

# Supply Chain Transparency Statement 2018

Brooks Sports, Inc.'s Statement on California Transparency in Supply Chains Act, UK Modern Slavery Act and the USA Tariff Act of 1930

---

*We are committed to continually improving our practices to ensure there is no slavery or human trafficking in our supply chain. The following outlines Brooks' efforts to identify and eliminate forced labor, in all its forms, from our business and supply chain. It is reviewed annually and updated as needed.*

---

## California Transparency in Supply Chains Act

Effective January 1, 2012, the California Transparency in Supply Chains Act of 2010 (SB 657) requires companies that sell goods in California to make certain disclosures regarding their efforts to address slavery and human trafficking within their supply chain.

## UK Modern Slavery Act

Effective October 29, 2015, the UK Modern Slavery Act of 2015 requires companies that sell goods in the UK and have an annual turnover of over £36 million to make certain disclosures regarding their efforts to address slavery and human trafficking within their supply chain.

## USA Tariff Act

Section 307 of the Tariff Act of 1930 (19 U.S.C. § 1307) prohibits the importation of merchandise mined, produced or manufactured, wholly or in part, in any foreign country by forced or indentured child labor – including forced child labor. Such merchandise is subject to exclusion and/or seizure, and may lead to criminal investigation of the importer(s).

## Introduction

Here at Brooks, being a good corporate citizen is one of our core beliefs:

### *Brooks Belief #8*

*We live, work, and run as part of a global community. The planet is our playground. And because more than 100 million people worldwide run outside, it's critical we take care of it. As we create new gear and run our global business, we seek to minimize our environmental and social impact, and be transparent about areas where we can do better. We aim to give back to the communities in which we operate, lifting causes that get people moving. Doing what's right for people and the planet is a lifelong race. And we're running it.*

We continually tune our Running Responsibly program to be best-in-class on social and environmental issues especially pertaining to fair, safe and equitable working conditions throughout our supply chain.

The following supply chain transparency statement details many of the initiatives we've put in place to support our belief that there is no place for forced labor, modern slavery or human trafficking in our business or supply chain. For Brooks, when it comes to such topics and their impact on people, vigilance and clear policies are imperative.

*This statement has been approved by the officers of the corporate entity of Brooks Sports, Inc. (Brooks) and signed on behalf of Brooks by Holger Mueller, COO. This confirms the officers of the corporate entity for Brooks Sports, Inc. have considered and approved the statement for fiscal year 2018.*

Sincerely,

A handwritten signature in black ink, appearing to read "Holger Mueller", with a long, sweeping underline.

Holger Mueller

COO, Brooks Sports, Inc.

## Contents

Introduction.....	2
Introduction to our Business.....	4
Policies .....	4
Evaluating Risks .....	4
Supply Chain Due Diligence and Verification.....	5
Accountability.....	7
Training.....	8
Assessment of Effectiveness.....	8
Further Steps .....	9



## Introduction to our Business

Brooks Running Company sells performance footwear, apparel, sports bras and accessories in more than 50 countries worldwide. Brooks' purpose is to inspire everyone to run and be active by creating innovative gear designed to keep runners running longer, farther and faster. This purpose is supported by Brooks' Run Happy philosophy, a quest to celebrate and champion the sport of running and all runners everywhere. Founded 1914, Brooks is a subsidiary of Berkshire Hathaway Inc. and is headquartered in Seattle.

Brooks contracts to manufacture best-in-class footwear and apparel products and works with a small number of selective suppliers around the globe. A [full list of contract factories](#) can be found on our website. The length of our relationship with our suppliers is, on average, more than five years.

## Policies

Our [Supplier Code of Conduct](#) was last updated in May 2016. This update includes strengthened provisions against the use of Forced Labor in any form in our supply chain. Specifically, it bans suppliers from charging "any employment eligibility fees for migrant workers, including recruitment fees" and calls for suppliers to "adopt policies and procedures to ensure there is no human trafficking in the Brooks supply chain". Further guidance on how to implement the Code is communicated to our suppliers through our compendium to the Supplier Code of Conduct, the Brooks Corporate Responsibility Standards.

## Evaluating Risks

In 2015 Brooks implemented an online supplier compliance and risk management software system to further formalize our supplier risk evaluation process. This web-based risk assessment and audit management system analyzes and quantifies supplier risk and compliance data. Infusing geographic risk data and analysis into the assessment process allows Brooks to effectively evaluate and track compliance and risk throughout our entire supply chain. This has enabled us to globally track social responsibility metrics in the following categories: Human Rights, Child Labor, Women's Rights, and Working Conditions.

Integrating the system's country level risk information with assessment results and through review of the Department of Labor's "List of Goods Produced by Child Labor or Forced Labor", Brooks has been able to evaluate risk across our supply chain. Specific to the countries in which we operate, the industry we are in, and our own supply chain, Brooks has identified the following high-level risk areas – as they relate to this disclosure – to which we pay extra attention to identify and remediate during our due diligence and verification processes:

- Migrant Labor
- Freedom of Movement
- Right to Refuse Overtime
- Workers' Right to Leave Job
- Cotton Production in Uzbekistan

Monitoring for these risks, our Fair Labor program identifies and remediates any non-compliances against local law or our Supplier Code of Conduct as highlighted below.

## Supply Chain Due Diligence and Verification

*Through our Fair Labor program, the following steps are taken to enforce our Supplier Code of Conduct across the supply chain so that working conditions are fair, safe and equitable. The Brooks Fair Labor program follows the principle of 'Continuous Improvement'. Whenever non-compliances are found, Brooks works with our supplier to understand the root cause of the issue and to find a sustainable solution that will both correct the issue in question and prevent similar issues from occurring in the future.*

### New Vendor Onboarding

As part of our product new vendor onboarding process, Brooks engages third-party auditors to conduct a preliminary social responsibility audit to identify areas of risk and weaknesses in social responsibility policies and practices with prospective suppliers. We carefully screen third-party auditors and only use experienced and reputable monitoring firms that are well versed on international laws and standards as well as our internal standards. All direct production sites must go through this screening and be approved for production by our Social Responsibility team before we contract with them to manufacture our products.

### Tier 1 Audit Process

Brooks' goal is to audit all our direct suppliers and licensee suppliers each year. In 2017 we audited, accepted shared audits, or performed self-assessments with 100% of direct and licensee suppliers. Our Fair Labor program evaluates suppliers' compliance with our Supplier Code of Conduct and local law through the use of onsite assessments conducted by independent third-party monitoring firms.

In assessing Brooks' supply chain, our third-party auditors check factory policies and procedures against the Brooks audit scope, which is based on the local law of manufacture, international labor norms, industry best practices, and our Supplier Code of Conduct. The third-party audits are generally semi-announced with a three-week audit window and include a physical inspection of the factory, review of documents and procedures, and between 15 and 35 worker interviews (depending on the size of the factory). During the worker interviews, the third-party auditors ask specific questions designed to assess forced labor and human trafficking risk. Our Social Responsibility team shadows the audits when feasible. Brooks reserves the right to perform unannounced audits at any of our suppliers and has done so when certain country or facility-specific risk factors warrant.

### Tier 2 Suppliers

Brooks uses a risk-based approach to determine our social responsibility engagement level with Tier 2 suppliers. We prioritize our engagement with these high-risk, strategic suppliers who account for roughly 90% of our materials volume by spend. All strategic suppliers are sent our Supplier Code of Conduct and Corporate Responsibility Standards and are asked to complete a Vendor Profile Questionnaire. Based on the information received through the questionnaire, further engagement may be warranted. Brooks also participates in an industry Migrant Labor Remediation Working Group that shares Tier 2 migrant labor audit results and works together to remediate the issues identified during such audits.

## Migrant Labor

For any suppliers using foreign migrant labor we ask them to complete an additional self-assessment to ensure compliance against our migrant labor standards. This assessment covers forced labor concerns throughout the employment process: during recruitment, during employment, and after employment has concluded. This assessment is especially qualified to identify issues stemming from the relationship between migrant workers and labor brokers that may be out of the scope of some of our other assessments. Examples of issues this program aims to identify and eliminate include:

- Excessive recruitment fees charged to workers
- Withholding of passports or identity documents
- Restricted freedom of movement
- Sex-based discrimination in migrant labor hiring practices

## Worker Grievance Investigation

Brooks has an established grievance system through which workers at our factories can file grievances directly with the Brooks Social Responsibility team. Whenever any such grievances are received, an investigation is performed to understand the full context of the complaint. Following the investigation, should any violations to local law or our Supplier Code of Conduct be identified, Brooks will work with our factory to remediate the issue. Once remediation has been complete, Brooks asks our factory to communicate to workers what the issue was and what was done to remediate it. Brooks will also follow-up directly with any workers who filed a grievance to ensure that: they receive the results of the investigation, they understand the remediation efforts that were taken, and that they agree with the results of the process.

## Certification

### *Supplier Code of Conduct and Corporate Responsibility Standards Acknowledgement*

As a prerequisite to doing business with Brooks, all new contract manufacturers must review our Supplier Code of Conduct and Corporate Responsibility Standards and certify that:

- They meet or exceed the requirements in each area of the Supplier Code of Conduct
- They will maintain current, sufficiently detailed records to substantiate compliance with the Supplier Code of Conduct
- They will be transparent with all documents, including accurate working hours and payroll records
- They will allow periodic third-party assessments to verify compliance with all Supplier Code of Conduct standards
- Any merchandise that is shipped will be produced in compliance with the wage and working hours laws of the country of manufacture and without the use of child, prison or forced labor
- They understand that failure of compliance with the Supplier Code of Conduct standards may result in termination of business with Brooks Sports Inc.

### *Certification Against the Use of Uzbekistan Cotton*

Brooks recognizes the forced labor concerns involved with sourcing cotton from Uzbekistan. As such, Brooks has made the decision to not source any cotton from Uzbekistan. While cotton is used only in a very limited capacity in our products, for any suppliers whose products contain cotton, we require them to sign an additional certification stating that they will “not purchase cotton directly from Uzbekistan, nor knowingly use yarn or textiles produced by vendors that source cotton from Uzbekistan for use in the fabrication of any products made for Brooks”. We require all new suppliers that use cotton to sign this certification. We also review our supplier list annually to review which suppliers are currently using cotton in Brooks production and ensure that we have a signed certification for all such suppliers.

### Measurement Tools

To measure compliance with our Supplier Code of Conduct Brooks uses a mix of in-house compliance tools, third-party risk management software and industry best practice tools, including planned adoption of the Social/Labor Convergence Project facility assessment tool. Specifically, for issues relating to forced labor, we use both a Migrant Labor self-assessment and our Social Responsibility audit template to determine if suppliers are in compliance with the Forced Labor code element of our Supplier Code of Conduct.

### Remediation Process

Our approach to violations of our Supplier Code of Conduct emphasizes, first, protecting the workers in our supply chain and then focuses on working with suppliers to remedy issues based on a ‘continuous improvement’ model. Only if a supplier is unwilling to work with Brooks to remedy an issue will we consider termination of our partnership due to non-compliance with our Supplier Code of Conduct.

When a potential issue is discovered, our protocol requires the relevant supplier to produce a corrective action plan outlining how they intend to resolve and prevent future occurrence of similar issues based on a root cause analysis of the issue at hand. As appropriate, we may also conduct a follow-up third-party assessment at the facility to check progress on the corrective action plan and confirm resolution of any identified non-compliances. If the supplier does not correct the violations we may terminate the relationship.

## Accountability

Brooks has a dedicated team responsible for our Social Responsibility program which reports directly to the General Counsel. The Brooks senior leadership team has a direct involvement and accountability in supporting our commitment to human rights. After each social responsibility audit, our Chief Operating Officer and the accountable Sourcing director are briefed on the results.

The Brooks Social Responsibility team participates in seasonal business reviews with our footwear factories where the factory’s social responsibility performance is evaluated alongside other business metrics like development and commercialization. The social responsibility metrics are weighted equally to the other business metrics during this process. This process enables the Social Responsibility team to engage both Brooks and factory leadership about any ongoing remediation efforts.

## Training

### Internal Training

Our Social Responsibility team receives regular, on the job training on the subject of slavery and human trafficking. Internal Corporate Responsibility personnel, our Sourcing team, and key members of our Senior Leadership and Product teams have also participated in trainings on slavery and human trafficking, including red-flags to look for when visiting suppliers. This includes review of the USA Customs and Border Patrol's Forced Labor webpage, the Department of Labor's "List of Goods Produced by Child Labor or Forced Labor" and "Reducing Child Labor & Forced Labor Toolkit" webpage, and the International Labour Organization's "Indicators of Forced Labor" booklet.

### Supplier Training

Brooks performs regular in-person trainings for our suppliers on topics relevant to each individual supplier. Each new supplier is trained on our Supplier Code of Conduct and Corporate Responsibility Standards. Our Supplier Code of Conduct has been translated into eight languages to make it more accessible to workers within our supply chain. Additionally, when we implemented our Migrant Labor program, we visited certain suppliers to discuss our new Migrant Labor policies and how the policy changes will affect them.

We also utilize third-party trainers when available to provide general online CR trainings as well as detailed, in-person trainings on specific topics.

### Training Partners

We collaborate with several non-governmental organizations, auditing firms and trade associations to raise awareness of social compliance issues both internally and with our suppliers. We regularly monitor reports and follow the developments of leaders in this field, such as the Fair Labor Association, International Labour Association, Sustainable Apparel Coalition, and the Better Work Program.

## Assessment of Effectiveness

In 2017 Brooks has identified zero non-compliances in our Tier 1 finished goods supply chain related to forced labor, modern slavery or human trafficking. Through the processes we constructed in our Fair Labor programs (outlined above), Brooks identified several non-compliance issues within our Tier 2 materials supply chain, and were able to successfully remediate or have implemented a remediation continuous improvement plan on 100 percent of the issues. Brooks has never identified a 'Zero Tolerance' forced labor non-compliance or as a result, terminated our business relationship with the supplier due a 'Zero Tolerance' non-compliance. In the past, we have terminated our business relationship with several factories due to various other non-compliances against our Supplier Code of Conduct.





## Further Steps

For more information regarding our Corporate Responsibility Program, please see our [Running Responsibly page](#) of our website and our most up-to-date [Running Responsibly Performance Summary Report](#). We also invite you to send comments, questions, and suggestions to: [runningresponsibly@brooksrunning.com](mailto:runningresponsibly@brooksrunning.com).

Visit [www.brooksrunning.com](http://www.brooksrunning.com) for more information or follow us on Twitter (@brooksrunning) and Facebook ([www.facebook.com/brooksrunning](http://www.facebook.com/brooksrunning)).