in their daily behaviors.

Working toward sustainability is a journey, and while we've taken a number of important steps, we are acutely aware that we've only just begun. For us, there is no finish line. We are committed to Running Responsibly, so that our key stakeholders, including our global employees, business partners, and customers can run in cleaner environments within stronger communities.

RUNNING RESPONSIBLY LENSES

and

MATERIAL SUSTAINABILITY ISSUES



CULTURE

- EMPLOYEES
- LEARNING & DEVELOPMENT



COMMUNITY

- COMMUNITY INVESTMENT



FAIR LABOR

- WORKPLACE HEALTH & SAFETY
- FAIR LABOR PRACTICES
- RESPONSIBLE SUPPLY CHAIN MANAGEMENT



CLIMATE

- GREENHOUSE GAS EMISSIONS
- ENERGY
- WATER



PRODUCT RESPONSIBILITY

- SUSTAINABLE MATERIALS & DESIGN
- CHEMICALS MANAGEMENT
- WASTE
- PACKAGING



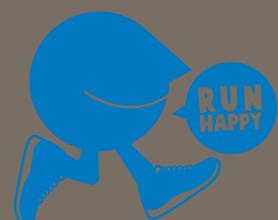
CULTURE

16 Our Culture and Values

17 Our Run Happy Team

18 Employee Engagement

19 Learning and Professional Development



OUR CULTURE AND VALUES

At Brooks, we want to see our Run Happy spirit reflecting in everything we do.

In our quest to create a business focused exclusively on runners, it's important to synchronize our values with the motivations of these movers and shakers. Naturally, Be Active is one of our most acted upon values at Brooks. We love tapping into the uniqueness of the running community and despite our pursuit for perfection, we are not going to take ourselves too seriously. And that leads into another value: Have Fun. We realize that running and being active is a choice, a passion and sometimes even an addiction. Therefore, we should create gear that is fun and enhances the entire running experience.

The desire to innovate around the run and be active lifestyle lead us to additional values—Lead Thought, Serve People, Play as a Team, Compete Every Day and Demonstrate Integrity.

In order to cultivate the values we hold dear, we created guidelines for a company-wide attitude that will both sustain and create our culture, and to help wave our Run Happy flag high. That's why we don't see our Friday run parties or paid volunteer days as distractions, but essential activities that represent who we are and how we want to do business.

Our culture defines us, it bonds us together and creates the conditions for long-term success. The foundation of our culture is built upon our brand values and the people living them every day.

Serve People.

We serve runners, customers, and each other.

Lead Thought.

We blaze new trails, which is only possible with courage and initiative.

Play As a Team.

The name on the front of the jersey is more important than that on the back.

Compete Every Day.

We push for excellence—to give the best of ourselves and to produce the best in others, every single day.

Demonstrate Integrity.

Doing things right is just as important as doing the right things.

Have fun.

Life's too short not to enjoy what you do and those with whom you do it.

Be Active.

We walk (and run!) the talk, inspiring others along the way.



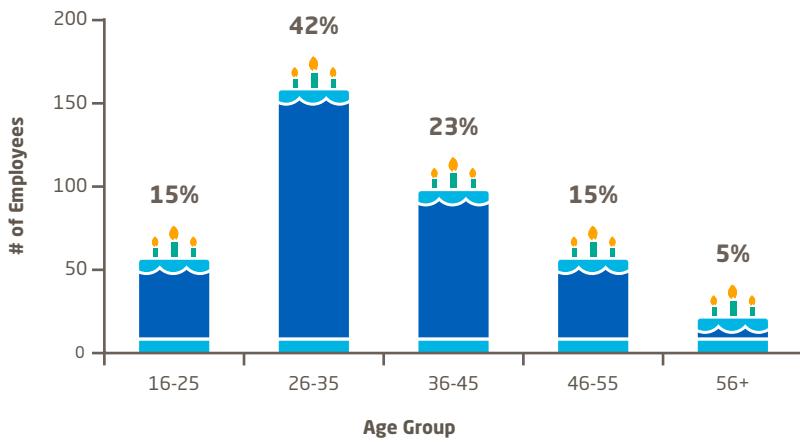
OUR RUN HAPPY TEAM

Since committing ourselves to the run, we have also committed to investing in employees who are in tune with the run, the running community and what it means to be a runner.

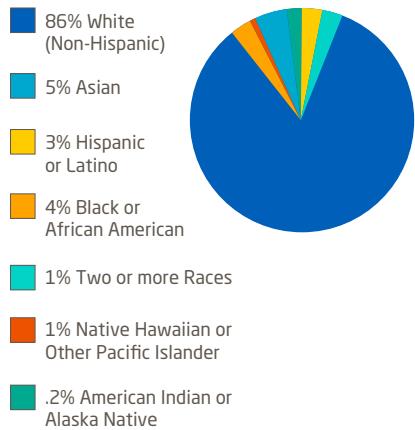
Our success depends on the talent and commitment of our people. We constantly strive to be an employer of choice that welcomes diversity, looks after its employees, and inspires them to succeed. As such, our culture is one of our most important sustainability strategies. This includes how we live our values, engage employees in their work, and how we sup-

port them to reach their potential. There are other important elements to our people strategy including how we hire, retain, and onboard people to the rewards and benefits they receive. The work on our culture continues every day and will become even more important to our success as we grow.

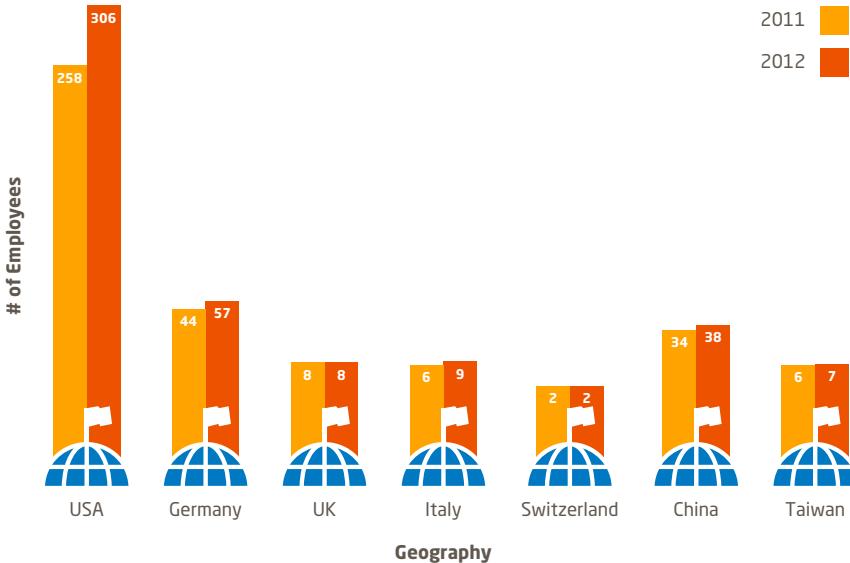
COMPOSITION OF EMPLOYEE DIVERSITY-AGE GROUPS 2012



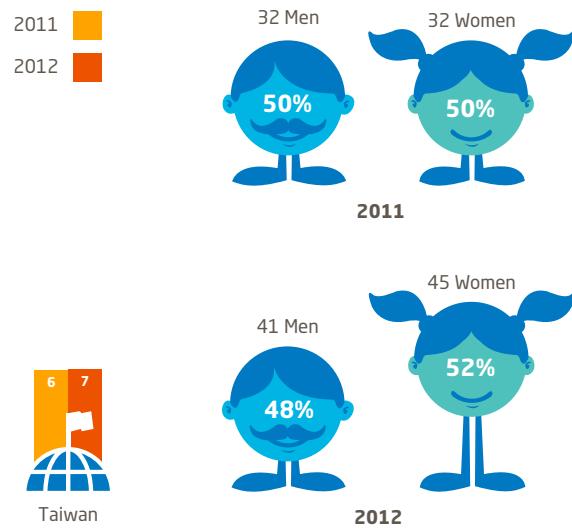
COMPOSITION OF EMPLOYEE DIVERSITY-ETHNICITY 2012



GLOBAL WORKFORCE



USA MANAGEMENT TOTALS BY GENDER



EMPLOYEE ENGAGEMENT

Happy runners make the best Run Happy gear. A simple idea that has powerful results around the Brooks headquarters. We believe promoting healthy, active lifestyles for our employees is not just important for their own sake, but an imperative to the way we do business.

Brooks is a team of passionate people united by a desire to do meaningful work, lead healthy lives, and make a difference. We share a focused mission: to inspire everyone to run and be active. It's all about the run, and through science, creativity, service, authenticity, and connection to runners, we deliver the best running gear on the planet. We do it our way, with our unique spirit, and a goal of being more relevant to runners than any other brand, day after day, mile after mile.

Whether it's a run every day or with a group of employees on Friday afternoons, we support employees to be active in their own way. Our healthy proposition to employees includes not only regular workout

options at our onsite gym but support for races, gym memberships, classes, or other active pursuits. We also offer an onsite kitchen and chef who makes a healthy, delicious lunch every day. We've engaged our employees in our values through town hall discussions, surveys, and small group conversations along the way because we believe that our employees own our culture. We want them to feel empowered to keep our culture great and to contribute new ideas, from Friday run party themes to creating values-driven programs for employees, or the highest performing product for our customers. We know we'll succeed as a team with everyone engaged, challenged, balanced, and happy in their work.



LEARNING AND PROFESSIONAL DEVELOPMENT

Just as in running we are always striving for new 'personal bests'. Never satisfied, we commit ourselves to continued learning and development opportunities to always achieve at our peak performance level.

As a team we're determined to innovate, striving for thought leadership in how we serve our customers and deliver on the best product.

In order to ensure that we're innovating and competing every day, we're investing in the development of our people and supporting them towards reaching their full potential at Brooks. We've offered more than 40 in-house classes through Brooks University this year, with an assortment of workshops including hiring and advanced management skill development, career development, team effectiveness workshops, and computer, professional, and presentation skill development. We also offer over 1,500 online courses in 18 different languages through Brooks U Online.

When new employees come to Brooks they are onboarded into our culture through a variety of in-person meetings with leaders from multiple areas of the business. In addition, a welcome breakfast in the Beastro (café) creates a way for new team members to meet everyone. During the onboarding process, we ensure that we are starting the values conversation with our new hires. The discussion we have at New Employee Orientation includes why they came to Brooks and how they'd like to live our values and have an impact on culture from day one.

Taking Our Values Forward

Our annual values survey allows us to measure how we're doing in respect to our cultural goals. We ask every employee "to what degrees are we living our values?" So far the majority of employees say we're living our values every day. That doesn't mean we don't have room for improvement or new ideas. We are constantly working on it. Our culture plan is taking shape. It's owned by our leadership team and employees from across the company. To sustain culture we have to be intentional and hold ourselves accountable.

EMPLOYEE PROFESSIONAL DEVELOPMENT



Training Hours / Employee



COMMUNITY

21 Run B'Cause

22 Volunteering

23 Product Donations

23 Partnerships

24 Inspiring Coaches Program



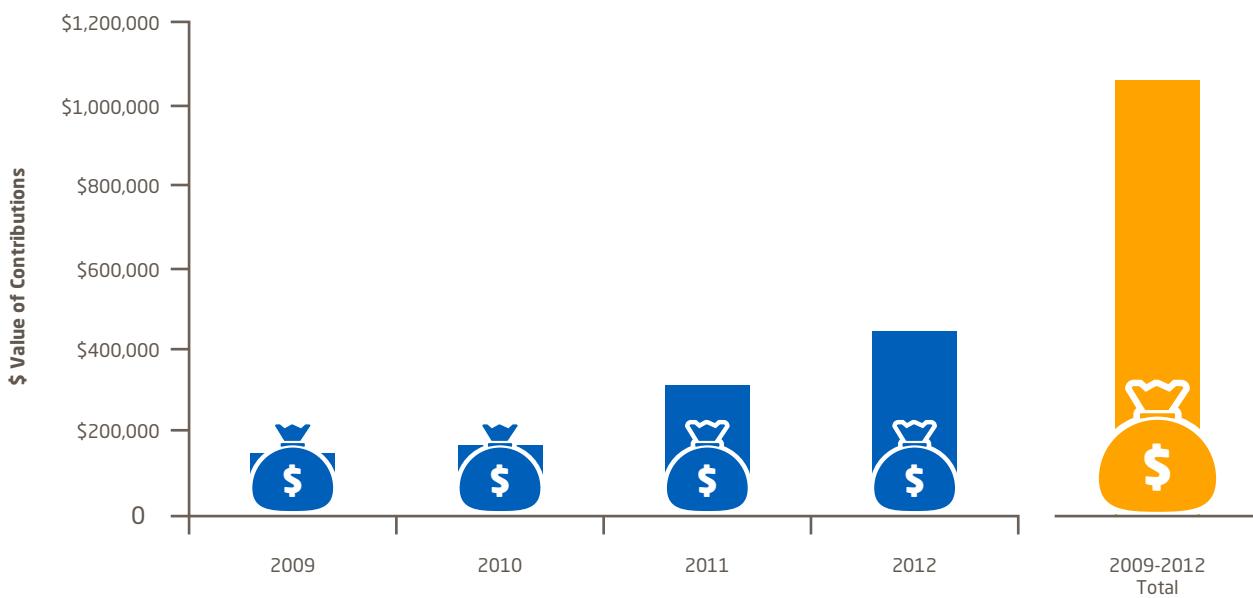
RUN B'CAUSE

Envisioned to be the soul of Brooks' Run Happy spirit, Run B'Cause has transformed into a holistic giving platform encompassing our Volunteering efforts, Product Donations and charitable Partnerships.

As one of our five strategic lenses, investing in local communities is a key focus of our Running Responsibly efforts. Brooks has always been at the heart of the running community. As we have grown, we have come to understand that our footprint inevitably spans outside this community. To increase our focus, we have concentrated our efforts on where we think they can do the most good, under our Run B'Cause program.



2009-2012 RUN B'CAUSE CONTRIBUTIONS



Run B'Cause is the philanthropic arm of Brooks Sports, Inc. It is our Run Happy spirit in action, implanting our culture and values into our communities. Whether it is giving back through corporate volunteering or rewarding those outside of Brooks who go above and beyond in our Inspiring Coaches program, we recognize the importance of being involved and engaged in the communities in which we operate. Brooks participates in four different types of giving:

- **Volunteering**
- **Product Donations**
- **Partnerships**
- **Inspiring Coaches Program**

VOLUNTEERING

Brooks volunteering efforts strike at the heart of our one of our core values, Serving People, and has helped keep Brooks rooted on the communities in which we operate.



As a team, we see giving back as essential to the way we do business. That is why employees are provided with eight paid hours a year (one work day) to volunteer with any organization of their choice. This commitment to volunteering is reflected in the year-over-year commitment Brooks employees have made to a core number of volunteer organizations, most notably:

- Conservation Alliance (four years running): Brooks employees participate in restoration projects throughout Seattle with the Conservation Alliance's Backyard Collective program. The program specializes in planting native plant and tree species, performing trail work and removing invasive plant species from parks and trails throughout the city.

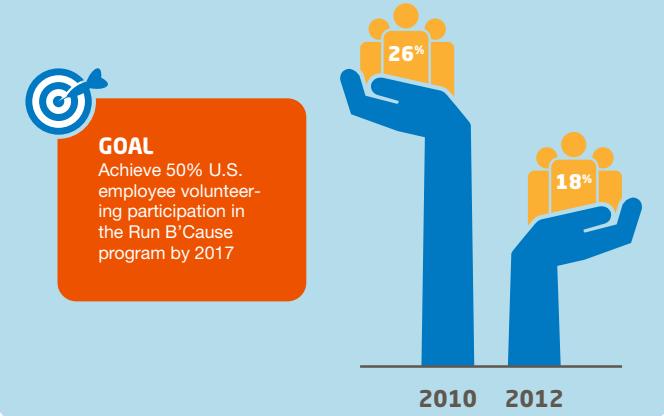
"Brooks Sports' commitment to The Conservation Alliance is much bigger than their financial contribution. We appreciate all of their support as active partners engaged with conservation organizations and other outdoor industry leaders."

- Cassandra Schindler, Conservation Alliance Outreach Associate

- Ronald McDonald House (four years running): Brooks employees spend a day doing much needed construction or housekeeping projects for the Ronald McDonald House. Then, at night, serve a meal to the children living at the house and their families.

- Salvation Army Toy 'n' Joy (four years running): Since 2009, Brooks employees have organized a toy drive to help families in need, then take it a step further by dressing up as elves to present the gifts to the families.
- Habitat for Humanity (three years running): Brooks is committed to its continued support of Habitat for Humanity, where groups of employees participate in building homes for low income families around the Puget Sound area.
- Pasado's Safe Haven (three years running): A crowd favorite, Brooks employees have found a special connection with this safe haven for rescued animals and spend a day every year cleaning and working on the farm (and playing with the animals who need all the love they can get!).

EMPLOYEE VOLUNTEERING



Understanding the Trend

The year-over-year drop in employee donation and volunteering participation has been noted and we are planning to put additional resources toward this program in 2013 to get it back on track. Additionally, we'll begin taking steps to widen the reach of our Run B'Cause program by systematically introducing the program to our global offices.

PRODUCT DONATIONS

Keeping in mind our focus on creating the best running apparel and footwear in the world, we have integrated these products into the Run B'Cause program both as a means to extend the lifecycle of our products and to support those who may benefit from the use of our products.

Employee Donations

Every year, Brooks gives each employee \$300 of merchandise to donate to a cause of their choice. This often takes the form of several (or many) employees pooling their donations together to provide a significant gift to a specific organization.

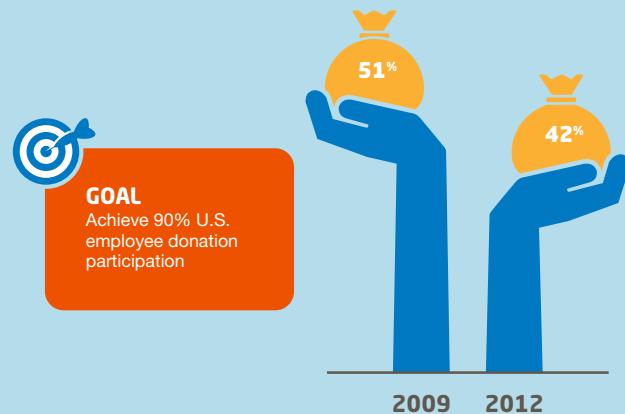
Corporate Donations

Each year, Brooks proactively donates product to nonprofits and organizations dedicated to creating social change through the sport of running, and by supporting disaster relief efforts around the world. Our largest recipient in this venture is Soles4Souls, a global non-profit dedicated to fighting poverty by collecting and distributing shoes and clothes to people in need. We also field requests from interested charities and donate product on a case-by-case



basis. Since 2009, we have donated more than \$1 million in product and monetary donations and more than doubled the number of charities we donate product to, from 147 organizations to 351 organizations in 2011/2012.

EMPLOYEE DONATIONS



PARTNERSHIPS

Besides one-off opportunities Brooks is committed to partnerships with organizations that share our core values and, through collaborating, will help us to enact the same social change we strive for.

Conservation Alliance

Over the last several years we have forged strong ties with The Conservation Alliance and formed our first holistic partnership. Our membership with The Conservation Alliance is incredibly important because it brings with it the opportunity to achieve a shared goal of protecting wild places for their environmental and recreational value, with other like-minded companies. Our membership dues help to fund the most effective conservation groups in North America, and we invite our employees to help shape the Brooks vote during the biannual funding cycle.

We further support this partnership through various volunteer opportunities and our biannual fundraising events at the Outdoor Retailer show, which raised over \$35,000 during 2011 and 2012. We're dedicated to our support of the Conservation Alliance because



we know that without their continued efforts, there will be few places left to

Run Happy. We hope that our efforts will not only serve the success of The Conservation Alliance but we also inspire others to stand up and take action.



INSPIRING COACHES PROGRAM

Probably the most influential and underappreciated people in the country in terms of inspiring youth to Have Fun and Be Active, the Inspiring Coaches program was created to recognize those coaches who sacrifice their free time (and sanity) for the good of their teams.

Formed in 2011, the Inspiring Coaches program has quickly become a main focus of Run B'Cause. With this program, Brooks set out to award those coaches who make a meaningful impact within the lives of those they coach and their communities at large. After a successful initial year in 2011, the program more than doubled in size in 2012, from ten finalists and \$62,000 in cash and product donations to 25

finalists and \$144,500, respectively. The program has built an incredible path for engaging communities around the country, and Brooks is proud to continue to innovate new ways for sports enthusiasts and leaders to become involved in making a difference in their community. [Click here](#) for more information on the Inspiring Coaches Program.





FAIR LABOR

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FAIR LABOR APPROACH

Brooks is committed to running a responsible business by ensuring that the thousands of people worldwide who make our products have fair and safe workplace conditions.

We have been working over the last nine years to better understand our impacts and improve workplace conditions in our footwear, apparel, and accessories supply chains.

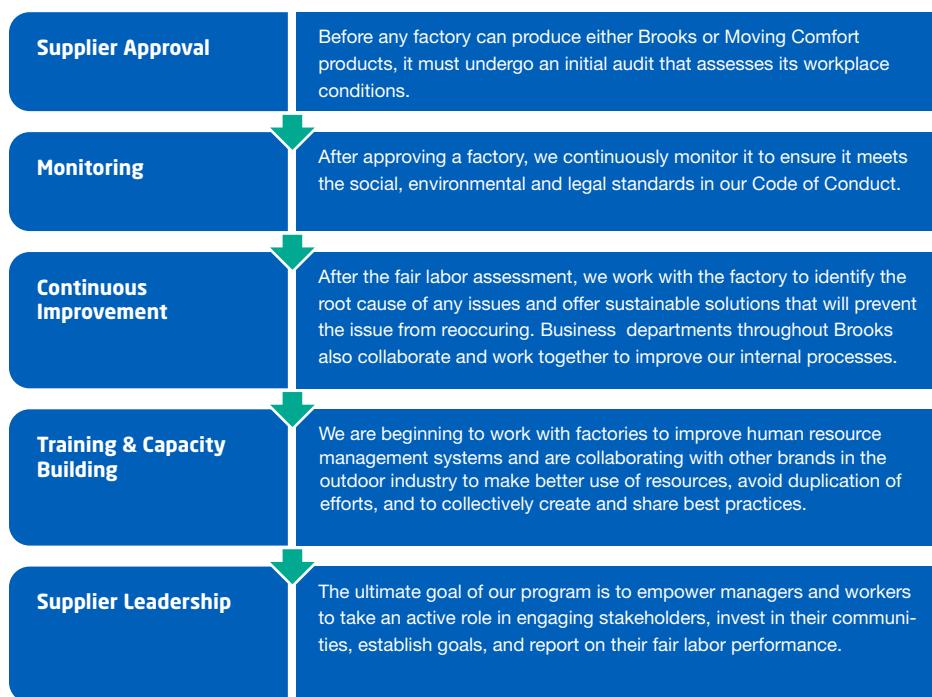
Our commitment to fair labor is at the core of our culture, and guided by our key values: Demonstrate Integrity, Lead Thought, and Serve People. Brooks is a team of nearly 500 people worldwide united by a desire to do meaningful work, run, and live a happy life centered around the values that guide us. Treating people with fairness, dignity, and respect directly comes from these values, and our team is dedicated to making this practice a reality for the workers in our supply chain.

We have instilled our core values into our Fair Labor program with the goal of moving beyond compliance and protecting our interests, to actively promoting our brand and spreading our Run Happy spirit

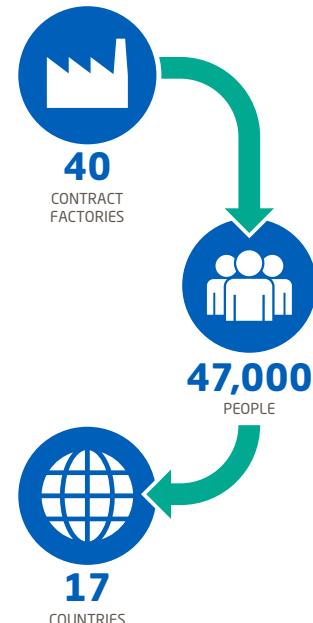
throughout our supply chain. In 2003, we created the Brooks Supplier Code of Conduct to be the foundation of our program and to protect the workers in our supply chain. The Code of Conduct, as well as its supplement, the Supplier Guidelines, are frequently updated to reflect ever-changing expectations and international norms. They are the basis by which we evaluate supplier performance and measure our progress.

To advance Fair Labor in our supply chain, our Corporate Responsibility team partners with internal teams across the company to implement our fair labor strategies. We collaborate with Sourcing and Operations on supplier approvals and process alignment, and with Manufacturing and Senior Leadership on audit remediation and reinforcement of our workplace standards. We have a detailed approach to managing relationships with our suppliers, which includes five key elements:

Our Approach To Fair Labor



MANUFACTURING SUPPLY CHAIN



SUPPLIER APPROVAL

With the goal of partnering with like-minded suppliers, we have fully integrated corporate responsibility into the onboarding process for all new factories.

Through Brooks' efforts to establish solid, long-term and mutually beneficial partnerships, we have created rigorous standards to help find factories who share similar values and principles as Brooks. We make certain that each partner meets our Code of Conduct standards prior to establishing a business relationship. This process includes: ensuring each new factory completes our corporate responsibility survey, signs a certification to meet our Code of Conduct and Supplier Guideline standards, and passes an initial audit that assesses the factory's workplace conditions. Since 2009, we have approved 23 (77%) of new suppliers who meet our

7 new suppliers were rejected for not meeting our standards

standards, and have rejected seven suppliers (23%) that had non-transparent workplaces with critical findings. In the case of the rejected factories, factory management was not committed to meet our standards, thus our sourcing team found better business partners that were aligned with our commitment to legal, fair, and

safe workplaces. After a supplier is approved by the Corporate Responsibility team, Brooks Operations teams are given the green light to begin developing product and placing orders with the factory.



MONITORING

Our factories are monitored continuously, and measured against both industry standards and the Brooks Code of Conduct to ensure they meet our business standards and values.

After a factory passes a social assessment, our CR team continues to monitor it to ensure they are able to meet the standards outlined in our Code of Conduct. Factories are monitored according to their risk levels. For example, a supplier that lacks sufficient management systems in health and safety, labor, or human resources will be monitored, at least, on an annual basis. Those suppliers that have established solid management systems, and are in low-risk countries, are monitored less frequently, generally every other year.

In 2011/2012, we had 36 and 40 active contract factories respectively. In those two years we conducted 57 factory assessments, or 75% of our supply chain. To reduce the burden of duplicative assessments, we obtained six audits from collaborative brands in the outdoor industry that maintain our high level of standards. This facilitation is managed through our membership with the [Fair Factories Clearing House](#). We also accepted a number of certification audits from Worldwide Responsible Accredited Production (WRAP) and SA8000.

It's important to note that several events, including the tragic fire at the SA8000 certified factory Ali Enterprises¹ in late 2012, have put the validity of certification audits into question for us. Although certification bodies are aware of the issues and are committed to making improvements, we have since changed our policy on accepting certifications. We still accept certifications in factories in which we

have long-standing relationships. However, for new or indirect² factories, we have reassessed their rating to Grey (Not enough information to measure performance against our standards). We will perform independent third party assessments at these factories in the near future to ensure compliance with our Code of Conduct standards.

Factory Ratings

We have updated our factory rating system to reflect our enhanced approach in monitoring supplier compliance with our standards, with the ultimate goal of Supplier Leadership (Blue), where our factories have full ownership over their fair labor programs.

Rating	Rating Description
Blue	Supplier Leadership Factory is fully compliant , self-governing, and considered a leader . It has well-developed management systems and demonstrates best practices.
Green	Partner Supplier Factory is generally compliant , with no issues or very few minor issues disclosed. It has management systems in place and compliance practices are mostly effective.
Yellow	Partner Supplier Factory is mostly compliant , with a few minor or isolated critical findings disclosed. It has management systems and some compliance practices in place. It is committed to, and on a work plan to fully meet our standards.
Orange	Risk Management Factory is non-compliant with several critical issues disclosed. It lacks sufficient knowledge and management systems, but has some effective compliance practices in place. Factory generally needs training/capacity building to meet our standards.
Red	Risk Management Critical and zero tolerance issues disclosed, demonstrates general disregard for our standards, factory lacks management systems and commitment to meet our standards. Factory to be terminated unless there is immediate improvement and strong commitment from factory management.
Grey	Risk Management Not enough information is available to measure performance against our standards.

1. Brooks Sports, Inc. has no affiliation with Ali Enterprises. 2. Indirect factories are managed through an agent or licensee distributor.

Factory Performance

2009-2012 Factory Ratings Comparison

In 2011/2012, we managed to substantially increase the number of Partner Suppliers (Yellow and Green rated factories)—from 42% in 2009 to 65%

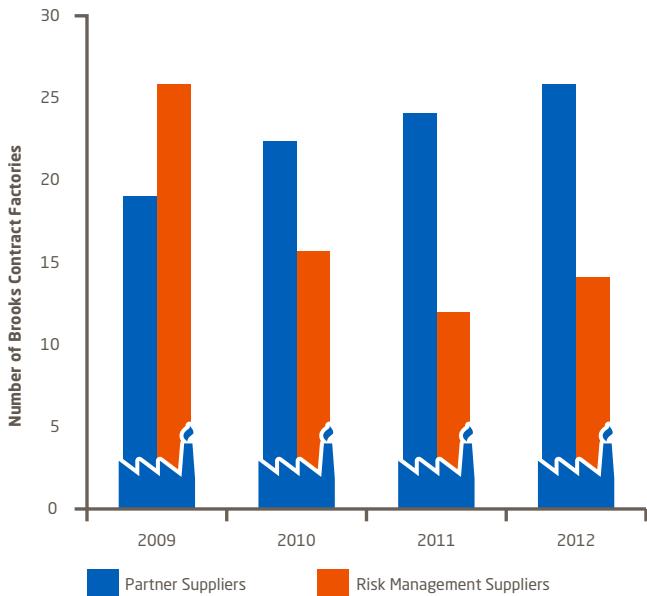
65%
of suppliers are rated
Yellow or better

in 2012—a 23% increase, while Risk Management Suppliers (Orange, Red and Grey rated factories) were reduced from 58% to 35%; even more

specifically, Orange and Red Suppliers were reduced from 36% in 2009 to 10% in 2012. This improvement is reflective of our efforts to: strategically reduce and consolidate our apparel and licensee factory base; assist our long-term strategic suppliers in improving their overall workplace conditions; and sever relationships with those factories that are not committed to meeting our standards.

For the ten assessments in 2012 that were rated Grey, six were due to scheduling conflicts and four were due to our policy amendment on accepting certification audits. These factories will be assessed by an independent third party auditor in 2013/2014.

BROOKS COMPLIANT FACTORIES 2009-2012



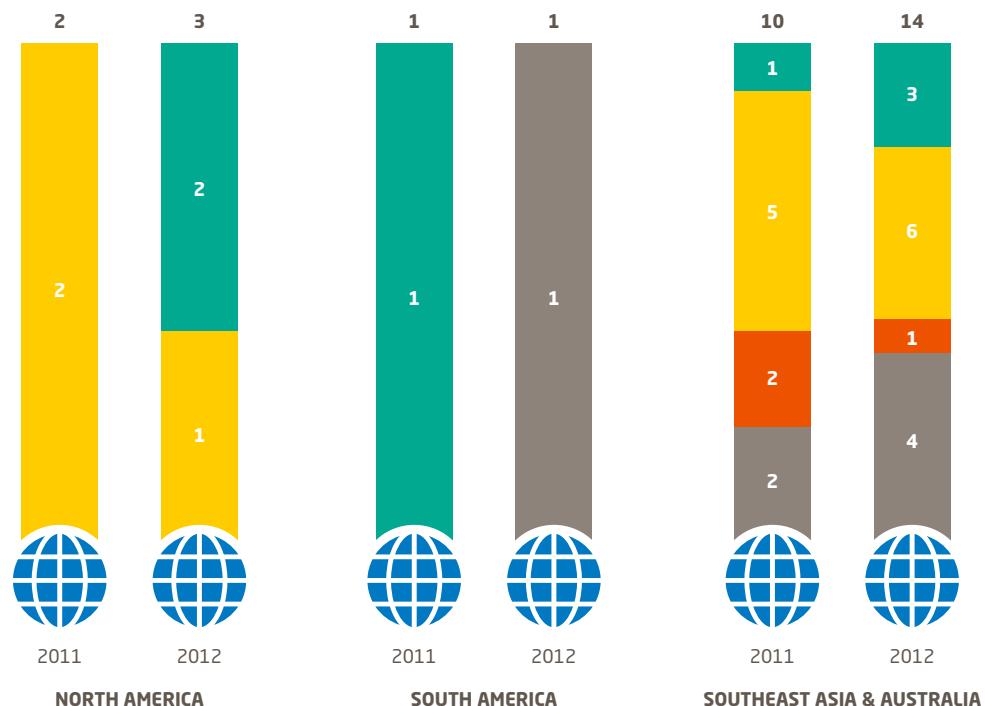
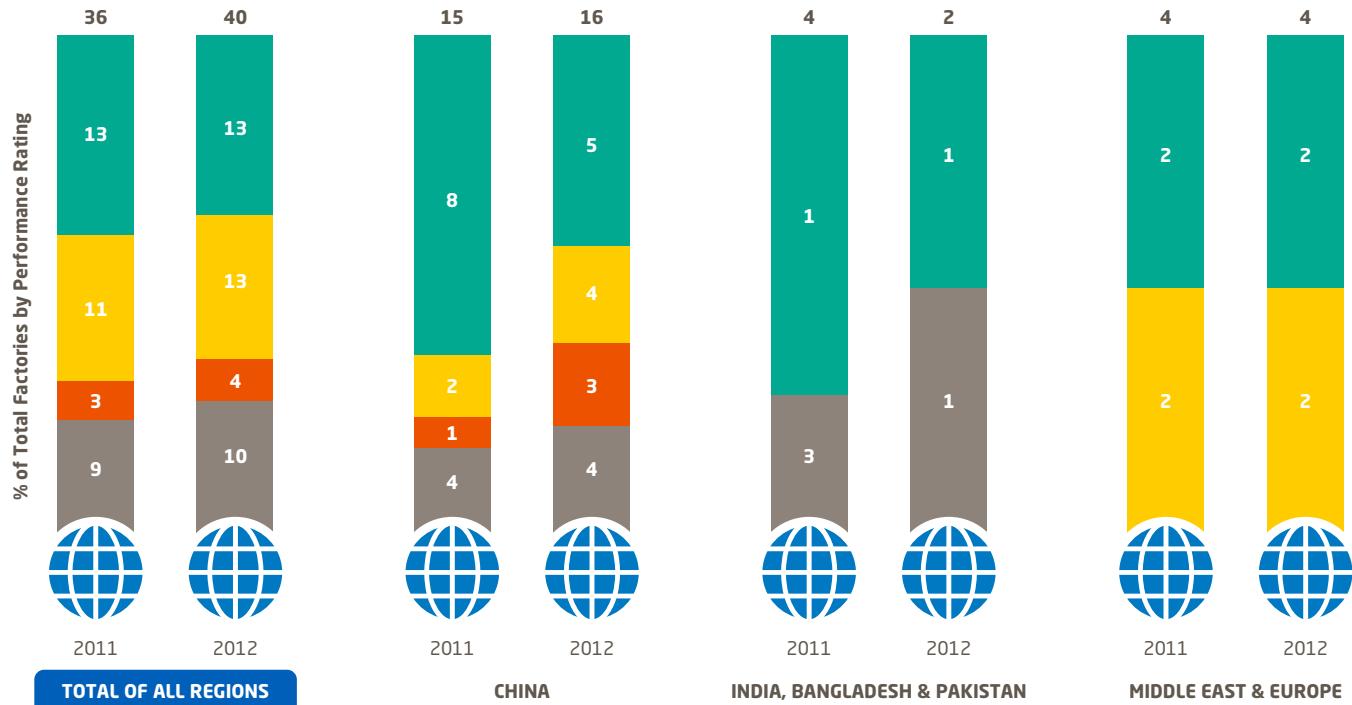
Note: Data represents calendar year and includes tier 1 and licensee factories producing Brooks Sports, Inc. branded product that were active during the full year. In 2012, adjustments to our factory assessment ratings system resulted in four licensee factories from 2009 to be included in our reporting due to denied inspections, which is a Red rating.



Factory Performance by Region

The graphs below represent the monitoring and ratings of contract factories that produced Brooks and Moving Comfort products in 2011 and 2012.

Supplier Leadership █
 Partner Supplier █ █
 Risk Management Supplier █ █ █



CONTINUOUS IMPROVEMENT

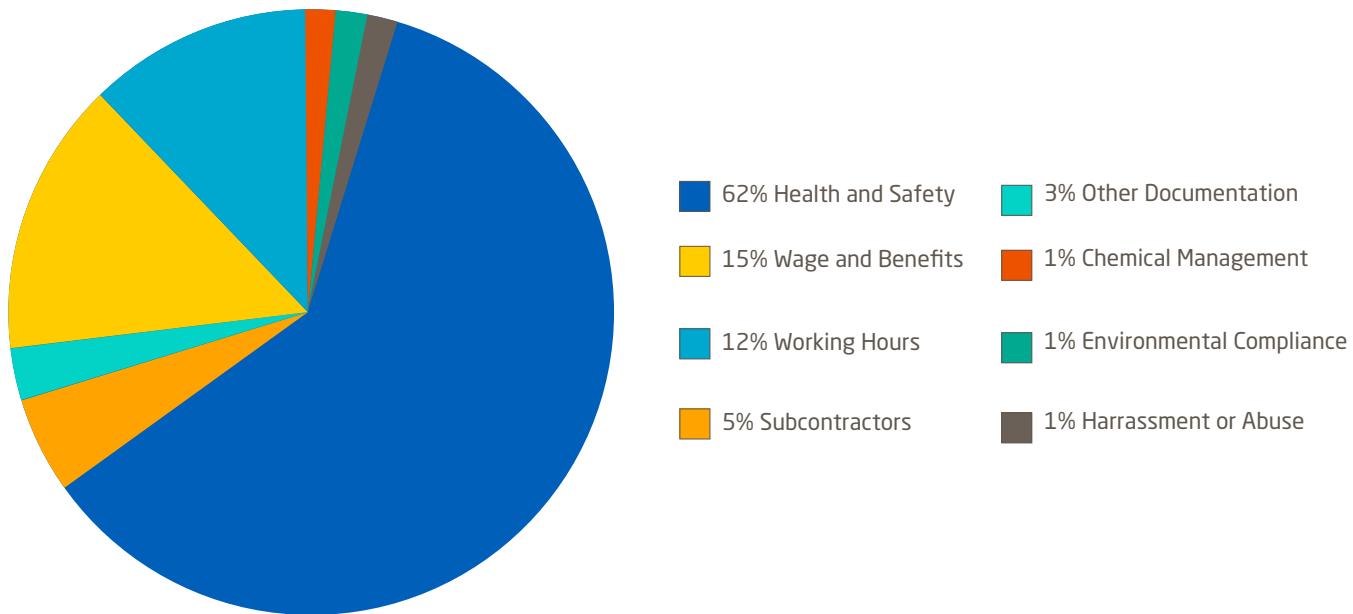
Our Continuous Improvement program is aimed at creating systems that will not only correct the issues found, but will prevent them from occurring in the future.

Should issues arise in our supply chain, our first course of action is to partner with factory management and workers to determine root causes and devise a continuous improvement plan. We encourage management to take a holistic approach of not only addressing the issues, but also putting systems, policies, and procedures in place to prevent issues from reoccurring. For factories that lack the skills, tools, or knowledge to

address such issues, we engage with factory management through training and capacity building.

When assessing our factories, we track the results to recognize patterns and systematic failures with the goal of a better understanding of the issues, and ultimately, being able to direct our efforts to help those who need it most. During factory assessments the following Code of Conduct issues were routinely identified:

AUDIT FINDINGS BY TYPE 2011/2012



Since 2009, we have increased our focus on suppliers that have routinely had critical issues in their workplace. As a result we have:

- Assisted five Orange suppliers in improving to a Yellow rating or better.
- Terminated business with seven Orange suppliers due to non-compliance with our standards.
- Terminated business with four Red (licensee) suppliers due to denied inspections.

While the results of a Continuous Improvement plan can be seen at the factory level, the process starts at

the Brooks Headquarters. The culture we have set in place shapes our brand values and business success. Living these values every day, we must recognize that the decisions we make may have adverse impacts on people throughout our supply chain. For example, if our company makes a last minute change to a product's specifications, this could shorten our factory's production lead times, resulting in a downstream impact on the workers in the form of excessive overtime. As a team, we work together to solve these complex business problems, some of which are caused by our internal purchasing practices and processes.

CASE STUDY: Purchasing Practices

Decisions made at Brooks Sports, Inc. headquarters affect people in different parts of our supply chain. Our purchasing practices, our product introduction dates, changes in our production line all have a positive or negative impact on working conditions in our supply chain.

THE CHALLENGE

Brooks Sports, Inc. has set the bar high with an ongoing commitment to fair labor in our factories. However, being in high growth mode has been a challenge for us. Increasing our orders has resulted in an increased strain on our production lines.

Under-forecasting demand, along with key product introduction dates being close together led to a situation where our core footwear factories were producing around 200,000 pairs per month in the low season and as high as 450,000 pairs during the peak season. With dedicated production lines, our purchasing decisions made it extremely difficult for our factories to plan capacity and resulted in excessive overtime hours during peak periods.

OUR STRATEGY

Our work in Corporate Responsibility is not limited to just one department. For us to have a positive impact on our supply chain, our efforts need to be integrated into our overall business and in the decisions we make on a daily basis. Our employees, whether they reside in Operations, Sourcing, or Manufacturing, hold the key to this integration. Together, our collective approach to solve the issue at hand includes the following steps:

Senior Leadership

- Stronger reinforcement by our Senior Leadership team on our working hours standards, which are 60 working hours maximum per week and at least one day off in seven.
- Beginning the process of adding additional footwear suppliers to help balance our production capacity.
- Setting capacity of our footwear factories at a target of 55 hours per week to provide a cushion for being within the 60 hours Code standard at peak production.



Forecasting, Purchasing, and Sales

- Identifying bulk styles that could be produced in advance during low production months.
- Working on a multi-stakeholder project to space out key product introduction dates, with a goal of balancing orders to 7-9% production per month.
- Purchasing a demand forecasting system called Logility (in 2012). This system will help us automate the process of reliably predicting market demand, with the goal that an accurate forecast will guide efficient sourcing and production.

Manufacturing and Production Planning

- Implementing specialized lean manufacturing lines.
- Working with our factories to increase capacity by adding new production lines to handle the growth in orders.
- Cross-training multiple factories to produce key styles to help balance capacity.
- Tracking weekly working hours.
- Purchasing a Product Lifecycle Management system (in 2012) called Flex PLM to increase efficiency and process optimization. Once implemented, our sourcing and operations teams will have real-time access to supplier ratings, to factor when they are choosing factories for new or continued production.

OUR IMPACT

Our footwear factories are now committed to 100% transparency on working hours and keep us updated on a weekly basis. The average working hours at all of our contract footwear factories have reduced

12 hour reduction
in average
working hours

from an average of 68 hours per week in 2009/2010 to 56 hours per week in

2011/2012. Despite a few regressions, our factories have guaranteed 1-2 rest days per week. Although this is a vast improvement, working hours are still above 60 for one of our core footwear factories, so we continue to work with them to reduce this to the maximum allowed under our Code of Conduct.

In 2012, production defects decreased by 71%, proving that a well-rested, happy workforce produces higher quality products. Although we have made some progress with improving our purchasing practices, the full impact of our investments in Flex PLM, Logility, and adding additional footwear suppliers will take effect in 2013/2014.



TRAINING AND CAPACITY BUILDING

Since 2004, we have been working to build a framework for proactive improvements in workplace conditions that will prevent issues from occurring instead of resolving them after they occur.

For the last eight years, we've been training our factories on the management of labor issues, health and safety, project management, and grievance mechanisms. Creating an environment where our factories actively engage and learn from each other has helped us build trust and transparency at a high level with our core factories. This has enabled us to

partner with factory management to begin improving human resource management systems that address the root cause of issues through capacity building. The intent is to build a framework for lasting improvements in workplace conditions by empowering managers and workers to take an active role in managing their compliance programs.

COLLABORATION

Running with Others.... it's more fun!

Since 2009, we have been actively collaborating with other brands in the outdoor industry to make better use of resources, avoid duplication of efforts, and collectively create and share best practices. This collaboration is mainly done through the [Outdoor Industry Association Social Responsibility Working Group, Fair Factories Clearinghouse](#), and also directly with brands that have the same desires and needs as us to collectively create and share best practices. Our objective is to leverage the collective commitment of peers and stakeholders to improve workplace conditions across our supply chain.

CASE STUDY: Capacity Building

Our efforts to partner with quality factories, along with our work to continuously improve workplace conditions for people in our supply chain help us run a more successful business.

We know that people who work a reasonable number of hours with adequate breaks and fair compensation deliver higher quality product than those who work in poor conditions. This became very clear to us in 2010, when an Orange rated social assessment revealed a particularly egregious case of excessive overtime, and a wage deficiency for new workers at one of our core footwear factories. It was found that people were working 75 hours per week to produce our running shoes and that 10% of them were not being fairly compensated; the conditions found were simply not acceptable to us. This led us to explore the root cause of the issues and the subsequent impact on the factory floor.

THE CHALLENGES

- **Impact on Workers:** Excessive working hours have a negative impact on people, and can often result in physical and psychological stress. Data obtained by the Fair Labor Association shows that *“those who spend an excessive number of hours at work are eight times more likely to be unhappy with their job than those with regular hours. In addition, they are six times more likely to show signs of poor mental health.”*
- **High Turnover:** Turnover at the factory was 20% per month. Exit interviews revealed working hours to be one of the top reasons employees left the

factory. Excess turnover can also have a direct impact on product quality, as well as production efficiencies, due to a lack of skilled workers and the lead-time necessary to train new workers.

- **Wage Gap:** The factory paid the workers by piece rate, which resulted in a wage gap for new workers (approximately 10% of the workforce) who did not meet the daily targets.
- **Capacity Planning:** With dedicated production lines, our purchasing decisions made it extremely difficult for our factory to plan capacity, particularly during peak production periods.
- **Production Practices:** An investigation into production practices revealed some areas for improvement regarding the flow of work on the factory floor.

OUR STRATEGY

We partnered with factory management, along with internal and external stakeholders to systemically improve workplace conditions. This was done through refinement of our purchasing practices, strong reinforcement of our fair labor standards, and providing financial support where necessary. As a result, the factory made significant investments to build capacity in their human resources and worker well-being programs, with a focus on the following:

- Implementing **5S**, a workplace organization method that includes **Sorting**, **Simplifying**, **Systematic cleaning**, **Standardizing** and **Sustaining**.
- Working with an HR consulting firm to improve their hiring procedures/policies and train supervisors on problem solving skills and root cause analysis.
- Implementing an improved compensation scheme by converting base pay from piece rate to salary and adding a production bonus, all of which increased the average salary of the workforce by 12.5% and effectively closed the new worker

wage gap.

- With direct financial support from Brooks, increasing medical and worker related injury insurance coverage for employees.
- Building employee skillsets through cross-training and train-the-trainer programs.
- Improving the grievance mechanism for employees through a text hotline and 1:1 meetings with supervisors.
- Worker well-being programs such as recreational sports, cultural activities, and team building events.
- Building additional dormitories to accommodate families and providing employees with on-site daycare and pre-school to make their factory more family friendly.
- Improving food quality in the cafeteria.

OUR IMPACT

The capacity building and “Happy Working” strategy took nearly a year to take effect. This factory officially closed the wage gap at the end of 2011 and reduced working hours down to an average of 63 hours per week in 2011 and 62 hours per week in 2012. As a result, employee turnover reduced to 14% and 12% per month respectively in 2011/2012 and production defects dropped dramatically. Although much improved, the factory continues to struggle retaining employees after Chinese New Year, which contributes to peak-level working hours averaging 67 hours per week for several weeks in the winter and spring.

Moving forward, we continue working with this factory to further decrease the average working hours to a maximum of 60 hours a week.



SUPPLIER LEADERSHIP

As our supply chain grows, empowering our suppliers to maintain and take ownership of their Fair Labor and Sustainability programs forms our vision of a successful future.

Our aim is to inspire and educate our suppliers to manage and take full ownership of their Fair Labor and Environmental Sustainability impacts through supporting factory management in: building their capacity to engage stakeholders, creating proactive management systems, empowering their workforce, investing in their communities, and establishing social and environmental goals.

Our vision is for 100% of our strategic tier 1 factories to be at the level of Supplier Leadership by 2020, where they take full ownership of their social and environmental programs and publicly report on the progress of their efforts.



FAIR LABOR GOALS AND PROGRESS

We partner with both internal and external stakeholders, as well as factory management to improve workplace conditions throughout our supply chain.

About 97 percent of all the products we have manufactured are made by our strategic tier 1 suppliers. They are suppliers with whom we have direct contractual relationships and where the majority of our efforts are spent improving the overall fair labor performance in our supply chain.

Through monitoring, remediation, and training and capacity building, we have been working with these partners for many years to build trust, transparency, and integrity throughout our supply chain. By working together to understand the root cause of system-

ic issues, many of our factories have built solid foundational systems to manage their labor programs. Some of our strategic partners have also invested heavily in worker well-being programs. However, not all of our partners are at a level that is acceptable to us. We will continue to encourage continuous improvement at these factories and in some cases work with factory management on capacity building and implementing sustainable solutions. We are setting the bar higher for ourselves and our value chain to ensure our business is Running Responsibly.

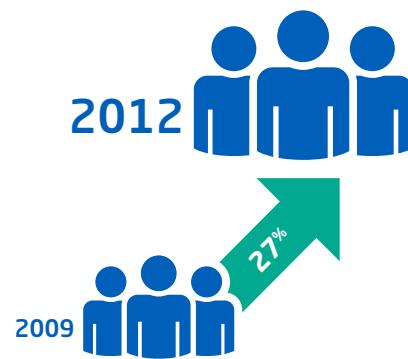
RISK MANAGEMENT RATINGS

Decrease in the number of tier 1 and licensee suppliers that achieved an Orange or Red rating since 2009 baseline:



PARTNER SUPPLIER RATINGS

Increase in the number of tier 1 factories and licensee suppliers with a Yellow or better rating since the 2009 baseline:



Our Focus

In 2011/2012, we focused on four main areas to help our suppliers improve their performance and ensure our business is Running Responsibly:

- Establishing a process with our footwear suppliers and internal teams to identify root causes of excessive overtime at factories and implementing a sustainable plan to reduce average working hours.
- Assisting five tier 1 factories with developing management systems that improved workplace conditions and remediated reoccurring issues to reach an Orange rating or higher.

- Investing in factory employees through direct financial support to ensure mandated social insurances are implemented and follow Chinese law.
- Identifying and capitalizing on opportunities for collaboration and improved practice sharing with other brands to make better use of resources and avoid duplication.

Next Steps

In 2013, we are updating our Supplier Guidelines to include over 300 industry-leading workplace best practices and are strengthening our audit scope to reflect these best practices in the following areas: wages/benefits, working hours, health and safety, freedom of association, forced labor, human trafficking, child labor, migrant labor, harassment, non-discrimination, and environmental responsibility.

In an effort towards empowering our strategic tier 1 factories regarding Supplier Leadership, we are focusing on the following:

- Encouraging continuous improvement at Orange and Yellow factories, and working with factory management to implement sustainable solutions.
- Coordinate training for our strategic tier 1 factories on topics related to improving workplace conditions in 2013.
- Begin monitoring management systems at our suppliers to identify capacity-building opportunities in 2013.
- Implement and track quarterly fair labor KPIs with tier 1 factories by 2014.

- Shift from follow-up monitoring to capacity-building in human resource and health & safety management systems by 2014.
- Align sourcing decisions to prioritize and reward factories with Green and Blue audit ratings by 2015.

We recognize that our responsibility runs deeper than tier 1 and extends throughout our greater supply chain. Thus, we are taking steps to risk map our supply chain and expand our Corporate Responsibility programs upstream to our strategic tier 2 suppliers in 2014.

With a brand promise that is built on authenticity and trust, our work is not done until every factory producing Brooks and Moving Comfort branded products is doing so under fair and safe workplace conditions.





CLIMATE

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CLIMATE COMMITMENT

We are committed to protecting the natural environments that allow us all to continue running happy.

There is now consensus, based on evidence within the scientific community, that the global climate is changing beyond natural cycles, and that this change is due to human activities. The environments in which we, our customers, and local communities run in, live in, and enjoy are under increasing pressure. These pressures impact our ability, and the ability of future generations to continue living healthy, happy lives.

We are part of the problem. From business operations, to product manufacturing and transportation, these activities that we, and our business partners partake in contribute to climate change and environmental impact.

As a company that makes products that are largely used and enjoyed in outdoor environments, we must respond to the risks and opportunities posed by a changing climate and be part of the solution. Our long-term strategy is to contribute to climate stabilization and healthy environments by:

- Reducing the GHG and energy intensity of our business operations.
- Reducing the energy and water intensity of our contract manufacturing.
- Reducing the GHG intensity of our product transportation.



OUR FOOTPRINT

The environmental impact of our business and supply chain.

On a company-wide level, our absolute total Greenhouse Gas (GHG) emissions increased by 23% in 2012 from 2011, which reflects our company's strong growth over the period. We're continuing to make efforts to increase our understanding of our GHG emissions, and to improve data collection processes across our value chain to account for all emissions. In 2011/12 we expanded data collection to include contract manufacturing of both footwear and apparel product assembly. We've also improved data collection for our offices, employee business travel and inbound product transportation.

To improve the environmental performance of our business and products, we're focused on three main areas:

- Business Operations (facilities, business employee travel and fleet travel),
- Product Manufacturing (footwear and apparel contract manufacturers), and
- Product Transportation (inbound transport – outbound port to our distribution center).

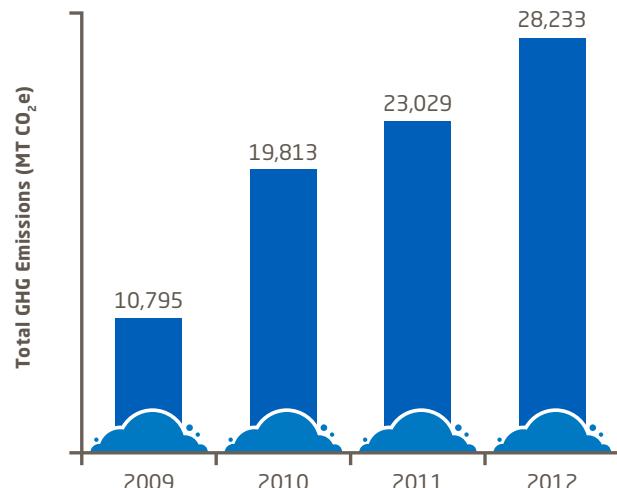
Our environmental performance in each of these areas is discussed in the following sections.

Your Brooks Shoe

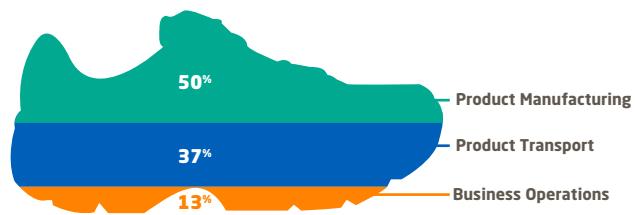
This graphic gives you a sense of how we're managing the GHG emissions of each pair of your Brooks shoes. Keep an eye out for the "Your Brooks Shoe" graphics in the following sections that further describe these per shoe emissions, broken-down by: business operations, product manufacturing, and product transportation.

Between 2009 and 2012, GHG emissions per shoe increased by 4%. However, since a 34% increase between 2009 and 2010, GHG emissions per shoe have been decreasing, with a 22% reduction between 2010 and 2012.

TOTAL GHG EMISSIONS¹



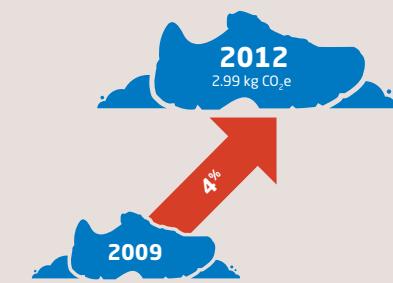
2012 GHG EMISSIONS BY ACTIVITY



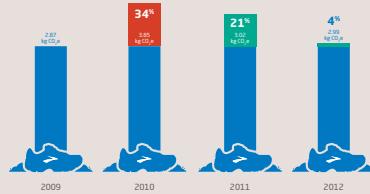
¹Total GHG emissions in the above graph include emissions from: business operations, product manufacturing, and product transportation.



YOUR BROOKS SHOE: GHG Emissions per Shoe²



GHG EMISSIONS PER SHOE 2009-2012²



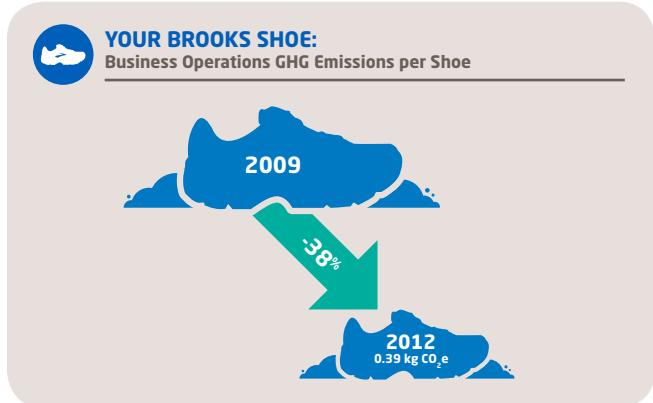
²This graphic represents our GHG emissions from sources associated with our business operations, product manufacturing, and product transportation for our core business: footwear. The GHG emissions for these same sources related to apparel were 1.51 kg CO₂e per garment for 2012. These sources do not represent a complete life cycle analysis of our products' GHG emissions as materials feedstock and processing, product use, and end of life impacts are not included.

BUSINESS OPERATIONS

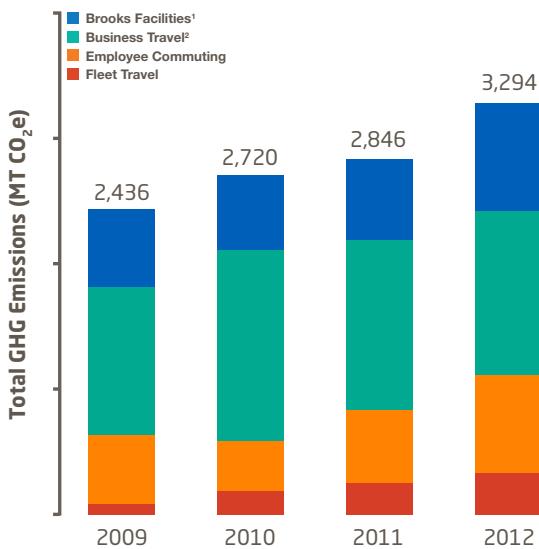
Making a global impact starts at home – responsible decision-making is the job of all Brooks employees.

Greenhouse Gas Emissions and Energy Consumption

Playing our part in reducing the impacts of climate change requires reducing the energy consumption and GHG emissions of our business operations: operated facilities, fleet travel, employee air travel, and employee commuting.

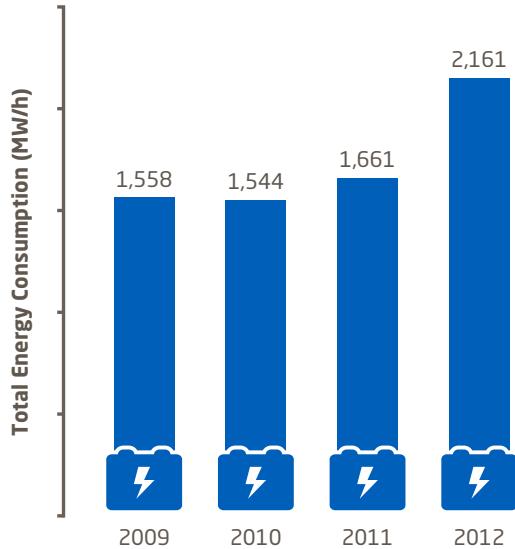


BROOKS OPERATIONS TOTAL GHG EMISSIONS



¹ Facilities = energy consumption (electricity, natural gas and heating oil) only.
² Business travel = air travel only

BROOKS FACILITIES ENERGY CONSUMPTION



Note: 99 percent primary data and 1 percent extrapolated using employee numbers

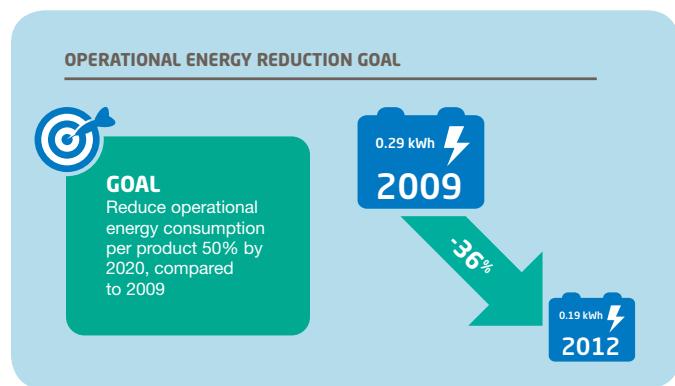
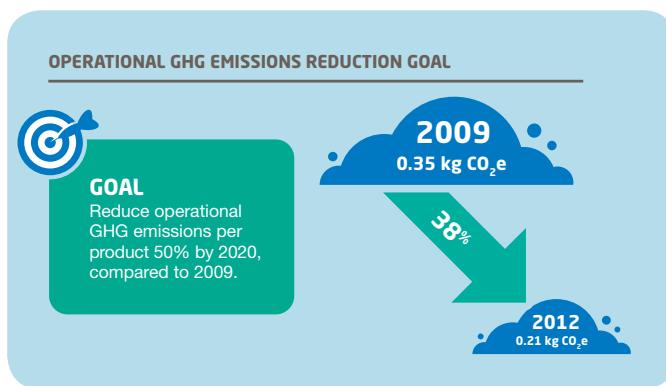
OPERATIONAL GHG EMISSIONS

We normalize operational GHG emissions per product (footwear and apparel) manufactured to take into account our company-wide growth. Between our baseline year of 2009 and 2012, normalized emissions decreased by 38%, mostly due to the rapid growth in sales. Absolute emissions increased by 10% from 2011 to 2012. For calendar year 2012, energy consumption at operated facilities and employee air travel made up the majority, nearly 87%, of operational emissions. Although both essential to the future success of our growing company, they will provide the focus for our future emissions reductions efforts. These efforts include facility energy efficiency retrofits, exploring renewable energy options and an increased use of videoconferencing.

OPERATIONAL ENERGY CONSUMPTION

Absolute energy consumption at our facilities increased by 30% between 2011 and 2012. This is much greater than the incremental increase experienced in previous years and is primarily due to moving our distribution center to a larger facility. With nearly double the square footage, energy consumption increased an average of 42,000kWh or 162% per month compared to the old facility. Furthermore, our employee count grew by 35% from 2011 to 2012 which is a greater annual growth than previous years.

With our goal to reduce energy consumption, direct investments in energy efficiency initiatives and renewable energy options will be necessary. Our first investment is already underway, with our move to a new headquarters in 2014 that will be designed to use 75% less energy than a typical office building.



Throughout 2011 and 2012, we significantly improved operational GHG emissions and energy consumption data collection processes and quality. This improved capacity to capture and analyze emissions and energy data will enable more informed decisions as we develop performance improvement initiatives that will generate the greatest reductions.

CASE STUDY: Brooks Booth

We take strides to improve and innovate within the areas of business that create the highest impact—product, supply chain, and operations—but recognize that it doesn't stop there. All it takes is a little thinking outside the box—or in this case, outside the booth. Here's a summary of the key sustainable features of our new booth that debuted at the 2012 Winter Outdoor Retailer event, and that travels around the nation at numerous running events, including our own Rock 'n' Roll marathons.



Rubber Tiles:

Made from Brooks outsole scraps that were collected from the factory floor.



Conference Room Walls Sole Seats and Apparel Presentation Panel:

Leftover upper materials of Brooks shoes have been put to use.



Booth Structure:

The booth's main framework is constructed of the following materials: locally purchased and produced FSC apple lumber and plywood, and 100% recycled skyblend particle board.

Wondering what happened to our other booth?

That old girl was good to us, so we want to pay it back. We reused 720 sq. ft. of the flooring tiles in our retail outlet store in Bothell, WA. For the remaining materials we're currently researching sustainable solutions that consider reuse and recycling wherever possible.



Lighting:

- CFL bulbs that use 75% less energy than incandescent bulbs.
- LEDs significantly reduce energy consumption by using less power.



Privacy Screens:

Brooks shoes laces that didn't make the quality control cut have been given a new life as screens for private meetings.

CASE STUDY: Employee Commuting Challenge

In 2011 and 2012, we again organized our annual employee commuting challenge in which employees are challenged to alternatively commute to work via something other than a single occupancy car—carpool, public transit, cycle or run/walk. Our 2011 and

2012 challenges reduced carbon dioxide emissions by 21,879lbs and 36,964lbs respectively, over a 5 month period—that's a combined equivalent of the annual emissions from the electricity use of nearly four homes!

CASE STUDY: We're Moving...

We're thrilled to be moving our global headquarters to a new location in Seattle. This new home for Brooks will be packed full of technologies and features that will reduce our impact on the environment.

Stone34, our future new office building, is participating in the City of Seattle's 'Deep Green Pilot' and employing a set of guidelines that encourage the use of sustainable strategies authored by the International Living Future Institute. To put it in familiar terms, this program establishes challenging criteria that go beyond achieving LEED Platinum certification.

Stone34 is an intelligently designed office building

that will empower us to reduce energy consumption. Per the parameters of the Pilot Program, Stone34 is designed to use 75% less energy than typical buildings and capture nearly all water uses on-site. The building will be equipped with technology to inform us of our level of energy consumption—exhibiting that human awareness is the most effective way to reduce energy use.



PRODUCT MANUFACTURING

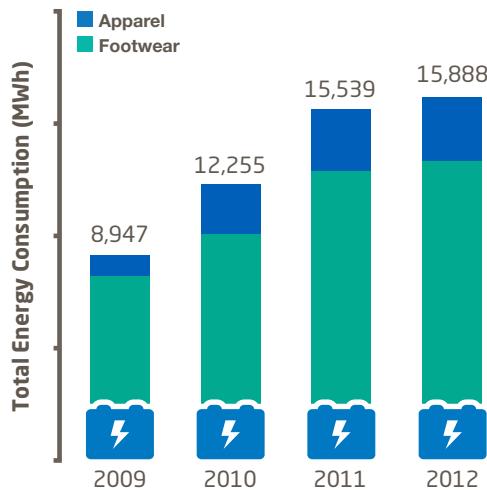
We partner with product manufacturers who share our commitment to protecting the environment.

Contract Manufacturing Energy and Water Consumption

We're currently focusing efforts with our contract manufactures that assemble our finished products and have direct relationships with us. In the future, we plan to increase our engagement further down the supply chain with the material suppliers that carry the largest orders for our brands.



ENERGY CONSUMPTION



Notes:

Footwear Contract Manufacturers Energy and Water: 2011 and 2012 100% reported primary data. 2009 and 2010, 50% reported primary data, 50% extrapolated using 2011 primary data.

WATER CONSUMPTION



Notes:

Apparel Contract Manufacturers Energy and Water 2009/10/11/12 data: Calculated using extrapolations based on data from one key apparel manufacturing facility.

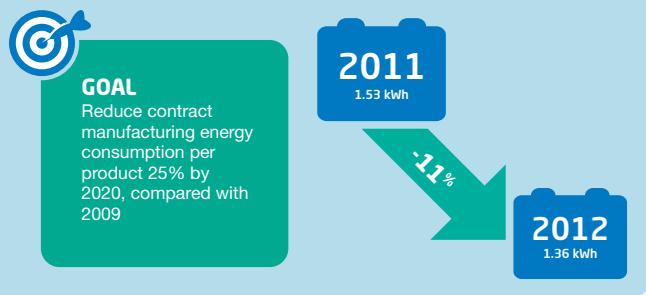
ENERGY CONSUMPTION

Energy consumption at contract manufacturers decreased by 11% per product (footwear and apparel) manufactured between 2011 and 2012. Of the total energy used by contract manufacturers, footwear manufacturers were responsible for over 85% of the total energy consumption in 2012. This is due to the larger volume of footwear units manufactured compared to apparel units. Furthermore, with large numbers of small lightweight parts in a running shoe and their numerous energy intensive manufacturing processes, the energy intensity per unit is significantly higher in footwear than apparel.

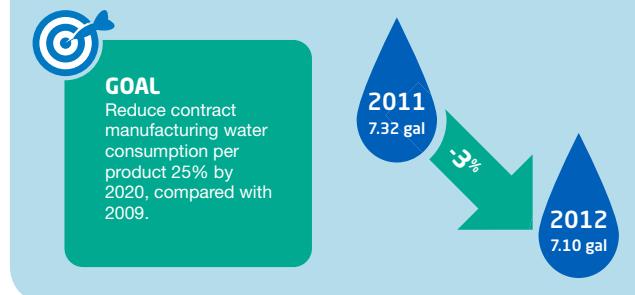
WATER CONSUMPTION

Water consumption at contract manufacturers decreased by 3% per product manufactured from 2011 to 2012. As with energy consumption, footwear assembly uses significantly more water per unit than apparel assembly.

REDUCE MANUFACTURING ENERGY GOAL



REDUCE MANUFACTURING WATER GOAL



The reduction of both energy and water consumption per product manufactured may be a result of efficiencies in scale as our unit volumes increased, although further analysis is necessary to better understand this decrease. The flip-side of increasing volume of units manufactured is that absolute consumption for both energy and water is increasing year-on-year. However, what's encouraging is that absolute energy consumption did not increase at the same rate as units manufactured. This could be due to the installation of an energy saving device at one of our key footwear manufacturers and our investment in lean manufacturing principles at another key footwear manufacturer's facility. The implementation of lean manufacturing principles focused on improving manufacturing quality while reducing production time and energy requirements, resulting in a 125,418Kwh reduction in total energy consumption throughout 2012.

PRODUCT TRANSPORTATION

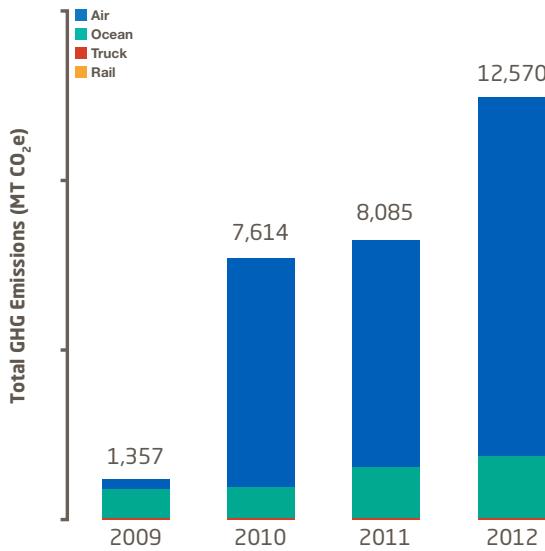
By striving to continually consider our supply chain, we are ensuring our own business decisions don't impact our ability to use cleaner modes of transportation.

Inbound Product Transportation Greenhouse Gas Emissions

Absolute emissions for 2012 inbound transportation increased 55% from 2011, which was primarily a result of an increase in the number of air shipments used to transport our products. In 2012, Brooks US sales increased by 40%, which was double what was planned for the period. Moving shipments to air transport, rather than the standard ocean transport, allowed us to continue to successfully get products to customers quickly, even faced with surprisingly high demand.

This highlights the importance to prioritize ocean shipments, which have a lower GHG intensity than air, and to improve demand forecasting to limit instances of unexpected orders that require faster shipment via air. Furthermore, increased dialogue with our logistics partners over route optimization strategies and the use of cleaner vehicles and fuels will be critical to meeting our performance goal.

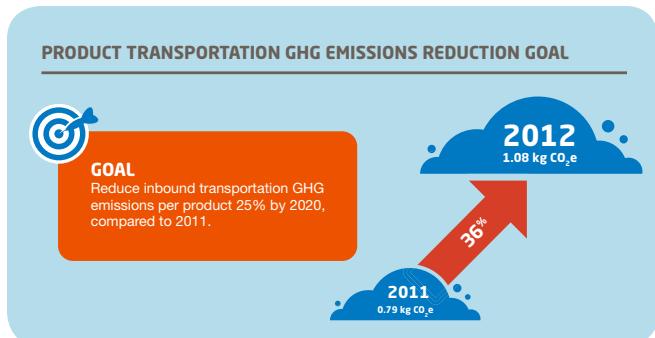
INBOUND PRODUCT TRANSPORT GHG EMISSIONS



Notes:

Inbound Transport = the transportation of finished product from outbound port to distribution center.

In 2011 and 2012 we improved our data collection processes and were able to collect inbound product transport data from outbound port to the European distribution center that our logistics partners use. Due to this improved and more complete data, we have updated our baseline year from 2009 to 2011 for more accurate comparison.





PRODUCT RESPONSIBILITY

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run
happy

SUSTAINABLE MATERIALS

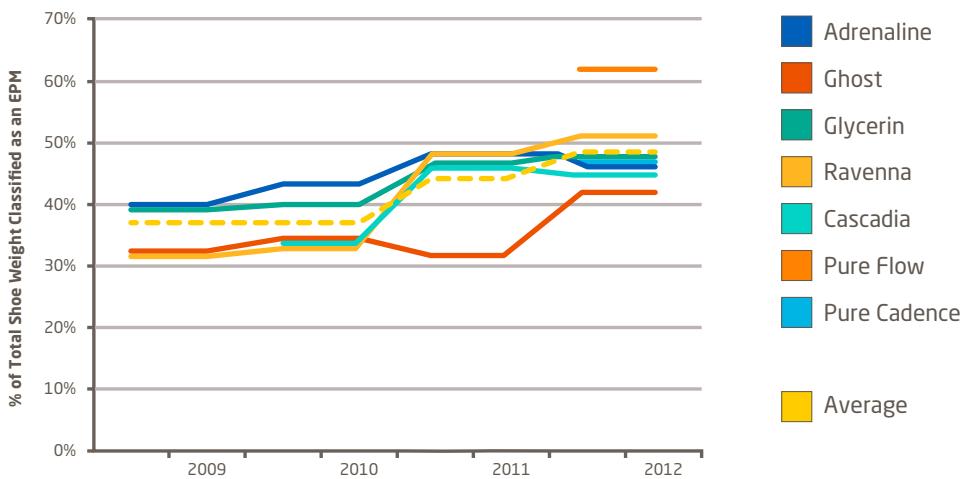
We hold ourselves accountable to designing with materials that demand less of nature.

Materials account for a significant proportion of our products' overall environmental impact. Demands on energy, water, land, chemical use, as well as GHG emissions, wastewater discharge, and generation of waste, can transpire during a material's life cycle. Developing industry-leading performance running footwear and apparel requires careful selection of materials that will meet the high-performance and quality standards we demand in our products. However, we're convinced that this performance should not come at the expense of the environment, so we're working hard behind the scenes to select materials that are better for both your run and the environment.

Footwear

Our Design for Environment (DfE) program, now in its sixth year, is focused on continuous improvement, and challenges our footwear product creation teams to select materials with lower known environmental impacts, while simultaneously maintaining or increasing the material's technical performance and quality standards. Our efforts are driven and tracked by our goal to continuously increase the selection of Environmentally Preferred Materials (EPMs) in our footwear products. Our efforts span our entire portfolio of footwear products. We are currently tracking progress in our top-seven selling footwear styles, which add-up to two-thirds of our total footwear sales.

FOOTWEAR ENVIRONMENTALLY PREFERRED MATERIALS SELECTION



Note: EPM Percentage refers to the percentage of the total shoe weight that is made up of materials that have an attribute(s) that qualifies it as an EPM, as per our definition.

Environmentally Preferred Materials (EPMs)

We define EPMs as those materials that have a reduced impact on the environment, compared to conventional materials. We currently focus on selecting materials that are biodegradable or contain at least 20% recycled content.

BIOМОGO

100% of all footwear styles with a midsole now use BioMoGo - our midsole that biodegrades 50 times faster than a standard midsole.

IMPROVE FOOTWEAR MATERIALS SUSTAINABILITY



GOAL

Continually increase the amount (by weight) of Environmentally Preferred Materials (EPMs) used in our 7 top-selling footwear styles.



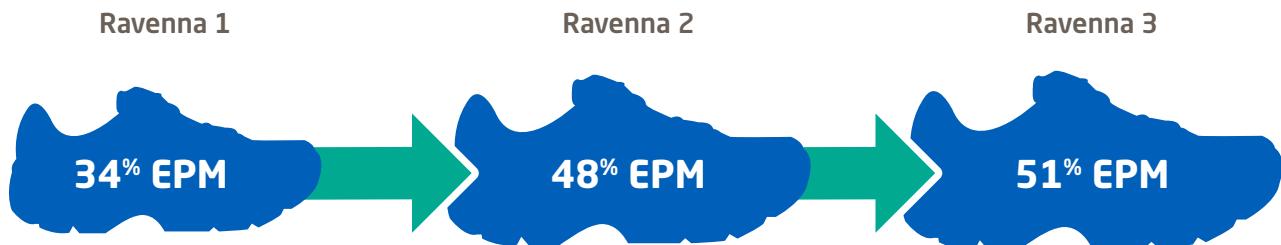
Overall, our efforts have resulted in EPM selections increasing between 2009 and 2012. As an average across all styles, the percentage of the total shoe weight that is classified as EPMs was 49% in 2012, up 12% from 2009. For the five styles that were redesigned between 2009 and 2012, the trend was for EPM selections to increase in each new version, with all five styles achieving a higher EPM percentage in the 2012 version, compared with 2009 versions. For the two styles introduced in 2012, the Pure Flow and Pure Cadence, both had a higher EPM percentage than the 2011 average, with the Pure Flow achieving the highest EPM percentage of any style in 2012 with 64%.

To date, our selected EPMs are either biodegradable, such as our BioMoGo midsole, or contain at least 20% recycled content. Looking ahead, without compromising our high-performance standards, we plan to continually increase the amount of recycled materials used in our footwear products. Furthermore, we aim to improve the quality of our EPMs by increasing the percentage of recycled content in those materials we select. Our long-term vision is to use materials that can remain in closed-loop cycles, reducing the demands on raw materials and eliminating the concept of waste. In the meantime, we have established partnerships with various organizations to collect gently used shoes from our offices and distribute them to people in need. See page 23 for more information.

CASE STUDY: Increasing EPM - One Shoe at a Time

The Ravenna is one of our footwear styles that has benefited from the insight gained from EPM selections in our other, longer-standing styles. A newer shoe for Brooks, the Ravenna, now in its third version (as of the end of 2012) has increased its EPM%

in each new revision. With EPM materials accounting for over 50% of the total shoe weight in its latest version, the Ravenna leads the way for our performance running styles.

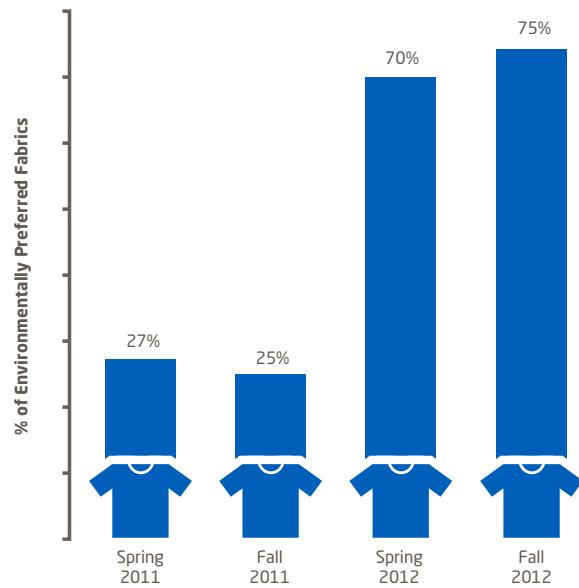


Apparel

Not to be outdone by footwear, our apparel team has been carefully sourcing and selecting materials that meet or exceed industry-best sustainable production standards, such as bluesign® and Oeko-Tex®. As with footwear, the performance and quality of the fabric is of utmost importance. Nonetheless, by screening the fabric options for accordance with international environmental standards, we're increasing our use of fabrics that have a reduced environmental impact.



ENVIRONMENTALLY PREFERRED FABRICS



COLLABORATION

Running with Others.... it's more fun!

Just like running with others helps to motivate and achieve your goals, we recognize the importance of collaborating with industry peers and other organizations in the shared pursuit of sustainability. That's why we're a founding member of the Outdoor Industry Association Sustainability Working Group, which helps us collaborate with other brands, retailers and manufacturers to create standardized tools for assessing our products' environmental and social impact. We've been an active partner in the development of the Higg Index and have recently been involved in the piloting of the footwear and apparel Indexes. In the future we plan to implement the Index with our product teams and our supply chain, as we see great potential in utilizing the Index to highlight opportunities for environmental and social improvements.



CHEMICALS MANAGEMENT

Our commitment to creating products and a supply chain free of hazardous chemicals.

Restricted Substances (RS)

RESTRICTED SUBSTANCE LIST (RSL):

We continue to strengthen our RSL, making three updates during 2011 and 2012, and increasing the number of chemicals that we voluntarily include (i.e. not mandated by law). Our latest RSL is available to download on our website. We have also increased the number of restricted substances that we're actively tracking in our supplier and product testing

2011

RSL updated to version 7.1 then 7.2



68 substances actively tracked (33%)

2012

RSL updated to version 7.3



119 substances actively tracked (49%)

MATERIALS TESTING:

Our RSL is given to all new footwear suppliers with strict instructions to comply with its specifications. We test all new materials against the actively tracked substances from our RSL before utilizing them in our footwear products, and subsequently retest all materials annually, to check continued compliance.

During 2011 and 2012, out of the total 6,000 tests conducted, there were six failures. In all cases, appropriate corrective actions were implemented and all retests passed.

Apparel suppliers are currently responsible for testing materials compliance with our RSL. However, we're looking to increase the scope of our own testing to include apparel suppliers in the future.



RSL COMPLIANCE New Materials

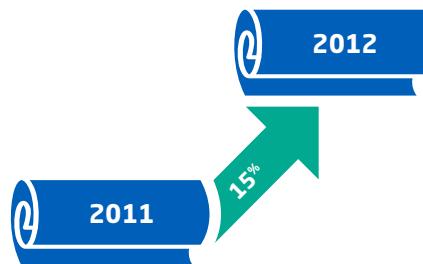
In 2011 and 2012, 100% of new materials, for footwear products, were tested (against 'actively tracked' substances) for RSL compliance.



RSL COMPLIANCE All Materials

In 2011 and 2012, 100% of all materials, used in footwear products, received annual retests (against 'actively tracked' substances) for continued RSL compliance.

TOTAL NUMBER OF MATERIAL TESTS



PRODUCT TESTING:

We test our final footwear products against our actively tracked substances, selecting which styles and substances to test based on high-risk attributes.

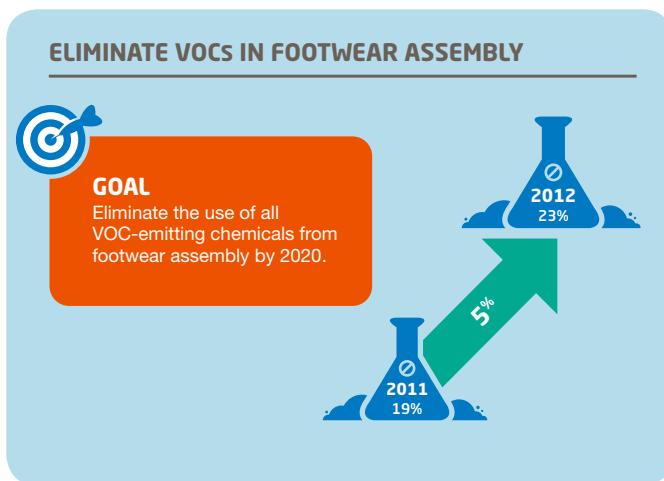
During 2011 our testing revealed one failure. A corrective action was implemented and retests passed. In 2012, all tests passed.

Full information on our RS program, including our methodology for implementing our RSL, supplier training, testing and product testing can be found at www.brooksrunning.com/runningresponsibly



Water-Based Chemistry

Traditional solvent based chemicals used in footwear assembly can release Volatile Organic Compounds (VOCs) that can be harmful to human health and the environment. We understand the importance of eliminating such chemicals in the assembly of our footwear products and created a goal to be free of VOCs and other toxic chemicals, to reduce our impact on the environment and improve conditions for workers at the factories. One way we can achieve this goal is to move away from using traditional, solvent-based adhesives, to using water-based adhesives that release no VOCs.

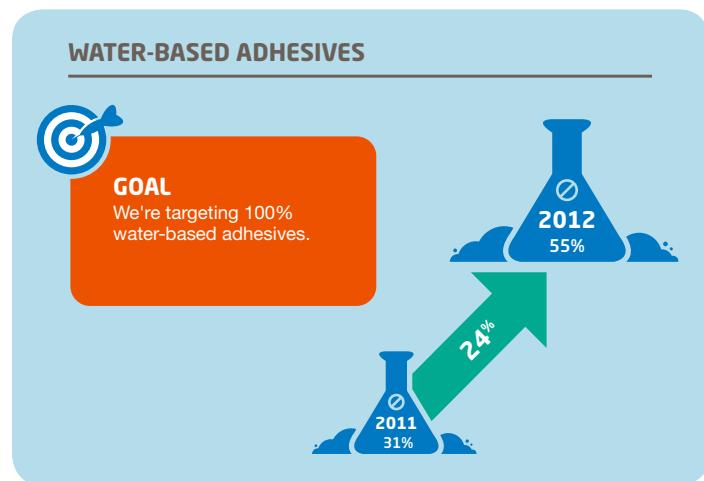


In 2012, 55% of adhesives used in footwear assembly were water-based, a

24%
increase from 2011.

We've made steady progress towards our goal, achieving year-on-year increases in the percentage of adhesives used that are water-based.

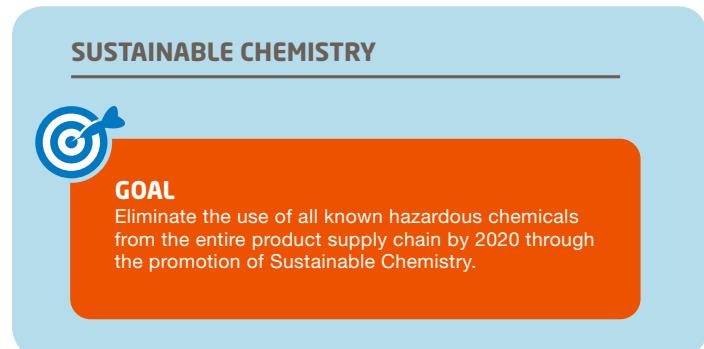
Looking ahead, we'll continue our adoption of water-based adhesives and expand our efforts to reduce the use of solvent-based primers, also used during footwear assembly.



Sustainable Chemistry

Brooks committed to eliminating use of hazardous chemicals in 2012 and has been an active member of the Outdoor Industry Association's (OIA) Chemicals Management Working Group (CMWG) since. We share the group's vision to strive for a world in which all consumer products are produced using Green Chemistry practices, ultimately using inherently safer chemicals and eliminating hazardous chemicals, in order to preserve human health and a clean environment. We're leveraging the guidance and tools of this working group to drive continuous improvement and innovation in our chemicals management practices, including those of suppliers in the manufacture of

our products. Our active involvement and support of the OIA's CMWG serves as our primary vehicle for success.



MATERIAL WASTE

To waste our materials means that we're losing the natural and human resources that go into processing that material, so we're focused on eliminating waste from our products' assembly.

The generation of material waste during footwear product assembly is a significant contributor to our footwear products' overall environmental impact. With as many as 60 different parts making up a traditional performance running shoe, there are numerous manufacturing processes undertaken to cut and shape materials that generate waste.

By understanding which materials and manufacturing processes contribute the greatest amount of waste during final product assembly, waste reduction efforts can be more impactful. Therefore, we undertook a

baseline measurement exercise for our top-selling footwear style, the Adrenaline GTS, measuring waste amounts generated at each manufacturing process. By tracking each part of the GTS through final product assembly, we were able to quantify the amount of waste generated by material type and manufacturing process. We replicated this assessment with the next version of the GTS to calculate changes in total waste generated, and then identified specific actions that resulted in waste-reductions. Here's what we found:

CASE STUDY: ADRENALINE GTS MATERIAL WASTE REDUCTION



With two-thirds of total waste generated coming from the upper of the Adrenaline GTS12, we know that the decisions made by our product designers and developers, with regards to the shapes, patterns and materials they choose, have a significant impact on the amount of total waste generated. This is reflected by the relationship between waste reduction and increasing pattern efficiency, reducing total number of parts and use of a single color, as shown between the GTS12 and GTS13.

Away from the Brooks offices and our design and development teams, the manufacturing processes



WASTE REDUCTION

Methods

- Use of Single Colors: Less Waste
- Less Parts: Less Waste
- Increased Pattern Efficiency in Upper: Less Waste
- Change in Manufacturing Processes: Less Waste

used in the factories were shown to influence the amount of waste generated. For example, eliminating the need for overlays by using a 1:1 3D foaming process contributed to the 8% reduction in waste from the upper of the GTS13, compared with the GTS12. Additionally, using a 1:1 press blown rubber process for the outsole instead of conventional die cutting processes, contributed to the 18% reduction in waste generated from assembling the bottom unit of the GTS13, compared to the GTS12.



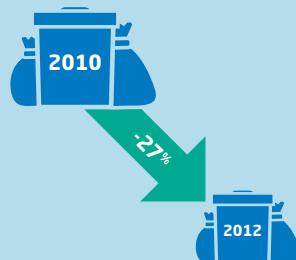
Achieving our materials waste-reduction goal for the Adrenaline GTS is just the beginning. We know we need to develop efficient methodologies for collecting data across our footwear portfolio so that we can measure, track and implement appropriate actions to reduce material waste throughout all footwear product assembly. Looking ahead, our reduction efforts will focus on increasing pattern efficiencies, parts consolidation and smart materials selections that can be completely recycled, for when waste cannot be completely avoided. Furthermore, we'll continue collaborating with contract manufacturers to develop assembly processes that reduce or even eliminate the generation of waste.

FOOTWEAR MATERIAL WASTE REDUCTION



GOAL

Reduce volume of footwear material waste generated during product assembly by 25% per shoe by 2020 compared to 2010 baseline.



(Adrenaline GTS only)



CASE STUDY: PureProject

A lighter shoe, with fewer parts and manufacturing processes, resulting in reduced material waste and energy demands in manufacturing.

32

Less Parts

41

Less Manufacturing Processes

18%

Less Energy Used Per Pair

Comparisons between Pure Cadence and Ravenna (a typical running shoe)

In addition to having less parts in the shoe, our Pure styles all use a no-sew assembly process that reduces the total number of manufacturing processes and the amount of material waste created during product assembly. Less manufacturing processes means that our Pure Project shoes use less energy during their final assembly, compared to a typical running shoe.

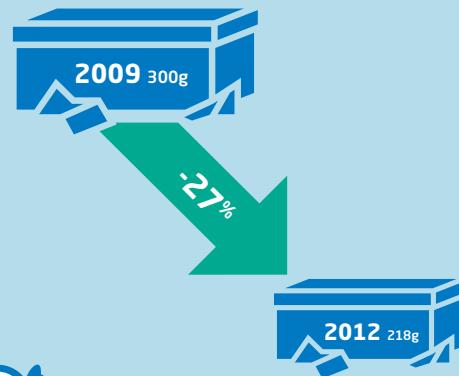


SUSTAINABLE PACKAGING

All packaging is waste, and reducing the amount of waste to get our product to the consumer is a top priority.

Since 2008, we've committed to providing industry-leading packaging while simultaneously reducing its environmental impact. Through a focus on dematerialization and maximum utilization of recycled and recyclable materials, we're making strides towards a box that's better for the environment. In 2012, we set a materials weight reduction goal to further focus our efforts. We're making great progress towards this target and we're continually challenging our supply base to play an active role in finding solutions to further decrease the weight of the materials and the overall environmental impact of the box. We're currently undertaking an extensive review of our packaging processes to drive greater efficiencies in material utilization to achieve our 2017 target.

SHOEBOX MATERIAL WEIGHT REDUCTION

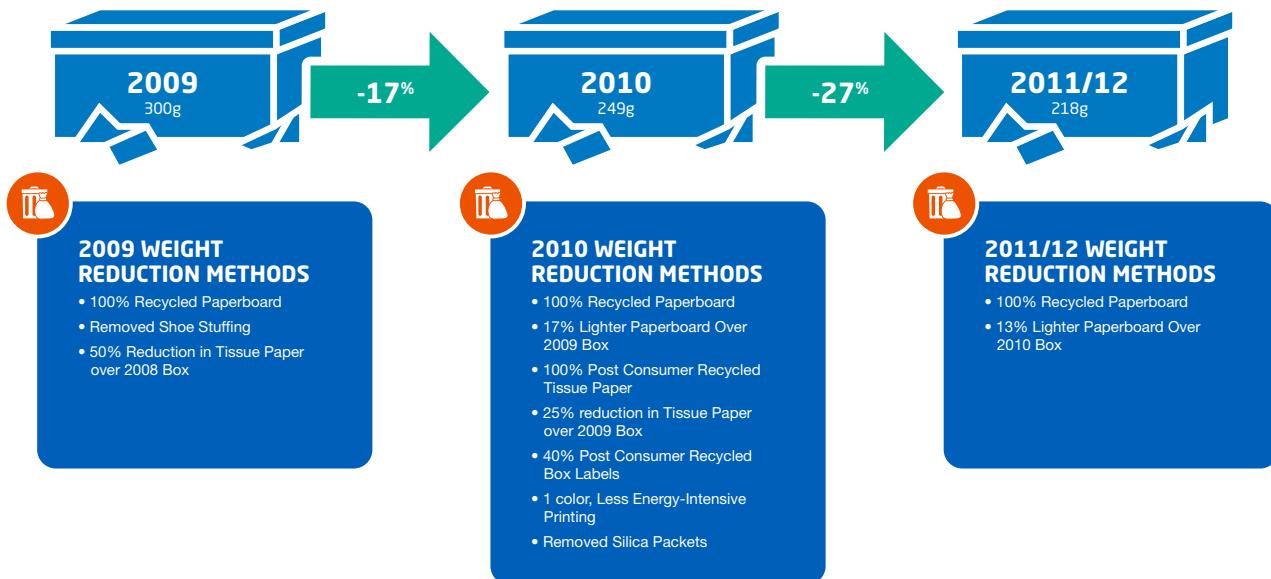


GOAL

Reduce total weight of materials used in footwear packaging by 50% per shoebox by 2017 from 2009.

This Box and Your Run, Just Got a Little Greener

Brooks' shoebox is the next best thing to no box at all. And as a bonus, it can be easily recycled or better yet, repurposed. Think dioramas, time capsule, and hamster home. Check out all the earth-loving updates we made to reduce our shoebox footprint and make the world a little more Run Happy.



While our recent efforts have focused on our shoebox, we've not forgotten about our apparel packaging. Our greatest achievement to date is using 100% post-consumer recycled paper stock within apparel packaging. Our packaging and apparel teams are hard at work researching new hangtag designs and materials options that will hopefully bring reductions in 2015.



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