

2019 New Balance Human Trafficking & Modern Slavery Statement



The New Balance Human Trafficking and Modern Slavery Statement is issued in response to the reporting requirements of the California Transparency in Supply Chains Act of 2010 (SB 657) and the United Kingdom (UK) Modern Slavery Act of 2015. In addition, New Balance intends for this statement to help inform consumers, suppliers and other stakeholders of the company's efforts to identify and manage risks, as well as remedy any reported incidents, of human trafficking, modern slavery and child labor in our global supply chain. This statement covers our policies, programs and activities implemented during the 2019 fiscal year ending December 31. To access previous annual statements, please see the [Archive link](#) on our website.

For more information on New Balance and our commitment to Responsible Leadership, including our social and environmental programs and performance, please click [here](#).

NEW BALANCE BUSINESS AND SUPPLY CHAIN

New Balance Athletics, Inc., including its affiliates (New Balance), is a privately-owned athletic footwear, apparel and sporting goods company headquartered in Boston, MA with over 8,000 associates globally. Associated brands under New Balance include PF Flyers, Warrior and Brine. New Balance sells products to consumers through owned retail stores and online platforms, as well as through global wholesale markets, distributors and licensees.¹

In 2019, New Balance sourced products from approximately 200 contract manufacturers located in 29 countries. New Balance publishes annually the names and addresses of direct [Tier One suppliers and footwear subcontractors](#), organized by country and product type with details on supplier group name and number of workers. In addition to working with contract manufacturers, New Balance owns and operates five factories in New England as well as a manufacturing facility in the United Kingdom. Warrior Sports, Inc. owns and operates two factories, one located in Mexico and one in the United States. In an effort to increase our supply chain transparency, we also publish the list of our [Tier Two wet processing suppliers](#) in Asia, which includes the vast majority of our

Tier Two footprint, and our global [licensee suppliers](#). In the future we hope to expand the publication of our Tier Two supplier list as internal reporting systems are developed.

OUR APPROACH: POLICIES AND GOVERNANCE

New Balance is committed to doing business with manufacturers and suppliers that share our commitment to uphold fundamental human rights and abide by the standards in our [Supplier Code of Conduct](#) (Code). The Code has been translated into 42 languages and is based on the Universal Declaration of Human Rights and the International Labor Organization (ILO's) Core Conventions. The Code incorporates several principles related to human trafficking and slavery, including but not limited to:

- Working conditions
- Workplace health and safety
- Prohibition of child labor
- Prohibition of forced labor, including prison labor, indentured labor or debt-bonded labor; and
- Maintaining a workplace free of discrimination and harassment.

New Balance also publishes a [Supplier Standards Manual](#), which provides suppliers and stakeholders with detailed guidance on how to implement each element of the Code. Key requirements designed to protect against human trafficking include voluntary

¹ For the purposes of this disclosure, New Balance conducts business in both California and the UK and brings in annual "gross receipts" worldwide that exceed \$100 million and has an annual turnover of over £36 million.

employment, freedom of movement and elimination of worker recruitment fees. New Balance considers forced labor or child labor violations zero-tolerance issues, which require immediate and thorough remediation to continue doing business with the company. In 2019, we updated our Supplier Standards Manual, including providing our suppliers with additional clarity and requirements to protect against forced labor, including the clear prohibition of all recruitment fees and a detailed list of fees.

In 2018, New Balance became a signatory to the [AAFA/FLA Apparel and Footwear Industry Commitment to Responsible Recruitment](#). The commitment reinforces our work with suppliers that employ migrant workers to create conditions so that:

- No workers pay for their job;
- Workers retain control of their travel documents and have full freedom of movement; and
- All workers are informed of the basic terms of their employment before leaving home.

New Balance is an accredited member of the Fair Labor Association (FLA) and FLA most recently reaccredited New Balance's social compliance program in 2018. A link to the New Balance Reaccreditation Report can be found [here](#).

The New Balance Responsible Leadership Steering Committee maintains oversight of the policies, programs and strategies that the company implements to address the risks of human trafficking and slavery in the company's supply chain. The Vice President of Responsible Leadership, who also heads the supply chain Global Compliance program, provides regular updates to Committee members, including New Balance ownership, on supplier compliance performance and critical risks and issues. The Vice President of Responsible Leadership, while independent from product development and sourcing, is also a member of the company's Value Chain Leadership Team (VCLT), a cross-functional group of executives with responsibility across the supply chain. VCLT meetings include a dedicated regular session to review New Balance environmental, health and safety, and labor practices in owned and contract manufacturers.

Additionally, New Balance pledges to uphold the highest standards in the company's

owned manufacturing facilities and for New Balance associates globally. The company's commitment to employee health, safety and development, as well as ethical recruitment and hiring, is reflected in the company's policies and practices and in accordance with national and international law. As stated in our [Code of Business Ethics and Conduct](#), all New Balance associates have a responsibility to uphold and promote compliance with the New Balance Supplier Code of Conduct.

RISK ASSESSMENT

Human trafficking and slavery risks are most commonly found in the footwear and apparel industry where there are migrant workers. Based on a periodic country risk assessment process, we identified the following countries in our Tier One supply chain as highest risk for forced labor: China, Haiti, India, Taiwan (ROC), Thailand, Turkey and Vietnam. The risk assessment is based on data from the US Department of State (*Trafficking in Persons Report*) and US Department of Labor (*List of Goods Produced by Child Labor or Forced Labor*), as well as supplier information and industry non-governmental organization (NGO) reports.

In 2018, New Balance worked with third-party experts to conduct a human rights and environmental risk assessment for our Tier Two supply chain, guided by the United Nations (UN) Guiding Principles on Business and Human Rights and the Organization for Economic Cooperation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector. Our assessment focused on 12 risk areas identified by the OECD Guidance, including issues such as child and forced labor. As an outcome of the risk assessment, forced labor risks in textile mills and other material suppliers in Taiwan were identified as a priority focus area.

The Countering America's Adversaries through Sanctions Act (CAATSA), passed in 2017, declared that products manufactured wholly or in part by North Korean nationals, including outside of North Korea, are automatically deemed to have been made with forced labor and are, therefore, prohibited from entry into the United States. As a result, we developed an annual internal risk assessment process to review potential supply chain risks for North Korean labor. We continue to communicate the risk to our suppliers and continue implementation of our due diligence process.

In addition, in 2019, we followed media and NGO reports regarding risks of forced labor in the Xinjiang Uyghur Autonomous Region of China in the apparel supply chain. While New Balance does not have any Tier 1 or nominated Tier 2 suppliers operating in that region, we continue to work on mapping our supply chain further upstream to identify potential risks and to engage with industry stakeholders and experts to better understand what industry actions can be taken to address this risk.

SUPPLIER AUDITS: DUE DILIGENCE, MONITORING AND REMEDIATION

Suppliers seeking to do business with New Balance must sign a supply agreement that includes the obligation to abide by our Code of Conduct and undergo a compliance inspection (audit) before production orders can be placed. Compliance audits are conducted by members of the New Balance Global Compliance team or qualified third parties and may be announced, semi-announced or unannounced audits. The New Balance audit tool includes verification of supplier performance against the Code. In addition to a physical site inspection, the audit includes interviews with supplier management and confidential employee interviews. If a supplier employs foreign or domestic migrant labor, New Balance applies additional scrutiny to potential forced labor risks and practices. Through our affiliation with the Fair Labor Association and the ILO/IFC Better Work Program, their organizations also conduct independent assessments of our suppliers, which we review.

In cases where noncompliance issues are found, suppliers must complete a Corrective Action Plan (CAP). For new suppliers, verification of corrective actions is required before orders can be placed. For existing suppliers, they must also implement a CAP and our team works with them to improve workplace practices. New Balance's preferred approach is to continue working with suppliers to improve and remedy conditions rather than to terminate the business relationship. By staying engaged, we seek to improve the lives of those impacted, as well as help to change industry practices. However, if compliance violations are serious or persistent, New Balance will terminate the business relationship. In 2019, New Balance ended business relationships with two suppliers based on compliance performance, both due to a lack of transparency of records

and an unwillingness to change practices.

Tier One

In 2019, New Balance assessed over 280 compliance audits for potential and existing Tier One suppliers and observed thirteen noncompliance findings at thirteen different facilities related to potential forced labor or restricted access situations (e.g., workers restricted from leaving the factory during breaks, restrictions to taking vacation leave, workers paying recruitment fees). One of the noncompliance findings involved a zero tolerance forced labor issue, where a supplier in China employed contract workers who were being required to work 150 hours before they could resign. This finding was remediated so that the affected workers were able to resign and the supplier agreed to change the practice.

Six suppliers located in Japan, Taiwan (ROC) and Thailand employed foreign migrant workers who were found to have paid recruitment fees in their home and/or host country. In one case, New Balance worked with other brands buying from the supplier to ensure successful reimbursement of fees to the migrant workers. In a second case, the supplier stopped employing foreign migrant workers, a corrective action that we are still in the process of verifying. In three other cases, suppliers are still working on implementing action plans and fees either have not yet been reimbursed or we are still working to verify the actions taken. In the final case, New Balance stopped placing orders with the supplier due to a change in business needs.

There were six additional high-risk findings at suppliers in China, including two cases where workers experienced restricted access to restrooms or were unable to leave the factory premises during breaks, three noncompliances related to workers' ability to take paid leave without restriction, and one finding where workers paid for a pre-hiring health check and some were not reimbursed. Out of the six cases, five have been resolved and the last outstanding situation has been addressed and is awaiting verification.

Additionally, there was one underage labor violation identified at a supplier factory in Vietnam where the worker used false documents to begin working 15 days before their 18th birthday. This falsification of records allowed the worker to be assigned overtime work which is not permitted for juvenile workers. The factory has since revised their hiring practices to prevent this from occurring

in the future.

Since New Balance started reporting on forced labor findings in our Tier One suppliers in 2016, we have seen some improvement in the number of findings in previous years. However, as our standards and monitoring practices have evolved, a greater number of noncompliances were identified in 2019 related to recruitment fees.

Subcontractors

Starting in 2016, New Balance expanded our compliance program coverage to include footwear processing subcontractors² and measure their performance against our zero tolerance issues, including forced labor³. New Balance launched the subcontractor program both to increase awareness of Tier One suppliers about these types of serious issues, as well as to build supplier capabilities to help manage the risks further up the supply chain. Out of 74 subcontractor audits⁴ conducted in 2019 (including 6 initial audits), none indicated evidence of potential forced labor issues.

Beyond Tier One

New Balance does not currently require pre-sourcing audits or social compliance audits for Tier Two raw material and component suppliers. However, we recognize that the risk for forced labor may be greater in the upstream supply chain where business relationships are more diffuse and where suppliers often work for multiple industries. These levels of the supply chain are also less frequently audited by the footwear and apparel industry. In 2017, we started work to map our Tier Two footwear and apparel supply chain and identified nearly 500 material suppliers in over 20 countries.

As part of our work to address forced labor risks beyond Tier One, New Balance is working with other brands and external stakeholders and participating in industry initiatives to identify and tackle forced labor issues further upstream in the supply chain. New Balance is a signatory to the Uzbekistan Cotton Pledge, which prohibits the use of cotton sourced from Uzbekistan in our products due to the documented use of forced labor in Uzbek cotton production. [Our Restricted Substances Manual](#) also includes our policy on prohibiting Uzbekistan and Turkmenistan cotton due to forced labor risks.

2. Processing subcontractors refers to subcontractors that conduct specialized processes that Tier One factories may not have the capacity or capability to do in-house, such as screen printing, high-frequency welding and embroidery.
3. Footwear sales comprise more than 80 percent of total company revenue.
4. Subcontractor audits in 2019 also included selected apparel and accessories facilities.

In high-risk Taiwan region, we have been working with other apparel and footwear brands since 2016 to identify and communicate with shared material suppliers about foreign migrant worker labor standards, including the elimination of recruitment fees. New Balance rolled out our responsible recruitment implementation plan with strategic Tier Two suppliers in Taiwan in 2019, and through brand collaboration and a series of one-on-one engagements with suppliers, we are supporting and monitoring these key facilities in eliminating recruitment fees.

In 2019, New Balance also participated in a [Fair Labor Association project](#) with other brands and civil society organizations (CSOs) to assess the working conditions of the natural rubber supply chain in Vietnam. This project aimed to understand the supply chain structure, and labor and human rights risks, including forced labor risks, in rubber procurement, particularly at the upstream supply chain tiers (e.g., plantation and farm), which are less well known. As part of a multi-stakeholder panel, New Balance also presented learnings from this project at the [2020 OECD Forum on Due Diligence in the Garment and Footwear Sector](#).

Third-Party Grievances

In addition to our supplier monitoring program, New Balance is expanding direct communication channels for workers by facilitating the establishment of confidential grievance mechanisms for workers in contract manufacturing facilities. In addition to the New Balance email address listed on the supplier Code of Conduct that is available for any third party to contact us directly, we are implementing third-party operated worker hotlines in our strategic sourcing countries of China, Vietnam and Indonesia.

In 2019, New Balance did not receive any third-party complaints through worker hotlines or grievance mechanisms involving allegations of forced labor. Our team continues to monitor for any indicators of potential forced labor in the supply chain.

TRAINING AND AWARENESS RAISING

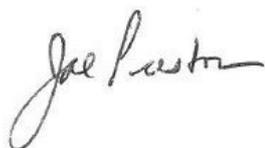
The New Balance Global Compliance team is comprised of approximately 20 staff members located around the world who manage and implement the New Balance supplier compliance program. Team members visit New Balance suppliers on a regular basis, conduct factory audits, help

suppliers to implement remediation plans, and provide trainings to improve supplier self-management capabilities. In 2019, we engaged Verité, a labor rights civil society organization, to conduct a workshop for our suppliers in Thailand that employ foreign migrant workers on best practices and management systems for mitigating forced labor risks. In addition, five of New Balance's Tier One and Tier Two suppliers in Taiwan took part in a two-and-a-half-day training on responsible recruitment practices facilitated by the Fair Labor Association. In both countries, training has helped to support the development of supplier remediation and action plans, which we are currently monitoring for implementation.

Each year, the New Balance Global Compliance team conducts annual refresher training on the Global Compliance program for New Balance associates working in sourcing, development, operations and/or human resource roles located in greater China, Indonesia, Japan, Vietnam, the United Kingdom and the United States. New Balance also conducts regional supplier workshops in China, Vietnam and Indonesia, which include additional awareness training on zero tolerance issues, including forced labor. In 2019, targeted forced labor training was also conducted for suppliers and licensees at regional supplier summits and one-on-one supplier meetings held in greater China, India, Japan, Jordan, Thailand and the United States. Internal training and external training is conducted to primarily raise awareness, help to identify potential forced labor risks and issues and to garner support for effective remediation when issues arise.

This statement was reviewed and approved by the Board of Directors of New Balance Athletic Shoes (UK) Limited on June 1, 2020.

Signed



Joe Preston

President & CEO, New Balance Athletics, Inc.
Director, New Balance Athletic Shoes (UK)
Limited

June 3, 2020