Mandate

1. Recommend 3 countries for Nike to shift its current China manufacturing into

2. Recommend ways to implement traceability of the supply chain for collegiate apparel

3. Building consumer awareness showcasing Nike’s commitment to sustainability and improved labour practices
Recommendation

Strategic shift of production of collegiate apparel from China to **Mauritius, Sri Lanka and Vietnam** by partnering with **Esquel Manufacturing Group** who will allow Nike to implement **online platform** traceability initiative.

**Nike will market** its commitment to sustainability and improved labor practices through its new **“School Pride Fueling Better Lives”** campaign.

By the end of 2015 all Chinese manufacturing will has been divested

Sustaining Future Gross Margin and Increasing Net Income by 10.4% over 5 years
<table>
<thead>
<tr>
<th>Event</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Short Term (1-2 years)</strong></td>
<td></td>
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<tr>
<td>Production Shift</td>
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<tr>
<td>Shift to Vietnam</td>
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<tr>
<td>Shift to Sri Lanka</td>
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<tr>
<td>Shift to Mauritius</td>
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<tr>
<td>Divest from China</td>
<td></td>
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<tr>
<td>Tracking</td>
<td></td>
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</tr>
<tr>
<td>Meeting with Esquel</td>
<td></td>
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<tr>
<td>Set up Online</td>
<td></td>
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<tr>
<td>Test Tracking</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Monitor system</td>
<td></td>
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<tr>
<td>Marketing</td>
<td></td>
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<tr>
<td>Pre Launch web design</td>
<td></td>
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<tr>
<td>Teaser video</td>
<td></td>
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<tr>
<td>Buzz marketing</td>
<td></td>
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<tr>
<td>PR &amp; Web PR</td>
<td></td>
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<tr>
<td>Launch School Pride Campaign</td>
<td></td>
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<tr>
<td><strong>Long Term (2-5 years)</strong></td>
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<tr>
<td>Production Shift</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Monitor Mauritius (New)</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Periodic Worker review</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Tracking</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mauritius tracking</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tracking Expansion</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Marketing</td>
<td></td>
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<tr>
<td>Continued awareness</td>
<td></td>
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</tr>
</tbody>
</table>
Agenda

- Departure from China
- External/Internal Environment
- Consumer/Brand Perception
- Country Criteria/Selection
- Country Implementation
- Traceability Implementation
- Marketing of Collegiate Apparel
Departure from China

Why?
- Increase in labor wages
- Appreciation of Yuan vs. US dollar
- Cost of shipping goods

Decreasing cost advantage

When seeking a new manufacturing facility must insure these factors are no longer a threat
Agenda

- Departure from China
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### External Environment

1. April 2013: Rona Plaza, Bangladesh factory collapsed leading to over 1,100 deaths
   - Signing of the Accord on Building and Fire Safety

2. Universities hold licensees to a code of conduct (labor standards):
   - UofW: Minimum employment age set at 14 or 15 years old

### Internal Environment

1. Did not sign the act:
   - Minimal production in Bangladesh
   - Launch 2020
   - Launched a material traceability (organic cotton and recycled polyester)

2. Exceeds the standards set by the UofW
   - Minimum employment age set at 16 years old

**Nike leads the industry in sustainability practices by exceeding the industry requirements**
Agenda

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  - Consumer/Brand Perception
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  - Marketing of Collegiate Apparel
**Brand Perception & Key Trends**

<table>
<thead>
<tr>
<th>Favorite Brand 13-33 Years Old</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Nike 4.5% (Ranked third)</td>
</tr>
<tr>
<td>• Age group 86 Million-controls $1.3 Trillion in Consumer Spending</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Consumers Increasingly Demanding Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Origin of Products</td>
</tr>
<tr>
<td>• Manufacturing Methods</td>
</tr>
<tr>
<td>• Contents of Products</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Pay for Sustainable Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Willingness to buy fair trade products- 43% globally</td>
</tr>
</tbody>
</table>

**Leverage brand to meet consumer demand with regards to more transparency and sustainability**
Agenda

- Departure from China
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Country Selection - Criteria

Shift production to countries with low manufacturing cost & low risk

Country Risk Index
- Low risk
- High risk

Textile Industry
- Value-Added greater than China

Minimum Wage
- Lower than China
- Greater than China
The highest value added percentage creates the largest value creation from opportunities.
Minimum Wage

Wage increases is the greatest contributor to China’s diminishing cost advantage:

Low minimum wage outlines the value add sustainability of these countries
Country Selection - Criteria

Cost-based:

1. Textile manufacturing value added
2. Minimum wage

Must out-perform China

Country Risk Index:

1. Political: stability, corruption, regulatory quality, rule of law
2. Economic: inflation, GDP, ease of doing business
3. Social/Compliance: Human Development Index, labour standards
4. Infrastructure/Climate: World Risk Index, transportation

Relatively low risk & risks that can be mitigated
Vietnam

**Political**
- Relatively stable (56th percentile)

**Economic**
- Ease of Doing Business Index ranking close to China (99/189)

**Social/Compliance**
- Relatively low Human Development Index ranking

**Infrastructure/Climate**
- Relatively low quality of overall infrastructure and ports
- Funds currently being channeled into infrastructure (roads, ports, power generation facilities)

Despite structural challenges, Vietnam is the second largest supplier of Nike-branded products after China
Sri Lanka

Political
- Relatively low level of corruption (91/177)
- End of 26-years civil war presents growth opportunities

Economic
- Ease of Doing Business ranking superior to China (85/189)

Social/Compliance
- Human Development Index ranking is superior to China (80/186)

Infrastructure/Climate
- High quality of overall infrastructure & ports
Mauritius

Political
- 80th percentile ranking
  - Political stability, regulatory quality, rule of law
  - Low corruption level (52/177)

Economic
- Easiest place to do business in Sub-Saharan Africa (20/189)

Social/Compliance
- Human Development Index ranking is superior to China (80/186)

Infrastructure/Climate
- Low vulnerability: natural disasters
- Quality of overall infrastructure is superior to China
- Quality of ports is high and cost to export is low
Agenda

- Departure from China
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  - Country Implementation
  - Traceability Implementation
  - Marketing of Collegiate Apparel
Implementation Overview

Shifting production out of China
• Divesture of factories

Shifting production to Vietnam
• Current location, current partner

Shifting production to Sri Lanka
• Current location, new factory

Shifting production to Mauritius
• New location, new factory
Shifting Production out of China (Short-Term)

When?
- Minimum of 6 months prior to the last scheduled production

Who?
- Factory Exit Response Team (FERT)

How?
- 5-step Factory Divesture process

Order of Factory Divesture
- Based on Manufacturing Index rating
- Guangdong Esquel Textiles Company Ltd. will be last
Shifting Production to Vietnam

Manufacturer
- Esquel Group
  - Current partner, strong reputation, strategic fit
  - Operations in Sri Lanka and Mauritius

Factory
- Esquel Garment Manufacturing (Vietnam) Co., LTD in Thuan Ahn
- 2nd largest factory producing collegiate apparel in Vietnam (4600 line workers)

Since staying with the same manufacturer has many benefits, we will be using Esquel Group in Sri Lanka and Mauritius
Shift Production to Sri Lanka

**When?**
- Minimum 6 months before operations must begin

**Who?**
- Head of Supply Chain (manufacturing)
- Director of Sustainable Manufacturing & Sourcing

**How?**
- New Source Selection Process

**Where?**
- Polytex Garment Ltd.
  - Jaela
  - Kegalle
  - Koggala
  - Yakkala

1. Business Justification Form
2. Contractor Compliance
3. Third Party Audits
4. Factory Approval
5. Maintaining the Factory
Shifting Production to Mauritius

When
- Minimum 6 months before operations must begin
- Longer than Sri Lanka

Who
- Head of Supply Chain (manufacturing)
- Director of Sustainable Manufacturing & Sourcing (SM&S)
- SM&S Representative

How
- New Country Approval Process (Initial Step)
  - Review of Mauritius’ environment, brand exposure, & infrastructure
- New Source Selection Process

Where
- Esquel (Mauritius) Ltd.
- Beau Bassin
- Flacq
- Grand Bois
- Goodlands
The increase in Chinese labour inflation continues to depress margins. As China reaches US cost parity resulting in decreased margins, growth benefits dampen.
### Monthly Wages per Country

<table>
<thead>
<tr>
<th>Country</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>Historical Assumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>38.0</td>
<td>46.9</td>
<td>43.0</td>
<td>40.5</td>
<td>42.4</td>
<td>43.3</td>
<td>45.90</td>
<td>48.65</td>
<td>51.57</td>
<td>54.67</td>
<td>57.95</td>
<td>2.6% 6.0%</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>62.3</td>
<td>58.7</td>
<td>59.7</td>
<td>61.1</td>
<td>52.9</td>
<td>52.3</td>
<td>54.65</td>
<td>57.11</td>
<td>59.68</td>
<td>62.37</td>
<td>65.18</td>
<td>-3.4% 4.5%</td>
</tr>
<tr>
<td>Mauritius</td>
<td>120.8</td>
<td>107.5</td>
<td>111.6</td>
<td>119.7</td>
<td>114.4</td>
<td>111.9</td>
<td>116.38</td>
<td>121.03</td>
<td>125.87</td>
<td>130.91</td>
<td>136.14</td>
<td>-1.5% 4.0%</td>
</tr>
<tr>
<td>Average</td>
<td>73.7</td>
<td>71.0</td>
<td>71.4</td>
<td>73.8</td>
<td>69.9</td>
<td>69.2</td>
<td>72.31</td>
<td>75.60</td>
<td>79.04</td>
<td>82.65</td>
<td>86.42</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>Historical Assumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign cost</td>
<td>88.4</td>
<td>85.2</td>
<td>85.7</td>
<td>88.5</td>
<td>83.9</td>
<td>83.0</td>
<td>86.77</td>
<td>90.72</td>
<td>94.85</td>
<td>99.18</td>
<td>103.71</td>
<td></td>
</tr>
<tr>
<td>Premium</td>
<td>-23%</td>
<td>-31%</td>
<td>-36%</td>
<td>-43%</td>
<td>-50%</td>
<td>-54%</td>
<td>-55%</td>
<td>-57%</td>
<td>-58%</td>
<td>-59%</td>
<td>-61%</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>115.1</td>
<td>124.4</td>
<td>132.9</td>
<td>154.8</td>
<td>166.7</td>
<td>179.2</td>
<td>193.54</td>
<td>209.02</td>
<td>225.74</td>
<td>243.80</td>
<td>263.30</td>
<td>9.3% 8.0%</td>
</tr>
</tbody>
</table>

The disparity between labour cost in China and other manufacturing countries has warranted a change in production location.

The 9.3% YoY cost inflation accelerates future problems.
## Phased Shift in Production

The gradual production shift can be seen in full effect by FY16. Phasing out production creates delayed effects yet increases efficiency.

<table>
<thead>
<tr>
<th>Labour Cost</th>
<th>FY13</th>
<th>FY14E</th>
<th>FY15E</th>
<th>FY16E</th>
<th>FY17E</th>
<th>FY18E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Status Quo ($M)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>27.77</td>
<td>30.14</td>
<td>32.00</td>
<td>35.48</td>
<td>38.49</td>
<td>41.76</td>
</tr>
<tr>
<td>Production shift ($M)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>27.77</td>
<td>24.19</td>
<td>10.60</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vietnam</td>
<td>1.32</td>
<td>1.40</td>
<td>1.45</td>
<td>1.49</td>
<td>1.53</td>
<td></td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>1.14</td>
<td>1.83</td>
<td>1.80</td>
<td>1.77</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mauritius</td>
<td>4.50</td>
<td>7.26</td>
<td>7.30</td>
<td>7.33</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total ($M)</td>
<td>27.77</td>
<td>25.51</td>
<td>17.64</td>
<td>10.53</td>
<td>10.59</td>
<td>10.64</td>
</tr>
</tbody>
</table>

The gradual production shift can be seen in full effect by FY16.
Shifting production will sustain margins for the long term.

<table>
<thead>
<tr>
<th></th>
<th>FY13</th>
<th>FY14E</th>
<th>FY15E</th>
<th>FY16E</th>
<th>FY17E</th>
<th>FY18E</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>College sales</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Revenues</td>
<td>1,728</td>
<td>1,866</td>
<td>2,052</td>
<td>2,237</td>
<td>2,438</td>
<td>2,658</td>
</tr>
<tr>
<td>Royalties</td>
<td>173</td>
<td>187</td>
<td>205</td>
<td>224</td>
<td>244</td>
<td>266</td>
</tr>
<tr>
<td>Growth</td>
<td>8%</td>
<td>10%</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>COGS</td>
<td>974</td>
<td>1,054</td>
<td>1,158</td>
<td>1,264</td>
<td>1,379</td>
<td>1,503</td>
</tr>
<tr>
<td>Cost reduction</td>
<td>5</td>
<td>14</td>
<td>25</td>
<td>28</td>
<td>31</td>
<td></td>
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<tr>
<td><strong>Gross Profit</strong></td>
<td>753</td>
<td>816</td>
<td>909</td>
<td>998</td>
<td>1,087</td>
<td>1,186</td>
</tr>
<tr>
<td>Margin</td>
<td>44%</td>
<td>44%</td>
<td>44%</td>
<td>45%</td>
<td>45%</td>
<td>45%</td>
</tr>
<tr>
<td>Selling Expenses</td>
<td>187</td>
<td>204</td>
<td>223</td>
<td>243</td>
<td>264</td>
<td>288</td>
</tr>
<tr>
<td>G&amp;A</td>
<td>344</td>
<td>392</td>
<td>408</td>
<td>445</td>
<td>485</td>
<td>529</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>222</td>
<td>220</td>
<td>278</td>
<td>310</td>
<td>338</td>
<td>369</td>
</tr>
<tr>
<td>D&amp;A</td>
<td>27</td>
<td>29</td>
<td>32</td>
<td>35</td>
<td>38</td>
<td>41</td>
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<tr>
<td>Interest (Income)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>EBT</strong></td>
<td>196</td>
<td>191</td>
<td>247</td>
<td>276</td>
<td>300</td>
<td>328</td>
</tr>
<tr>
<td>Income Tax</td>
<td>48</td>
<td>47</td>
<td>61</td>
<td>68</td>
<td>74</td>
<td>81</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>147</td>
<td>144</td>
<td>186</td>
<td>208</td>
<td>226</td>
<td>247</td>
</tr>
<tr>
<td>Margin</td>
<td>9%</td>
<td>8%</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
</tr>
</tbody>
</table>

Lower Labour cost are a driving force of cost reduction. Labour cost Support Margins.
Agenda

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  - Marketing of Collegiate Apparel
Traceability

What are our current efforts?

Already apart of many certification and associations as well as Nike’s own initiatives:
• Fair Labour Trade
• Better Cotton Initiative
• Considered Index, Materials Sustainability Index, Footwear/Apparel Sustainability Index, Manufacturing Index
• . . .

What more should be done?

Need to communicate to consumer

Use an online platform, where Nike will share select information regarding their products with their consumers
1. Get tracking code to the label of the t-shirt

2. Consumer heads to the website to enter the tracking code
Meeting the farmers, mill and the manufacturing plant:

- The location
- The labor conditions
- Material sourcing methods

Feasible or Not?

- 90 Plants across 15 Countries: Cannot trace all farms, mills and manufacturing
  - Information is not available
  - Lack of power over the manufacturer or farmer
  - High Turnover with Manufacturing Plants

- Pick a single manufacturer to work with to implement traceability and transparency effectively
### Traceability – Online Platform Implementation

**Chosen Manufacturer to Partner with to Obtain the Information:** **Esquel Group**

<table>
<thead>
<tr>
<th><strong>Power</strong></th>
<th><strong>Self Desire</strong></th>
</tr>
</thead>
</table>
| • Increase in 7,500 workers with the Sri Lanka, Mauritius and Vietnam production transfer  
  o Which results in a 143% increase in Esquel’s production of Nike products  
  • In the shifting schedule of the Chinese manufacturing to the new regions, Esquel’s manufacturing facilities are the last to be divested | • OEKO-TEX STeP Certification (Level 3, highest classification)  
• Gold Award of the Hang Seng Pan Pearl River Delta Environmental Awards  
• Tammy Rodriguez – Director of Corporate Social Responsibility as been elected as Board Member of the board of FLA |

**Advantage initiative for both party, in addition will increase Nike’s traceability with the consolidation of production with high reporting manufacturer**
Agenda

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- Marketing of Collegiate Apparel
Should Nike’s Commitment to Sustainability and Improved Labour Practices be in the Marketing of Nike Products?

YES

Why?

Consumers Want
Origin, Manufacturing Methods & Contents of Products

Unique Selling Proposition
Limit Brand Switching

Willing to Pay More
46% of Global consumers pay more for companies that give back

College/University Educated Will Pay More
Fair Trade 30.6%
Organic 44.8%

Female Sports Apparel
Tripled- exceeded $350M FY12-13
Pay More: Fair Trade & Sustainably Produced

89 M Females Self-Identify as College Sports Fans
MARKETING OBJECTIVES

AWARENESS
Nike’s Commitment to Sustainability & Labour Practices

MESSAGE STRATEGY

School Pride
Fueling Better Lives

BIG IDEA

TRACK YOUR SCHOOL PRIDE!

- Use Tracking Code (printed on products)
- Enter into Nike Track My School Pride section of website
- Receive detailed info of product and origin
- Awarded for Fueling Your School Pride for Better Lives
School Pride Fueling Better Lives

Tactics

- Social Media
- PR & Web PR
- POS & Displays
- Web Banners
- Promo

TIMELINE

- Website Section
- Announcement Campaign
- PR, Web PR, Bloggers, Social Media
- POS Posters & End-Aisle Displays
- Social Media Sharing
- #nikeschoolpride #justdidit
  #fuelingbetterlives #nikejustdoit
- Promotion: Buy 3 School Pride Sustainable Products-10% off DTC
Conclusion

1. Recommend 3 countries for Nike to shift its production
2. Recommend ways to implement traceability
3. Building consumer awareness

Strategic shift of production of collegiate apparel from China to Mauritius, Sri Lanka and Vietnam by partnering with Esquel who will allow Nike to implement online platform traceability initiative

Through our recommendation, we sustain future Gross Margins, increase Net Income by 10.4%, while strengthening our traceability and sharing our commitment to sustainable and improved labor practices with our consumers
Thank you, questions?

- Nike
- Traceability
- Country Selection
- Manufacturer Selection
- Marketing
- Financials
Nike

- Efforts
- Code of Conduct
- Factories
- Manufacturing Index
- New Source Selection Process
- Nike Divestiture Steps
Efforts

- Helped found the Fair Labour Association (FLA)
- Moved from only having a Code of Conduct for factories to monitoring its factories and collecting environmental and labor data
- Moved the Corporate Responsibility team further up upstream in the corporate decision-making process
- Developed multiple indexes to rate its sustainability practices and those of its independent contract manufacturers (CI, MSI, FSI, ASI, MI and CRI)
Nike’s Code of Conduct

EMPLOYMENT is VOLUNTARY
The contractor does not use forced labor, including prison labor, indentured labor, bonded labor or other forms of forced labor. The contractor is responsible for employment eligibility fees of foreign workers, including recruitment fees.

EMPLOYEES are AGE 16 or OLDER
Contractor’s employees are at least age 16 or over the age for completion of compulsory education or country legal working age, whichever is higher. Employees under 18 are not employed in hazardous conditions.

CONTRACTOR does NOT DISCRIMINATE
Contractor’s employees are not subject to discrimination in employment, including hiring, compensation, promotion or discipline, on the basis of gender, race, religion, age, disability, sexual orientation, pregnancy, marital status, nationality, political opinion, trade union affiliation, social or ethnic origin or any other status protected by country law.

FREEDOM of ASSOCIATION and COLLECTIVE BARGAINING are RESPECTED
To the extent permitted by the laws of the manufacturing country, the contractor respects the right of its employees to freedom of association and collective bargaining. This includes the right to form and join trade unions and other worker organizations of their own choosing without harassment, interference or retaliation.

COMPENSATION is TIMELY PAID
Contractor’s employees are timely paid at least the minimum wage required by country law and provided legally mandated benefits, including holidays and leaves, and statutory severance when employment ends. There are no disciplinary deductions from pay.

HARASSMENT and ABUSE are NOT TOLERATED
Contractor’s employees are treated with respect and dignity. Employees are not subject to physical, sexual, psychological or verbal harassment or abuse.

WORKING HOURS are NOT EXCESSIVE
Contractor’s employees do not work in excess of 60 hours per week, or the regular and overtime hours allowed by the laws of the manufacturing country, whichever is less. Any overtime hours are consensual and compensated at a premium rate. Employees are allowed at least 24 consecutive hours rest in every seven-day period.

REGULAR EMPLOYMENT is PROVIDED
Work is performed on the basis of a recognized employment relationship established through country law and practice. The contractor does not use any form of home working arrangement for the production of Nike-branded or affiliate products.

The WORKPLACE is HEALTHY and SAFE
The contractor provides a safe, hygienic and healthy workplace setting and takes necessary steps to prevent accidents and injury arising out of, linked with or occurring in the course of work or as a result of the operation of contractor’s facilities. The contractor has systems to detect, avoid and respond to potential risks to the safety and health of all employees.

ENVIRONMENTAL IMPACT is MINIMIZED
The contractor protects human health and the environment by meeting applicable regulatory requirements including air emissions, solid/hazardous waste and water discharge. The contractor adopts reasonable measures to mitigate negative operational impacts on the environmental and strives to continuously improve environmental performance.

The CODE is FULLY IMPLEMENTED
As a condition of doing business with Nike, the contractor shall implement and integrate this Code and accompanying Code Leadership Standards and applicable laws into its business and submit to verification and monitoring. The contractor shall post this Code, in the language(s) of its employees, in all major workspaces, train employees on their rights and obligations as defined by this Code and applicable country law; and ensure the compliance of any sub-contractors producing Nike branded or affiliate products.

Source: Nike Inc.
New Source Selection Process

Objective: optimize the existing source base, eliminate duplication, eliminate the need to introduce a new risk to the Nike, Inc. supply base and determine the need to introduce a new factory to the existing licensee source base

1. **Business Justification:** What competitive advantage does this vendor provide that we do not currently have in our existing source base? (Price, Quality, Delivery, Product type)

2. **Contractor Compliance Profile**

3. **Monitoring visits from independent professional monitoring organizations:** Assess the contractor's current level of compliance with the local law, as well as their potential for continuous improvement in the areas of local compliance and Nike, Inc.'s Code of Conduct.

4. **Factory Approval:** Production may only begin after the contract factory has achieved a Bronze Labor rating, a HSE score of 67% or higher

5. **Maintaining the factory:** Ongoing monitoring and remediation

*Source: Nike Inc.*
Nike Inc. Factory Divestiture Steps

1. Notification, both internally to Nike, Inc. via the exit brief - a minimum of 6 months prior to the last scheduled production - and externally, to the factory advising in writing your intent to exit;
2. Initial assessment, including the impact to the worker;
3. Determine divestiture risk as routine or, needing the Factory Exit Response Team (FERT)/preparing the preliminary action plan;
4. Execution of the action plan;
5. Post decision/follow-up.

We can minimize the impact to the factory and the worker through responsible divestiture
Factories

- China
- Vietnam
- Sri Lanka
## Nike’s Collegiate Apparel Factories: China

<table>
<thead>
<tr>
<th>Factory Name</th>
<th>Line Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>GUANGDONG ESQUEL TEXTILES COMPANY LTD</td>
<td>5326</td>
</tr>
<tr>
<td>NINGBO SHENZHOU KNITTING CO. LTD. -#6 GARMENT FACTORY</td>
<td>2825</td>
</tr>
<tr>
<td>FAR EASTERN APPARAL (SUZHOU) LTD. CO</td>
<td>1149</td>
</tr>
<tr>
<td>JIANGSU ASIAN SOURCING HEADWEAR MFG.CO.LTD</td>
<td>799</td>
</tr>
<tr>
<td>YUANTIAN KNITTING GARMENTS CO., LTD</td>
<td>692</td>
</tr>
<tr>
<td>TMI ZHONGSHAN CO LTD</td>
<td>619</td>
</tr>
<tr>
<td>FUJIAN FUTIAN GARMENTS CO., LTD.</td>
<td>600</td>
</tr>
<tr>
<td>NINGBO ISUN FASHION CO., LTD</td>
<td>359</td>
</tr>
<tr>
<td>NINGBO EASTEX</td>
<td>324</td>
</tr>
<tr>
<td>QINGDAO RUIHE KNITTING</td>
<td>223</td>
</tr>
</tbody>
</table>

*Source: Nike Inc.*
<table>
<thead>
<tr>
<th>Factory Name</th>
<th>Line Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>HANSAE VIET NAM CO., LTD.</td>
<td>9450</td>
</tr>
<tr>
<td>ESQUEL GARMENT MANUFACTURING (VIETNAM) CO., LTD</td>
<td>4600</td>
</tr>
<tr>
<td>FAR EASTERN APPAREL (VIETNAM) LIMITED</td>
<td>2832</td>
</tr>
<tr>
<td>VIET TIEN GARMENT CORPORATION</td>
<td>2518</td>
</tr>
<tr>
<td>YUPOONG VIET NAM</td>
<td>1912</td>
</tr>
<tr>
<td>CCH TOP (VN) CO., LTD</td>
<td>1836</td>
</tr>
<tr>
<td>VINH HUNG - JOINT VENTURE CO., LTD (TMI VIETNAM)</td>
<td>1826</td>
</tr>
<tr>
<td>UNIPAX CO., LTD</td>
<td>1658</td>
</tr>
<tr>
<td>MOLAND CO., LTD</td>
<td>1615</td>
</tr>
<tr>
<td>GREEN VINA</td>
<td>999</td>
</tr>
<tr>
<td>UNITED SWEETHEARTS GARMENT (VIETNAM) CO., LTD</td>
<td>866</td>
</tr>
<tr>
<td>MAXPORT J.S.C</td>
<td>425</td>
</tr>
<tr>
<td>I.S VIETNAM CO., LTD</td>
<td>218</td>
</tr>
<tr>
<td>S.J VINA CORPORATION</td>
<td>211</td>
</tr>
</tbody>
</table>

Source: Nike Inc.
<table>
<thead>
<tr>
<th>Factory Name</th>
<th>Line Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAS ACTIVE (PVT.) LTD. - LINEA INTIMO</td>
<td>1481</td>
</tr>
<tr>
<td>MAS ACTIVE (PVT) LTD - CONTOURLINE DIVISION</td>
<td>1436</td>
</tr>
</tbody>
</table>

Source: Nike Inc.
Manufacturing Index

Source: Nike Inc.
Traceability

Why traceability?

Third Party Certifier/Participating Groups

Becoming a Certified Farmer

Major Textile (Collegiate Apparel)

Polyester Manufacturing

Esquel Group

String Together

Traceability Process

Other Partner Consideration
Why Traceability?

• With consumers becoming increasingly demanding with regard to the origin, manufacturing methods and contents of the products they buy, product labels are playing an ever more important role in buying decisions and are the subject of ever more stringent regulations.

• Undoubtedly influenced by increasing reports about poor living and working conditions in third world countries and a desire to offer a fair price to producers, as many as 43% of respondents globally said they would pay more for “fair trade” products.

Increased demand for traceability and transparency, if it can be prove consumers are willing to pay a premium.

Through this initiative we will provide the consumer with what they want and benefit from the premium.
Third Party Certifier/Participating Groups

- Fair Labour Trade
- Better Cotton Initiative
• Already a participating company
• Code of Conduct across their supply chains
• Conducting external assessments so that consumers can be assured of the integrity of the products they buy
• Creating a space for CSOs to engage with companies and other stakeholders to find viable solutions to labor concerns

Source: Fair Labour Trade
Better Cotton Initiative

- Already a participating member (Pioneer Member)
- Share the risk as BCI scales up and invest significant amounts both in global capacity and for farmer support
- As leading BCI members and key investors in supply creation, Nike participate in investment decisions on farmer support, and have the opportunity to feed procurement requirements into decisions on supply geography
- In communications, Nike is identified as a leader

Source: Better Cotton Initiatives
Becoming an Certified Farmer

1. Submit application to accredited independent 3rd party certifier
2. Develop Farm Plan for Ecosystem Management
3. Develop an Internal Control System, includes record keeping
4. Annual Inspections by certifier
5. Transition period of 2-3 years depending on standard

Source: Textile Exchange
Major Textile (Collegiate Apparel)

<table>
<thead>
<tr>
<th></th>
<th>Cotton</th>
<th>Polyester</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hoodie</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>T-shirt 1</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>T-shirt 2</td>
<td>100%</td>
<td>0%</td>
</tr>
<tr>
<td>T-shirt 3</td>
<td>100%</td>
<td>0%</td>
</tr>
</tbody>
</table>
Polyester Manufacturing

Steps

1. **Polymerization:** Condensation polymerization occurs when the acid and alcohol are reacted in a vacuum at high temperatures. The polymerized material is extruded in the form of a ribbon onto a casting trough or cooling wheel. After the ribbon hardens, it is cut into chips.

2. **Spinning:** The chips are dried and then put into hopper reservoirs for melting. Polyester is a "melt spun" fiber, which means that it is heated, extruded through the spinnerets, and cools upon hitting the air. From there it is loosely wound around a cylinder.

3. **Drawing:** The fibers are then hot stretched until they are about five times their original length in order to decrease their width. The fiber is then wound onto cones as filaments or is crimped and then is cut into staple lengths.

Man made material, does not involve harvesting unlike cotton

Nike has very stringent labor policy in place (in order to determine their manufacturer) therefore Nike is covered on that front.
Esquel Group

OEKO-TEX STeP Certification

Hang Seng Pan Pearl River Delta Environmental Award
• Attained the OEKO-TEX® STeP Certification, Level 3, which is the highest classification, for its environmentally friendly production and applying socially responsible policies thoroughly in the textile processing chain

• Esquel is the first textile enterprise in the country to be granted with this new certification

• STeP, short for Sustainable Textile Production, was launched in July 2013 by Oeko-Tex Association with an advanced set of assessment standards to replace its existing Oeko-Tex Standard 1000

• STeP investigates environmental management and the fulfillment of social responsibility of textile companies

• Oeko-Tex Association has appointed TESTEX, a Switzerland-based Swiss Textile Testing Institute for the audits to ensure Esquel’s manufacturing processes complies with the requirements of STeP and its 6 modules of assessment, including chemicals, environmental performance, environmental management, social responsibility, quality management and safety

Source: Esquel Group
Esquel has been recently accorded the “Gold Award” of the Hang Seng Pan Pearl River Delta Environmental Awards.

The Awards, jointly organized by the Federation of Hong Kong Industries and Hang Seng Bank, aim to recognize and promote sound environmental practices adopted by companies operating in the Pan Pearl River Delta region.

One of the highlights among the 18 submitted projects is the advanced waste water treatment/recycling system, which is able to treat part of the wastewater to a level that is potable and reusable in its production process.

Over the years, Esquel Group have built a strong reputation as a responsible and green company.

We invest heavily on adopting advanced technology and innovative manufacturing practices and have aggressively curtailed our water and energy consumption by 61% and 46% between 2005 and 2013 respectively.

Source: Esquel Group
String Together

What is String Together & How Does it Work?

Reason for Rejection
What is String Together & How Does it Work?

What?
String is an online platform, where organisations in the extended supply chain can share selected information related to the products they make with the customers who buy them.

How Does it Work?
• Every company that uses the String platform records information about their product, including the suppliers they use, the processes they run and the finished products they make
• They use their usual batch or lot numbers and production records to complete this data, and then send the data to their customer via String when the products are shipped
• String links all of these pieces of data together to form one long product history
• Push vs. Pull Method
1. Failure with Adidas because of the costs and complexity of the supply chain (implementation)
2. No ease of use, company gets a log in to access the data then must export to post on website
Traceability Process

1. Cotton Field

2. Cotton Harvesting

3. Cotton Bales Assigned a Tracking ID

4. Apparel of the same Batch have the same ID

5. Track ID: 475 040 263

6. Consumer can use the code on the Website

Cotton Mills Keep the assigned Tracking ID
Esquel Group is the best choice as Nike wants to broaden its impact in the industry.

**Far Eastern Apparel:**
The first garment factory invested by Taiwan Far-East Group in mainland China in 1996.

**Nike factories:**
- Suzhou, China
- Thuan An, Vietnam
Country Selection

- Major Textiles
- Political Indicators
- Quality of Port Infrastructure
- Nike: Ranking Organic Cotton
- Forecasted Growth
- Producing in the U.S.
- Cotton Supply
- Ease of Doing Business Index
- Producing in Mexico
- Organic Cotton Supply
- Human Development Index
- Producing in India
- Mapping Countries and Supply
- World Risk Index
- Producing in India
- Nike’s Country Risk Index
- Quality of Overall Infrastructure
NIKE TOP-VOLUME MATERIALS

NIKE BRAND FOOTWEAR AND APPAREL ARE PRIMARILY MADE FROM...

POLYESTER
Better options include recycled polyester. In FY11, 31.5 million Nike garments used recycled polyester, up from 3,400 in FY04.

RUBBER
Better options include new rubber formulations. Nike developed two such formulations now used in more than 30 finished rubber compounds.

EVA FOAM
EVA already scores well on sustainability criteria.

COTTON
Better options include cotton sourced from the Better Cotton Initiative and organic cotton. In FY11, we used more than 7 million kg of organic cotton.

SYNTHETIC LEATHER
Better options include those that reduce or eliminate solvents.

LEATHER
Better options include leather processed at facilities rated by the Leather Working Group.

SIX MATERIALS THAT MAKE UP THE MAJORITY OF OUR TOTAL MATERIAL VOLUME

WE HAVE WORKED TO DEVELOP ENVIRONMENTALLY PREFERRED VERSIONS OF THESE COMMONLY USED MATERIALS - EXCEPT FOR EVA, WHICH SCORES WELL ON SUSTAINABILITY CRITERIA AS IS.

Source: Nike Inc.
### Nike: Ranking Organic Cotton

#### Top Ten Organic Cotton Users

<table>
<thead>
<tr>
<th>Year</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>Walmart/Sam's Club</td>
<td>Nike, Inc.</td>
<td>Coop Switzerland</td>
<td>C&amp;A</td>
<td>Woolworths South Africa</td>
<td>Anvil Knitwear</td>
<td>Coop Switzerland</td>
<td>Greensource</td>
<td>Levi Strauss &amp; Co.</td>
<td>Target</td>
</tr>
<tr>
<td>2010</td>
<td>H&amp;M</td>
<td>C&amp;A</td>
<td>Nike, Inc.</td>
<td>Inditex (Zara)</td>
<td>adidas</td>
<td>Anvil Knitwear</td>
<td>Greensource</td>
<td>Target</td>
<td>Williams-Sonoma, Inc.</td>
<td>Otto Group</td>
</tr>
<tr>
<td>2011</td>
<td>H&amp;M</td>
<td>C&amp;A</td>
<td>Nike, Inc.</td>
<td>Inditex (Zara)</td>
<td>PUMA</td>
<td>prAna</td>
<td>Greensource</td>
<td>Target</td>
<td>Target</td>
<td>Otto Group</td>
</tr>
</tbody>
</table>

- **More than 16 million pounds of organic cotton in 2011**
- **Goal:** Target to source 100 percent sustainably grown cotton (better cotton or organic) by 2020

---

Need to **shift production** to a location near an **elevated supply** of organic cotton and it is grown in a “**better environment**”

*Source: Textile Exchange*
Cotton Supply – World’s Organic Cotton Supply

<table>
<thead>
<tr>
<th>Country</th>
<th>Quantity (mb – 480lb per bales)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>32</td>
</tr>
<tr>
<td>India</td>
<td>29</td>
</tr>
<tr>
<td>United States</td>
<td>12.9</td>
</tr>
<tr>
<td>Pakistan</td>
<td>9.5</td>
</tr>
<tr>
<td>Brazil</td>
<td>7.5</td>
</tr>
<tr>
<td>Other</td>
<td>25.8</td>
</tr>
</tbody>
</table>

Source: Cotton Incorporated

<table>
<thead>
<tr>
<th>Country</th>
<th>Quantity (mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>103,004</td>
</tr>
<tr>
<td>Turkey</td>
<td>15,802</td>
</tr>
<tr>
<td>China</td>
<td>8,106</td>
</tr>
<tr>
<td>Tanzania</td>
<td>6,891</td>
</tr>
<tr>
<td>USA</td>
<td>1,580</td>
</tr>
<tr>
<td>Other</td>
<td>2,584</td>
</tr>
</tbody>
</table>

Source: Textile Exchange
Mapping Countries and Supply

Legend

<table>
<thead>
<tr>
<th>Selected Countries</th>
<th>Production of Cotton</th>
<th>Production of Organic Cotton</th>
</tr>
</thead>
<tbody>
<tr>
<td>Red</td>
<td>Blue</td>
<td>Green</td>
</tr>
</tbody>
</table>
Nike’s Country Risk Index

Source: Nike Inc.
Political Indicators

- Rankings
- Defined
- Corruption Perception Index
Based on percentile rank:

Source: The World Bank
Political Stability & Absence of Violence/Terrorism

- Likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism

Regulatory Quality

- Ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development.

Rule of Law

- Extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence.

Source: The World Bank
### Corruption Perception Index

<table>
<thead>
<tr>
<th>Country</th>
<th>Rank (out of 177)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritius</td>
<td>52</td>
</tr>
<tr>
<td>Macedonia (FYR)</td>
<td>67</td>
</tr>
<tr>
<td>China</td>
<td>80</td>
</tr>
<tr>
<td>Mongolia</td>
<td>83</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>91</td>
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<tr>
<td>Moldova</td>
<td>102</td>
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<tr>
<td>Indonesia</td>
<td>114</td>
</tr>
<tr>
<td>Nepal</td>
<td>116</td>
</tr>
<tr>
<td>Vietnam</td>
<td>116</td>
</tr>
<tr>
<td>Pakistan</td>
<td>127</td>
</tr>
</tbody>
</table>

Source: Transparency International
Forecasted Growth

- Real GDP
- Inflation
Real GDP – Forecasted Growth

Source: Euromonitor International
Human Development Index - Rankings

<table>
<thead>
<tr>
<th>Country</th>
<th>Ranking (out of 186)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macedonia (FYR)</td>
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<tr>
<td>Mauritius</td>
<td>80</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>92</td>
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<tr>
<td>Fiji</td>
<td>96</td>
</tr>
<tr>
<td>China</td>
<td>101</td>
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<tr>
<td>Mongolia</td>
<td>108</td>
</tr>
<tr>
<td>Moldova</td>
<td>113</td>
</tr>
<tr>
<td>Indonesia</td>
<td>121</td>
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<tr>
<td>Vietnam</td>
<td>127</td>
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<tr>
<td>Pakistan</td>
<td>146</td>
</tr>
<tr>
<td>Nepal</td>
<td>157</td>
</tr>
</tbody>
</table>

Source: United Nations Development Programme
World Risk Index

Rankings

Defined
# World Risk Index - Rankings

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>WRI</th>
<th>Exposure</th>
<th>Vulnerability</th>
<th>Susceptibility</th>
<th>Coping</th>
<th>Adaptive</th>
</tr>
</thead>
<tbody>
<tr>
<td>13</td>
<td>Mauritius</td>
<td>15.18%</td>
<td>37.35%</td>
<td>40.64%</td>
<td>18.96%</td>
<td>60.61%</td>
<td>42.35%</td>
</tr>
<tr>
<td>16</td>
<td>Fiji</td>
<td>13.56</td>
<td>27.71</td>
<td>48.93</td>
<td>26.14</td>
<td>75.3</td>
<td>45.35</td>
</tr>
<tr>
<td>18</td>
<td>Vietnam</td>
<td>12.81</td>
<td>25.35</td>
<td>50.53</td>
<td>28.08</td>
<td>76.71</td>
<td>46.8</td>
</tr>
<tr>
<td>33</td>
<td>Indonesia</td>
<td>10.54</td>
<td>19.36</td>
<td>54.46</td>
<td>33.01</td>
<td>81.79</td>
<td>48.57</td>
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<tr>
<td>61</td>
<td>Sri Lanka</td>
<td>7.67</td>
<td>14.79</td>
<td>51.83</td>
<td>27.33</td>
<td>78.7</td>
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<tr>
<td>73</td>
<td>Pakistan</td>
<td>7.21</td>
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<td>63.45</td>
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<td>86.72</td>
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<td>47.6</td>
<td>33.62</td>
<td>65.35</td>
<td>43.82</td>
</tr>
</tbody>
</table>

*Source: Alliance Development Network*
World Risk Index - Components

Natural hazard sphere
- Exposure: Exposure to natural hazards

Vulnerability—Societal sphere
- Susceptibility: Likelihood of suffering harm
- Coping: Capacities to reduce negative consequences
- Adaptation: Capacities for long-term strategies for societal change

WorldRiskIndex

Source: Alliance Development Network
Quality of Overall Infrastructure

Overall infrastructure = transportation, telephony and energy

<table>
<thead>
<tr>
<th>Country</th>
<th>Ranking (out of 139)</th>
</tr>
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<tbody>
<tr>
<td>Mauritius</td>
<td>57</td>
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<tr>
<td>Sri Lanka</td>
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<td>China</td>
<td>72</td>
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<td>Macedonia (FYR)</td>
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<td>Indonesia</td>
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<td>Pakistan</td>
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<td>Moldova</td>
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<td>Vietnam</td>
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<td>Nepal</td>
<td>133</td>
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<tr>
<td>Mongolia</td>
<td>137</td>
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</table>

Source: World Economic Forum
Quality of Port Infrastructure

Source: World Economic Forum
Producing in the U.S.

- Increased competitiveness
- Proximity to consumer market
- Re-localization costs
- Severe decline of manufacturing sector (assets, supply chain & talent)
- Underperforms China in terms of value-added and minimum wage
Producing in Mexico

- Increased competitiveness
- Proximity to consumer market
- Factories already producing collegiate apparel

- Relatively high level of corruption (106/177)
- Underperforms China in terms of value-added and minimum wage
Producing in India

- Skilled, low-cost labour force

- New location
- Underperforms China in terms of value-added
- Poor infrastructure (high logistics costs)
Manufacturer Selection

- Criteria
- Manufacturer Alternatives
- Rejection Reasons
Manufacturer Selection - Criteria

**Reputation**
- Awards
- Innovation: materials, processes

**Compliance with NIKE standards**
- Fair labor standards
- Commitment to health & safety of workers
- Considers environmental impacts

**Global presence**
- Operations in multiple countries

**Size**
- Ability to absorb China’s production & future growth
Textile Exchange: A non-profit organization aiming to accelerate sustainable practices in the textile value chain through its members.

Vietnam:
• Barco Uniforms
• Econscious
• Esquel Group

Sri Lanka:
• Esquel Group
• PT Indorama Synthetics TBK

Mauritius:
• Esquel Group
• Puma
• Tropic Knits
<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>Reason</th>
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</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td></td>
</tr>
<tr>
<td>Barco Uniforms</td>
<td>Manufacturer of scrubs and lab coats</td>
</tr>
<tr>
<td>Econscious</td>
<td>Not located in Sri Lanka and Mauritius</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td></td>
</tr>
<tr>
<td>PT Indorama Synthetics</td>
<td>Limited manufacturing capability: spinning</td>
</tr>
<tr>
<td>Mauritius</td>
<td></td>
</tr>
<tr>
<td>Tropic Knits</td>
<td>Fine knits only</td>
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Marketing

Knights Apparel

Brand

Target

School Pride Fueling Better Lives

Social Media
#1 in the Top-25 Apparel Licensees

Sustainability Initiative
- Alta Gracia
Brand Perception: Solving Sweatshop Problem

Among Favorite Brands
Brand Perception: Solving Sweatshop Problem

History
• Rising prices in Korea and Taiwan cause Nike to urge contractors to move to Indonesia, China, and Vietnam
• 1991: Activist Jeff Ballinger publishes a report on low wages and poor working conditions in Indonesia
• Nike responds with factory code of conduct
• 1992: Ballinger writes about an Indonesian worker who works for less than minimum wage and documented abuse

Risk
Shifting country manufacturing focus could lead to past issues

Contingency
• Negative views of Nike
• Labor criticism

Mitigation
Nike Indexes
FLA
Commitment To Fair Trade

Moosylvania Branding Firm (April 4th, 2014)
1000 people between 13-33 to name their favorite brands

1) Apple 7.5% of 3000 possible answers
2) Samsung 4.8%
3) Nike 4.5%
4) Sony 4.1%

This 86 Million strong age-group controls $1.3 Trillion in Consumer Spending

Why do people buy Nike?

Target Profiles
Why Do People Buy Nike?

Lifestyle Consumption

Nike Collegiate-Licensed Apparel

Convey School Spirit & Pride

Social Status of School

"Fit-In"

Fashion/Design

Brand Value

School Uniform
Target Profiles

- Females & Males
- Alumni & Parents
Target Profiles (Females & Males)

Females, 15-22 Years Old
- Aspires to go or already attends a University
- Product Use: wear workout apparel and comfy everyday clothes at home/campus
- Social status implied, Fan of college sports, wants fair trade & organic products, SM

Males, 15-22 Years Old
- Aspires to go or already attends a University
- Product Use: Workout, everyday wear, playing & watching University team sports
- Likes to buy products from companies that give back to communities/workers
Target Profiles (Alumni & Parents)

Alumni, 22+
- Pride in attended University, Memories and social status of being a graduate
- Product Use: gym wear, comfortable home wear, roots for University Sports Team
- How to Reach: YouTube, Alumni Database, SM, Online News

Parents of University Student
- Buys children College-Licensed Apparel was accepted or before doing so to instill inspiration, Nostalgia of their University days
- Product Use for themselves: rooting for University Sports Teams
- How to reach them: through students, alumni database, online news
School Pride Fueling Better Lives

Press Release

Logo

Official Label of Licensed Collegiate Products

Website Location

Interactive Map & Worker’s Profile

Awards

Building Consumer Awareness

Nike Sustainability Product 7P’s
NIKE ANNOUNCES NEW CAMPAIGN CENTERED AROUND COLLEGE-LICENSED APPAREL AND SUSTAINABILITY, TWO THINGS TO BE PROUD OF 04.12.2014

“Nike is proud to announce it’s next step in our goal of strengthening our triple bottom line all while keeping performance and innovation at the forefront of all that we do. SCHOOL PRIDE FUELING BETTER LIVES is a way for college-licensed apparel users to track their T-Shirts and Pullover Hoods all the way back to the raw materials that were used as well as the hands who made them. For the first time Nike is able to connect our customers with our back-end of production and manufacturing of our products. The products are branded under Nike umbrella but have special tracking codes printed on the inside of the apparel. Users will be able to use the tracking code by entering it into Nike Track My School Pride section of the Nike website. From there they will receive detailed info of the product, its origin, the worker’s and how Nike is helping them live better lives. Lastly they can upload a picture of themselves wearing the products to the website and it will have a special logo on it awarding the user for “Fueling Your School Pride for Better Lives” which can then be uploaded to Facebook, Instagram, Twitter and/or Pinterest. Consumers will be happy to see the transparency levels that Nike offers in terms of product manufacturing and they will be able to view all of the other initiative that Nike is involved in, including LAUNCH (a collaboration including NASA in order to serve the world in a better way). Nike is pushing limits in sustainability, transparency and traceability as well as the needs of all athletes.”

Where?

University Sustainability Groups - Bloggers Online News Forums - YouTube Video
Official Label of Licensed Collegiate Products

**Why?**- Authentication and to reduce counterfeit items and infringers

Source: http://www.clc.com/Resources/FAQs.aspx
Website Location

Enter Here

School Pride Fueling Better Lives
Interactive Map and Worker’s Profile

Where does your product come from?
Enter Tracking Code Here

Worker Profile: Mauritius

Name: Michelle Chan
Age: 20 years old
Occupation: Cotton Field Worker
Hobbies: Sit in the shade and sing

“Thank you for buying the clothes that our cotton makes, me and my family are grateful for all that Nike does for us!”
CONGRATULATIONS!

Thank You Sarah from University of Washington for not only Fueling Your School Pride but Fueling Better Lives as well!

Keep up the Great Work!

Don't Forget to Share

#nikeschoolpride
#justdidit
#fuelingbetterlives
#nikejustdoit
Build Consumer Awareness - Action Plan

- **Issue:**
  - Demand from consumer for sustainable products and people tend to buy more from companies who do give back
  - Convey message, set Nike apart from other college branded apparel
  - College students already buy Nike, need to provide them with more; a feel good factor

- **Marketing Objective:** Build awareness of Nike’s commitment to **sustainability** and improved labour practices

- **Communication Objective:** Strengthen emotional connection with customers by leveraging our environment/social engagement

- **Message Strategy:** “**School Pride Fueling Better Lives**”

- **Big Idea:** *Track Your School Pride!*

- **Tactics:**
  - Social Media
  - PR
  - Web PR
  - Web Banners
  - POS: In-store posters
  - In-Store Displays
## Nike Sustainability Product 7P’s

<table>
<thead>
<tr>
<th><strong>Products</strong></th>
<th>• Men &amp; Women; Cotton T-Shirts &amp; Pullover Hoods</th>
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<tbody>
<tr>
<td><strong>Price</strong></td>
<td>• Slight Premium, T-Shirts $38, Pullover Hoods $65</td>
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<tr>
<td><strong>Distribution</strong></td>
<td>• School Stores, Online Campus Store, Big Box Sports Retailers</td>
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<tr>
<td><strong>Promotion</strong></td>
<td>• Social Media, PR &amp; Web PR, Web Banners, POS &amp; Displays, Promo</td>
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<tr>
<td><strong>People</strong></td>
<td>• Educate School staff &amp; student advocacy groups</td>
</tr>
<tr>
<td><strong>Payment</strong></td>
<td>• Return policy: Discretion of vendor</td>
</tr>
<tr>
<td><strong>Production</strong></td>
<td>• Sri Lanka, Vietnam, Mauritius</td>
</tr>
</tbody>
</table>
Facts of About Social Media

- **Pinterest**: Social site that is all about discovery. Largest opportunities. Users are: 32% male, 68% female. 70 million active users.

- **Twitter**: Micro blogging social site that limits each post to 140 characters. Largest penetration. But spreading slowly and steadily. 5,700 tweets happen every second. 560 million active users.

- **Facebook**: Social sharing site that has 1 billion users worldwide. Communicating with consumers in a non-intrusive way. 2.5 billion pieces of content each day. 1 billion active users.

- **Instagram**: Social sharing site all around pictures and now 15-second videos. Many brands are participating through the use of #hashtags and posting pictures consumers can relate to. Most followed brand is MTV. 150 million active users.

- **Google+**: Social network built by Google that allows for brands and users to build circles. Not as many brands are active, but the ones that are tend to be a good fit with a great following. Growing rapidly with 925,000 new users every day. 400 million active users.

- **LinkedIn**: Business oriented social networking site. Brands that are participating are corporate brands giving potential and current associates a place to network & connect. 79% of users are 35 or older. 240 million active users.

Designed by: Leverage - leveragenewagemedia.com
Social Media Users

Internet users who use social networking tools (%)

- Totals: 67%
- Twitter: 16%
- Pinterest: 15%
- Instagram: 13%
- Tumblr: 6%
- Facebook: 67%

Gender
Women are five times as likely as men to use Pinterest

Gender:
- Women: 71% (72)
- Men: 62% (62)

Age
- 18-29: 83 (86)
- 30-49: 77 (73)
- 50-64: 52 (57)
- 65+: 32 (35)

Graphs showing the distribution of social media users by gender and age.
Social Media User Education

Education attainment

Pinterest attracts higher-educated affluent women

College +
- 65%
- 15%
- 20%
- 12%
- 7%
- 68%

Some College
- 69%
- 17%
- 16%
- 15%
- 6%
- 73%

Less than high school/high school grad
- 66%
- 15%
- 11%
- 12%
- 5%
- 60%
Pricing

Men’s Apparel

Women’s Apparel
Pricing – Men’s Apparel

- Purple 25 Jersey
  - Sale: $67.50
  - Reg. $90.00
- Powerball Basketball Tee
  - New: $26.00
- Baseball Performance Tee
  - New: $30.00
- Black Classic Shorts
  - New: $35.00
- Classic W Visor
  - New: $24.00
- Hyper Repeat Tee
  - New: $25.00
- Replica Baseball Jersey
  - New: $65.00
- Hyper Legend Tee
  - New: $28.00
- Classic Gray Pullover Hood
  - New: $60.00
- Twist Local Tee
  - New: $30.00
- Hyper Hood
  - New: $60.00
- Classic Purple Pullover Hood
  - New: $80.00
Types of Licensing

College Licensed Apparel

Top Selling Universities

Industry Leaders
Types of Licensees

- **Standard License** → NIKE
  - Allows a company to produce items for extensive resale, usually with permission from several schools

- **In-state License**
  - Allows a company to produce items for resale for one local school only

- **Restricted/Internal Use License**
  - Allows a company to produce non-retail items that are sold directly to an individual school
College Licensed Apparel

- T-Shirts
- Jerseys
- Sweatshirts
- Fleece
- Hats
- Shorts
- Pants
- Shoes
- Polos
- Jackets
- Socks
- Underwear

Consumers
- Men
- Women
- Teens
- Children

173 Million Passionate College Fans

Most Popular Items 2012-13: T-Shirts, Fleece, Women’s Apparel and Headware
Top Selling Universities for First Quarter of Fiscal Year 2013-14

1. The University of Texas at Austin
2. The University of Alabama
3. University of Notre Dame
4. The University of Michigan
5. University of Georgia
6. University of Florida
7. Louisiana State University
8. Texas A&M University
9. University of Nebraska
10. University of Kentucky
11. The University of Oklahoma
12. University of Wisconsin
13. University of South Carolina
14. West Virginia University
15. Auburn University
16. University of Missouri
17. Florida State University
18. The Pennsylvania State University
19. University of Louisville
20. The University of Kansas
21. Clemson University
22. Oklahoma State University
23. Texas Tech University
24. Arizona State University
25. University of Washington
26. Virginia Polytechnic Institute and State University
27. Oregon State University
28. The University of Arizona
29. University of Minnesota
30. Syracuse University
31. Washington State University
32. University of Miami
33. Duke University
34. Purdue University
35. University of Illinois
36. University of Utah
37. University of California, Los Angeles
38. University of South Carolina
39. University of North Carolina
40. University of Wisconsin
41. University of South Carolina
42. University of Texas
43. University of Virginia
44. University of Cincinnati
45. University of Tennessee
46. University of North Carolina
47. Brigham Young University
48. University of Virginia
49. University of Minnesota
50. University of Montana
51. University of Pittsburgh
52. University of Connecticut
53. University of Colorado
54. East Carolina University
55. Georgia Institute of Technology
56. Rutgers University
57. University of Wyoming
58. Fresno State
59. Vanderbilt University
60. Colorado State University
61. Georgetown University
62. University of Central Florida
63. U.S. Military Academy
64. Boston College
65. University of South Florida
66. University of New Mexico
67. University of Nevada
68. Montana State University
69. Marshall University
70. Northwestern University
71. The University of Memphis
72. Louisiana at Lafayette
73. James Madison University
74. Temple University
75. University of Delaware
Top Selling Apparel Licensees for First Quarter of Fiscal Year 2013-14

- (1.) Knights Apparel
- (2.) NIKE USA
- (3.) Sports Licensed Division of the adidas Group
- (4.) Gear for Sports
- (5.) Colosseum Athletics Corporation
- (6.) Top of the World
- (7.) Outerstuff Ltd.
- (8.) College Concepts
- (9.) VF Imagewear (Section 101 by Majestic)
- (10.) Haddad Brands
- (11.) Russell Brands
- (12.) Columbia Sportswear
- (13.) Twins Enterprise
- (14.) JASR dba J. America
- (15.) T-Shirt International
- (16.) 5th & Ocean Clothing
- (17.) JanSport division of VF Outdoor
- (18.) University Co-Operative Society
- (19.) Lakeshirts dba Blue 84
- (20.) Nike by Branded Custom Sportswear
- (21.) Campus Drive
- (22.) New Era Cap Co.
- (23.) Cutter & Buck
- (24.) New Agenda
- (25.) Wildcat Retro Brands
Trends

Willingness to Pay

Buying Green Globally

Global: Factors Considered in Purchasing

Global: Item Features Impacting Price Paid

US: Buying Green Trends

Factors Considered in Purchasing (Age)

Factors Considered in Purchasing (Gender)

Women College Sports Apparel
A global online study of 28,000 consumers in 56 countries, conducted by Nielsen in 2011 to determine the effectiveness of cause marketing, found that as many as 46% of global online consumers were willing to pay more for goods and services from companies that are giving back.
Key Statistics – Buying Green (Globally)

• Globally, all the listed green attributes matter more to women than to men: for example, with 56% of female respondents considering the descriptor “green/environmentally friendly” to be important, versus just 49% of males

• With consumers becoming increasingly demanding with regard to the origin, manufacturing methods and contents of the products they buy, product labels are playing an ever more important role in buying decisions and are the subject of ever more stringent regulations

• There is nevertheless a strong association in consumers’ minds between “natural” and “organic” products, with 46% of respondents defining natural as “also organic”, and 61% of respondents defining “organic” as “natural”

• Undoubtedly influenced by increasing reports about poor living and working conditions in third world countries and a desire to offer a fair price to producers, as many as 43% of respondents globally said they would pay more for “fair trade” products

• More than half (52%) of all respondents showed themselves to be willing to pay more for products with a “natural” claim

• Shares were slightly lower for the attributes “organic” (48%), “locally sourced” (47%), “free range” (46%) and “fair trade” (43%)
“How Important are these factors when considering purchasing a product or service?

- Quality: 90.9%
- Price: 86.0%
- Recommendations/positive reviews: 59.6%
- Green/environmentally friendly: 52.8%
- Fair trade: 50.6%
- Sustainably produced: 50.6%
- Strong brand name: 49.1%
- Supports local communities: 46.8%
- Organic: 44.2%

Source: Euromonitor International
Global: Item Features Impacting Price Paid

“I am willing to pay more for a product that is_?”

- Natural: 51.6%
- Organic: 48.4%
- Locally sourced: 46.6%
- Free range: 46.0%
- Fair trade: 43.3%
- Carbon neutral: 35.1%

Source: Euromonitor International
US Buying Green Trends

• US consumers did not display a significant interest in green and ethical shopping: the descriptor “green/environmentally friendly” mattered to 41% of respondents, which was similar to the levels seen in the European countries.

• The largest share of respondents (45%) deemed “supports local communities” to be an important factor.

• Women showed themselves to be more concerned than men with all factors except sustainability, where the level of interest was equal.

• There was a large gap between men and women when it came to the importance attributed to “green/environmentally friendly”: 37% versus 44%, respectively.

• Unlike the situation in most other developed countries, concern for green/ethical factors when shopping (with the exception of local community support) was shown to decline with age.

• Notably, the percentage of those deeming “organic” product to be important fell from 36% among 15-29 year-olds to just 22% within the 60+ group.
How important are the following factors to you when considering purchasing a product or service?” by age group

- Supports local communities
- Sustainably produced
- Organic
- Green/environmentally friendly
- Fair trade

Source: Euromonitor International
US: Factors Considered in Purchasing (Gender)

“How important are the following factors to you when considering purchasing a product or service?” by gender

Source: Euromonitor International
**Market Trend - Women’s College Sports Apparel**

**Women’s Apparel Sales see triple-digit growth**
- Second largest apparel category, right behind Men’s/Unisex T-Shirts
- Retail sales exceed $350 Million FY12-13

**89 Million Females Self-Identify as College Sports Fans - ESPN Sports Poll**
- Only 84.3 million women self-identify as NFL fans

**Availability of better product selection**
- Design & Fit
- Innovative & Stylish apparel

**Availability of Niche Products**
- Cowboy Boots

Financials

- Current Manufacturers
- Detailed Production Shift
- Existing + Shift Production/Country
- Shift Impacts on Total Apparel
## Current Manufacturers

<table>
<thead>
<tr>
<th>Factory</th>
<th>Country</th>
<th>Total Workers</th>
<th>Line Workers</th>
<th>Production ($sales 000s)</th>
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<td>FUJIAN FUTIAN GARMENTS CO., LTD.</td>
<td>CHINA</td>
<td>710</td>
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<td>GUANGDONG ESQUEL TEXTILES COMPANY LTD</td>
<td>CHINA</td>
<td>5,621</td>
<td>5,326</td>
<td>108,970</td>
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<td>JIANGSU ASIAN SOURCING HEADWEAR MFG.CO.LTD</td>
<td>CHINA</td>
<td>884</td>
<td>799</td>
<td>17,137</td>
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<td>NINGBO EASTEX</td>
<td>CHINA</td>
<td>410</td>
<td>324</td>
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<tr>
<td>NINGBO ISUN FASHION CO., LTD</td>
<td>CHINA</td>
<td>519</td>
<td>359</td>
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<tr>
<td>NINGBO SHENZHOU KNITTING CO. LTD. -#6 GARMENT FACTORY</td>
<td>CHINA</td>
<td>2,862</td>
<td>2,825</td>
<td>55,484</td>
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<tr>
<td>QINGDAO RUIHE KNITTING</td>
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<td>YUANTIAN KNITTING GARMENTS CO., LTD</td>
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<td>CCH TOP (VN) CO., LTD.</td>
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<td>ESQUEL GARMENT MANUFACTURING (VIETNAM) CO., LTD</td>
<td>VIETNAM</td>
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<td>102,282</td>
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<tr>
<td>FAR EASTERN APPAREL (VIETNAM) LIMITED</td>
<td>VIETNAM</td>
<td>4,525</td>
<td>2,832</td>
<td>87,723</td>
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<td>GREEN VINA</td>
<td>VIETNAM</td>
<td>2,177</td>
<td>999</td>
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<td>HANSAE VIET NAM CO., LTD.</td>
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<td>9,897</td>
<td>9,450</td>
<td>191,866</td>
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<td>I.S VIETNAM CO., LTD.</td>
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<td>MAXPORT J.S.C</td>
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<td>MOLAND CO., LTD</td>
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<td>S.J VINA CORPORATION</td>
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### Totals

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### Notes

- Factory Country Total Workers Line Workers Production ($sales 000s)
## Detailed Production Shift

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## Shift Impacts on Total Apparel

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