



## 2020 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 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 the policies, programs and activities for New Balance Athletics, Inc. and its affiliates implemented during the 2020 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 approximately 7,500 associates globally. Associated brands under New Balance include PF Flyers, Warrior and Brine. New Balance sells products to consumers through owned and licensed retail stores and e-commerce, as well as through global wholesale markets, distributors and licensees.<sup>1</sup>

In 2020, New Balance sourced products from approximately 140 Tier One contract manufacturers located in 26 countries. New Balance publishes twice annually the names and addresses of [direct Tier One suppliers](#) organized by country and product type with details on supplier group name, number of workers, percent of workers who are female and whether the supplier employs foreign migrant workers. In addition to working with contract manufacturers, New Balance owns and operates five manufacturing facilities in the United States, one facility in the United Kingdom and one in Mexico. In an effort to increase our supply chain transparency, we also publish the list of our [Tier Two strategic material suppliers and subcontractors](#), and our global [licensee suppliers](#).

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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 in the UK of over £36 million.



## 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, including hours worked and freedom of movement;
- 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 employment, freedom of movement and elimination of worker recruitment fees. New Balance considers forced labor and child labor violations zero-tolerance issues, which require immediate and thorough remediation to continue doing business with the company. In early 2021, we updated our Supplier Standards Manual to provide our suppliers with additional clarity on our requirements to protect against forced labor, including elevating recruitment fees to a zero tolerance issue to ensure that workers in our supply chain do not pay any fees, expenses or deposits in exchange for employment.

In addition, New Balance suppliers are required to comply with and declare that the raw materials, components and finished products supplied to New Balance comply with the [New Balance Restricted Substances Manual](#), which includes regional sourcing and material restrictions.

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](#). New Balance is also 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.

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 an annual country risk assessment process, we identified the following countries in our Tier One supply chain as highest risk for forced labor: Cambodia, China, India, Mexico, Nicaragua, Pakistan, 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. New Balance has highlighted this legislation and risk to suppliers via a formal notification, and the team takes notice of new suppliers that are located in high-risk regions to ensure that additional due diligence is applied. New Balance monitors this and other forced labor risks via the annual forced labor risk assessment process. In



2020, New Balance developed and began piloting an assessment tool for use at factories employing foreign and, in some cases, domestic migrant workers. With this new assessment tool, New Balance aims to bring to light risk factors and compliance violations specific to this vulnerable group of workers.

New Balance continues to monitor the reports of forced labor in the Xinjiang Uyghur Autonomous Region (XUAR) of China in the apparel supply chain. New Balance does not have any manufacturers of finished products nor any nominated material suppliers in the XUAR, and as directed by U.S. regulation and advisories, our policies state that suppliers may not source or manufacture products for New Balance in the XUAR.

We continue to work on mapping our supply chain further upstream for cotton and other materials to identify potential risks. We are also engaging with a wide variety of industry stakeholders to better understand upstream supply chain risk and due diligence approaches and what actions New Balance can take to uphold the human rights of workers throughout our global supply chain.

## **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 developed an additional assessment tool in 2020 to provide further scrutiny in assessing 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 certain 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 2020, New Balance ended the business relationship with one supplier for compliance reasons as explained below.

### ***Tier One***

New Balance aims to conduct compliance audits at all Tier One suppliers on an annual basis. In 2020, NB audited 60 percent of our Tier One suppliers. The number of audits was reduced from previous years due to travel and safety limitations caused by the



COVID-19 pandemic. Where traditional in-person audits were not possible, we supplemented our due diligence with limited scope remote assessments and communicated COVID-19 safety guidance to suppliers. We also worked with other brands and industry partners, including the ILO/IFC Better Work program, to survey and monitor suppliers' efforts to maintain the safety of foreign migrant workers in their facilities.

From the 110 compliance audits conducted at potential and existing Tier One suppliers, we observed four noncompliance findings related to potential forced labor situations where workers had paid recruitment fees or faced restrictions when taking vacation or sick leave. Two of the noncompliance findings involved a zero-tolerance forced labor issue, where new employees at two suppliers in China were required to pay a deposit fee for door access cards and occupational health check-ups. As part of their remediation plan, both suppliers were required to reimburse workers for these fees. New Balance verified that the suppliers had repaid the fees in subsequent audits. The other two findings involved suppliers where workers were unable to take their paid leave without restriction. Both violations have been addressed and verified during subsequent audits.

New Balance also continued remediation efforts with other Tier One suppliers, where we had previously identified workers paying recruitment fees. One supplier located in Japan employed four foreign migrant workers who paid recruitment fees to a labor recruiter in their home country. After identifying this violation through interviews with factory workers during an audit in 2019, New Balance required that the supplier reimburse workers for the fees and engage with labor recruiters that did not charge workers recruitment fees. Being a small buyer with this supplier, New Balance finally decided to end the business relationship with the supplier when it refused to discontinue this practice or reimburse workers for recruitment fees paid, which were legal under local law.

In collaboration with other brands, New Balance worked with another supplier in Taiwan that repaid fees to 28 foreign migrant workers from Vietnam. While this supplier has taken important steps, we will continue to monitor the remediation and confirm that all fees are repaid and that management systems are in place so that fees are not charged to workers going forward.

Since New Balance started reporting on forced labor findings in our Tier One suppliers in 2016, we have seen a decline in the number of findings. However, New Balance conducted fewer audits in 2020 than in 2019 due to the COVID-19 pandemic, so we are unable to effectively evaluate the trendline based on 2020 data.



### *Beyond Tier One*

The New Balance compliance monitoring program also includes monitoring of strategic processing subcontractors<sup>2</sup> to measure performance against zero tolerance issues, including forced labor. Out of 68 subcontractor audits conducted in 2020, none indicated evidence of potential forced labor issues.

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. We have mapped our Tier Two footwear and apparel supply chain and identified nearly 500 material suppliers in over 20 countries. We continue to update and expand our upstream mapping on an ongoing basis to better understand our supply chain network and identify potential risks.

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.

In Taiwan, we have been working with other apparel and footwear brands 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. Of the 16 strategic Tier Two suppliers we engaged on this issue, 12 were able to meet the goal of eliminating recruitment fees by January 1, 2021. One supplier is no longer hiring foreign migrant workers and we continue to work with the remaining three suppliers to address fee elimination, contract revision, and improved onboarding and communication processes for foreign migrant workers in order to meet the overall goal of responsible recruitment. In 2021, we will continue monitoring the implementation of responsible recruitment policies for the 16 suppliers.

### *Third-Party Grievances*

In addition to our supplier monitoring program, New Balance has expanded workers' access to confidential grievance mechanisms. We have implemented third-party operated worker hotlines in our strategic sourcing countries of China, Vietnam and Indonesia. In addition, any worker or third party can contact our corporate office

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<sup>2</sup> 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.



directly through the New Balance email address listed on the supplier Code of Conduct.

In 2020, New Balance did not receive any third-party complaints through worker hotlines or grievance mechanisms involving allegations of forced labor.

## **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 2020, we conducted a webinar training for five Tier Two apparel and footwear suppliers covering responsible recruitment practices and management systems for mitigating forced labor risks in Taiwan. The training session addressed key challenges faced by the Tier Two suppliers in eliminating recruitment fees for migrant workers and provided an overview of how to map fees and work more effectively with labor brokers.

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 globally. However, this training was curtailed to select regions and teams in 2020 due to the COVID-19 pandemic. New Balance also conducted regional supplier workshops in China, Vietnam and Indonesia, which included additional awareness training on zero tolerance issues, including forced labor. 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 9, 2021.

Signed

A handwritten signature in black ink, appearing to read 'Joe Preston'.

Joe Preston  
President & CEO, New Balance Athletics, Inc.  
Director, New Balance Athletic Shoes (UK) Limited  
June 11, 2021