



## 2016 New Balance Human Trafficking and 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, wholesale customers and other stakeholders of the company's efforts to identify and manage risks, as well as remedy any reported incidents, of human trafficking and modern slavery in our global supply chain. This statement covers our policies, programs and activities implemented during the 2016 fiscal year ending December 31.

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### 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 6,000 associates globally. Associated brands under New Balance also include PF Flyers, Warrior and Brine. New Balance sells products to consumers through owned retail stores and online, as well as through global wholesale markets, distributors and licensees.<sup>1</sup>

In 2016, New Balance sourced products from approximately 180 contract manufacturers located in 32 countries. New Balance publishes annually the names and addresses of [direct Tier 1 suppliers](#), organized by country, on the company's website. 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 three factories located in Mexico, the United States, and Finland.

### Our Approach

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 New Balance Code has been translated into 27 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; 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 employment, freedom of movement, and elimination of worker recruitment fees other than those legally permitted. New Balance considers any forced labor violation a "Zero Tolerance" issue, which requires immediate and thorough remediation in order to continue doing business with the company.

The New Balance Responsible Leadership Steering Committee maintains oversight of the policies, programs and strategies that the company implements to address the risks of

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<sup>1</sup> 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.



human trafficking and slavery in the company's supply chain. The Committee also receives regular updates on supplier compliance performance and critical risks and issues.

Additionally, New Balance pledges to uphold the highest standards in the company's owned manufacturing facilities and for New Balance associates globally, which are under the management of the New Balance Human Resources Department. 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.

#### **Supplier Audits: Due Diligence and Risk Management**

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 or unannounced audits. The audit tool includes verification of supplier performance against the Code, and in addition to a physical site inspection, the audit includes interviews with the supplier management and confidential employee interviews. In cases where noncompliance issues are found, suppliers must complete a Corrective Action Plan. Verification of corrective actions is required before orders can be placed. 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, New Balance seeks to improve the lives of those impacted, as well as help to change industry practices. However, in the event that compliance violations are serious or persistent, New Balance will terminate the business relationship.

#### **KPIs New Balance Uses to Track Performance on Human Trafficking and Slavery**

- **Number of pre-sourcing and annual audits conducted to validate Tier 1 supplier performance against the NB Code of Conduct**
- **Number of audits conducted to validate Tier 2 and subcontractor performance against the NB Code of Conduct**
- **Number of supplier compliance violations related to potential cases of forced labor and the number in which corrective actions were effectively implemented (or business relations terminated)**
- **Number of worker or third-party grievances reported to New Balance related to possible cases of human trafficking and slavery and number of cases remediated effectively**

Human trafficking and slavery risks are most commonly found in the footwear and apparel industry where there are migrant workers. If a supplier employs foreign or domestic migrant labor, New Balance gives additional scrutiny to potential forced labor risks and issues. In 2016, New Balance and its affiliates conducted over 230 supplier compliance audits of our Tier 1 suppliers (including both pre-sourcing and annual audits) and observed 15 audits (12 factories total) with noncompliance findings related to potential forced labor or restricted access situations (e.g., holding of worker passports, restricted access to restrooms and/or personal belongings, inability to reject overtime without penalties, fine or pressure, etc.). Out of these 12 factories, eight of them were factories that employed migrant labor and five of them involved Zero Tolerance findings. One Zero Tolerance case involved restricted movement during breaks and New Balance terminated the business relationship due to ineffective remediation of the issue and other



serious noncompliance issues.<sup>2</sup> In the other four Zero Tolerance cases, the noncompliances, which included holding passports, payment of wages through an agent instead of directly to the employee, and restricted movement, were successfully remediated.

New Balance does not currently require pre-sourcing audits or certification for Tier 2 raw material suppliers, component suppliers or processing facilities. However, in 2016, New Balance increased the compliance program coverage of footwear processing subcontractors into the compliance audit program to measure performance against a smaller scope of Zero Tolerance issues, including forced labor.<sup>3</sup> Out of 52 subcontractor audits, none of them included noncompliance findings of forced labor. New Balance launched its subcontractor program both to increase awareness of Tier 1 suppliers about such issues, as well as to build the capacity of these suppliers to help manage the risks further down the supply chain.

New Balance is also expanding our work on mapping our supply chain beyond Tier 1 to better assess and prioritize risks, including risks related to human trafficking and slavery. Based on industry experience, we recognize that the risk for human trafficking is greater at lower levels of the supply chain where business relationships are more diffuse and where suppliers often work for multiple industries. These lower levels of the supply chain are also less frequently audited by the footwear and apparel industry. As part of our work, New Balance is engaging with other brands and external stakeholders and participating in industry initiatives to identify and tackle forced

labor issues further down in the supply chain that would otherwise be hard for one company acting alone to address effectively.

In addition to our supplier monitoring program, New Balance is expanding its communication channels directly with workers by conducting worker surveys and facilitating the establishment of confidential grievance mechanisms for workers in contract manufacturing facilities. In 2016, New Balance did not receive any grievances or third-party complaints linked to human trafficking and slavery in our supply chain.

### Training

The New Balance Global Compliance team is comprised of 19 staff members located around the world who manage and implement the New Balance supplier compliance program. This team comprises the front line in visiting New Balance suppliers and conducting factory audits. In 2016, New Balance invited Verite to conduct a refresher training session for the Global Compliance team on forced labor, including a review of practical tools and approaches that can be used during supplier audits to help identify signs of forced labor as defined by the International Labor Organization (ILO). In addition, New Balance conducted annual refresher training on the Global Compliance program for New Balance associates, including representatives from sourcing, development, and operations, located in China, Hong Kong, Indonesia, Japan, Vietnam, the United Kingdom and the United States, as well as conducted ongoing training for new and existing suppliers. Part of this training emphasized the desire to prevent “Zero Tolerance” issues, which includes forced labor.

A handwritten signature in black ink, appearing to read 'Rob DeMartini'.

Rob DeMartini  
President & CEO, New Balance Athletics, Inc.

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<sup>2</sup> In 2016, New Balance terminated business relationships with three other suppliers due to serious or persistent noncompliance findings, but they were unrelated to forced labor or human trafficking.

<sup>3</sup> Footwear sales comprise more than 80 percent of total company revenue.