



NEW BALANCE ATHLETIC SHOE, INC.
ASSESSMENT FOR ACCREDITATION

June 2014

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INTRODUCTION

FLA-accredited Participating Companies have demonstrated that they have the systems and procedures in place to successfully uphold fair labor standards throughout their supply chains. The complexity and ever-evolving nature of global supply chains make it impossible to guarantee that a product is made in conditions free of labor rights violations. For this reason, FLA does not certify brands. Instead, FLA evaluates companies at the headquarter level – in addition to standard factory-level due diligence activities that are conducted annually – to determine whether they have social compliance systems in place to proactively identify and address risks or instances of noncompliance. Accreditation is the highest level of recognition for FLA-affiliated companies.



The FLA Board of Directors voted to approve the accreditation of the New Balance's compliance program on June 11, 2014 based on proven adherence to FLA's Workplace Code of Conduct and the Principles of Fair Labor and Responsible Sourcing. Details on FLA's accreditation methodology can be found at www.fairlabor.org/accreditation.

NEW BALANCE'S LABOR COMPLIANCE PROGRAM



New Balance running shoe

New Balance Athletic Shoe, Inc. (New Balance) is a privately held company headquartered in Boston, Massachusetts. New Balance manufactures running, tennis, soccer, baseball, cross training, lifestyle and other shoes, as well as a variety of athletic apparel and equipment. The company and its affiliates employ more than 5000 employees worldwide.

New Balance joined the FLA as a Participating Company in October 2009, selecting a three-year implementation period. Prior to that, Brine (an affiliate of New Balance) was a Category C Licensee. The following brands are in scope for New Balance's affiliation with the FLA: aravon, Brine, Cobb Hill, Dunham, New Balance, PF Flyers, and Warrior. Both New Balance and Warrior have collegiate programs. The New Balance VP of Global Compliance was elected to the FLA Board of Directors in December 2012 and has served as chair of the Board Finance Committee since July 2012. New Balance is active in the FLA Business Caucus and New Balance representatives regularly attend FLA Monitoring Committee and Board meetings.

New Balance adopted a Code of Conduct based on international human rights principles in the late 1990s. The company hired a full-time compliance staff person in its footwear division in 2004, and in 2006 expanded its internal compliance program to include apparel, equipment and licensees. Since the time of its affiliation as a Participating Company, New Balance has experienced some important organizational changes. For a time, the previous Corporate Compliance Manager served as the

primary contact for the FLA. The current VP of Global Compliance joined New Balance in January 2012 and as of January 2014 she reports to the Executive VP/General Counsel. She oversees an experienced team of 15 full-time compliance staff in China, Indonesia, the United Kingdom, the United States and Vietnam. Staff covers their respective countries as well as specific regions (Latin America, Europe, Middle East and Africa, East Asia, Southeast Asia and South Asia).



New Balance women's running shoe



Assorted New Balance men's running shoes

The table below describes New Balance's applicable facilities over the period 2010-2013, as reported to the FLA. During this period, New Balance applicable facilities were subject to a total of 17 FLA assessments, including 7 Independent External Monitoring visits (IEMs), 5 Sustainable Compliance Initiative (SCI) assessments and 5 SCOPE Worker Surveys. Information on the results of these assessments and the remediation undertaken by New Balance in response to findings are publicly available on the FLA website and are discussed, as appropriate, in the next section.

NEW BALANCE APPLICABLE FACILITIES & FLA ASSESSMENTS, 2010-2013								
COUNTRY	2010 APPLICABLE FACILITIES	2010 FLA ASSESSMENTS	2011 APPLICABLE FACILITIES	2011 FLA ASSESSMENTS	2012 APPLICABLE FACILITIES	2012 FLA ASSESSMENTS	2013 APPLICABLE FACILITIES	2013 FLA ASSESSMENTS
Argentina					1			
Brazil					1			
Cambodia	6		8		3	1	3	
Canada	3		3		5		5	
China	45	3	43	1	42	3	51	
Colombia	2		2		1		2	
Costa Rica	1		1					
Czech Republic					1			
Dominican Republic	3		2	1	1			
El Salvador							3	1
Estonia					1			
Finland					1		1	
Germany					1			
Guyana	1		1		1			
Haiti	1		1		1			
Honduras	2	1	2				2	
India	2	1	2					
Indonesia	4		6	1	6	1	5	
Jordan	1		1		2		1	
Madagascar					1		1	
Mauritius					2		1	
Mexico	2		1				3	
Netherlands					1			
Pakistan	1		1		4		1	
Peru	3		4	1				
Philippines	2		3		6		2	
Portugal	1		1		1			
Slovenia					1			
South Africa					3		2	
Taiwan	1		2		4		1	
Tanzania					1		1	
Thailand	1		1				2	
Turkey					1		1	
United Kingdom	1				1		1	
United States	13		13		14		16	
Vietnam	9		11	1	14	1	7	
TOTAL	105	5	109	5	122	6	112	1*

*The FLA Monitoring Committee decided that in 2013 each unaccredited Participating Company would receive 1 SCI assessment regardless of the number of facilities in its supply chain.

ANALYSIS OF NEW BALANCE'S LABOR COMPLIANCE PROGRAM USING THE FLA PRINCIPLES OF FAIR LABOR AND RESPONSIBLE SOURCING

Information used in this assessment originates from annual reports submitted by New Balance to the FLA verified through: (1) an assessment at New Balance headquarters conducted by FLA staff (December 2013); (2) shadowing of New Balance internal audits at a footwear factory in China (July 2013) and an apparel factory in Honduras (September 2013); (3) observation of a meeting to discuss remediation follow-up with a separate factory in China (July 2013); (4) information gathered in-person, via phone interviews and through email correspondence with New Balance staff; (5) documentation review of supporting evidence submitted by New Balance; and (6) results of FLA assessments at New Balance applicable facilities conducted by FLA assessors.

1. COMPANY AFFILIATE ESTABLISHES AND COMMITS TO CLEAR STANDARDS

1.1 Company Affiliate establishes and articulates clear, written workplace standards that meet or exceed those embodied in the FLA Workplace Code of Conduct.

Actions Taken:

New Balance adopted a Code of Conduct based on international human rights principles in the late 1990s. The company revised its Code in 2014 to bring it into alignment with the FLA's Workplace Code of Conduct. New Balance is in the process of updating its manual for suppliers where there will be additional compliance benchmarks that elaborate upon the company Code.

Verification by FLA:

FLA has reviewed previous versions of the New Balance Code as well as the 2014 version of the Code. FLA confirms that the 2014 version of the New Balance Code meets or exceeds the FLA's Workplace Code of Conduct.

1.2 Company Affiliate leadership formally commits to uphold workplace standards and to integrate them into company business practices.

Actions Taken:

New Balance has adopted a formal mission statement on Responsible Leadership and it includes both social and environmental elements. New Balance's commitment is communicated externally – most visibly in the company's Responsible Leadership Report¹ – as well as internally via the company intranet, mandatory orientation and classes for New Balance employees, as well as during "lunch and learn" sessions.

Verification by FLA:

FLA reviewed the public Responsible Leadership Report, interviewed members of the New Balance Senior Leadership Team and Responsible Leadership Steering Committee during the headquarter assessment, and reviewed the onboarding for new associates via the company intranet. FLA reviewed a presentation by the VP of Global Compliance to inform company executives of the strengths, weaknesses, opportunities and threats to the program. Executive commitment was highlighted as a strength and FLA interviews with staff and team leaders in various departments confirmed the view that company leadership is committed to upholding workplace standards and to integrating those standards into company business practices.

¹ The New Balance Responsible Leadership report "Made to Move" (reporting on data from 2009-2010) is available online at: https://www.newbalance.com/Responsible-Leadership-Flipbook/responsible_leadership_flipbook,default.pg.html

2. COMPANY AFFILIATE IDENTIFIES AND TRAINS APPROPRIATE STAFF

2.1 Company Affiliate identifies all staff (and service providers, where relevant) responsible for implementing its workplace standards compliance program.

Actions Taken:

New Balance implements its workplace commitments primarily through a dedicated Social & Environmental Responsibility and Compliance team of 16 full-time members. The team has staff located in China, Indonesia, the United Kingdom, the United States and Vietnam. Staff covers their respective countries as well as specific regions (Latin America, Europe, Middle East and Africa, East Asia, Southeast Asia and South Asia). One position in Indonesia has yet to be filled. In regions where New Balance has a gap in internal team coverage, the company partners with service providers who share the company's values. The VP of Global Compliance oversees the Compliance Team. She previously reported to the VP of External Products. In January 2014, the reporting structure was modified, and she now reports directly to the Executive VP/General Counsel. This change in reporting structure is intended to ensure independence from sourcing.

Verification by FLA:

FLA has on file a copy of the latest organizational chart and confirms that the Compliance Team is responsible for social and environmental responsibility and compliance for all product categories and brands. FLA has interviewed a number of New Balance staff in the Compliance Team and has sample job descriptions on file. FLA observed New Balance auditors as well as a third-party service provider conducting internal audits for New Balance in 2013.

2.2 Company Affiliate ensures that all staff (including sourcing) and relevant service providers are trained on the company's commitment to standards and the integration of standards into business practices.

Actions Taken:

The New Balance Compliance Team regularly provides training to sourcing staff and other divisions on the company's compliance requirements. Some training occurs informally through regularly scheduled monthly meetings. Training for sourcing, materials, and order management staff is more formal, especially in Asia sourcing offices. Additional informal training and information sharing occurs during Monthly Performance meetings held jointly with factory personnel or Quarterly Business Review meetings with company senior leadership. New Balance has incorporated basic training into its mandatory onboarding session for new employees. Internal communications (print and video) as well as "lunch and learn" sessions provide additional, voluntary ways for interested employees to learn more about the company's compliance requirements.

Verification by FLA:

During the headquarter assessment, FLA conducted interviews with staff from various departments, including with the Supply Chain Sustainability Manager (focused on environmental responsibility and compliance), Executive VP/General Counsel, the VP of Corporate Human Resources, VP of Responsible Leadership, and the Director of Apparel Business Operations. FLA also interviewed the VP of External Products and the Director of Global Product Costing. FLA confirmed that all interviewed staff had a sound understanding of the company's commitment to standards and the integration of standards into business practices.

FLA interviewed company staff and reviewed numerous documents related to the following types of training and information sharing: Annual Supplier Summits; Quarterly Business Review meetings; Monthly Performance Review meetings; cross-training between Asia Compliance Team members and Asia apparel and equipment sourcing teams; training for sourcing on how to conduct initial screenings of potential suppliers; compliance training for quality control staff; a video featuring the VP of Global Compliance available to all New Balance associates; "lunch and learn" sessions at company headquarters, etc.

2.3 Company Affiliate ensures that staff or service providers responsible for implementing workplace standards compliance functions have appropriate competencies and suitable training in all areas under their responsibility.

Actions Taken:

New Balance has hired internal staff with significant prior experience in social and environmental responsibility. Prior to her role at New Balance, the VP of Global Compliance worked for two large apparel brands as the Senior Director of Corporate Responsibility & International Trade Compliance and the Director of Social Responsibility. New staff members are onboarded into the team primarily through shadow audits and on-the-job training with existing staff, typically in multiple regions. If and when new responsibilities are given, staff may be required to attend additional external training to ensure a baseline level of knowledge in that area. Staff members use dedicated funds to participate in internal mentorship programs and external training throughout the year. Starting in 2013, the Compliance Team instituted an annual Global Team Meeting to ensure that at least once per year the team meets to discuss and address concerns, share best practices, and apply cross-functional knowledge across regions.

Verification by FLA:

Through headquarter assessments and routine interactions, FLA can confirm the competencies of New Balance Compliance Team members. During the July 2013 internal audit in China, observed by FLA staff, FLA noted that the New Balance Compliance staff present were competent and had received suitable training to fulfill their responsibilities. Each of the three assessors had more than 8 years of relevant work experience and each had attended company internal trainings on assessment protocols and procedures. In the case of an internal audit in Honduras, FLA observed a new Compliance Team member who was undergoing on-the-job training.

In various situations, FLA has observed New Balance staff acting with diplomacy and persistence, employing mediation and negotiation techniques, demonstrating an ability to prioritize high risk issues, and showing sound understanding of local labor laws and pervasive labor challenges.

2.4 Company Affiliate ensures that training is updated at regular intervals.

Actions Taken:

Training is provided to new company associates, with subsequent opportunities to focus on specific areas of need or opportunity. New Balance Human Resources in Asia conducts an annual training survey to determine additional cross-functional training needs and opportunities and plans a schedule accordingly. In the United States, the New Balance Human Resources Department maintains a robust Learning & Development Program for associates based in the United States, which helps the Compliance Team strengthen cross-functional knowledge and identify opportunities for further business integration.

Verification by FLA:

FLA has reviewed the training materials used by the Compliance Team to conduct internal training for New Balance staff and has interviewed the VP of Corporate Human Resources in the United States regarding the ongoing training available to New Balance associates.

3. COMPANY AFFILIATE SHARES COMMITMENT TO WORKPLACE STANDARDS WITH SUPPLIERS AND WORKERS IN THE SUPPLY CHAIN

3.1 Company Affiliate formally conveys workplace standards to suppliers and receives written acknowledgement of standards and commitment to uphold them.

Actions Taken:

Compliance with the New Balance Code is written into the standard contractual obligations of suppliers. Suppliers must sign these contracts in order to do business with New Balance.

Verification by FLA:

FLA has reviewed signed copies of both the Apparel and Footwear Supply Agreements, which include a copy of the New Balance Code. The agreement stipulates that the supplier shall implement the Code and all accompanying policies and procedures.

3.2 Company Affiliate obtains written agreement of suppliers to (a) submit to periodic inspections and audits, including assessments conducted by FLA assessors or independent external monitors or service providers accredited by the FLA for compliance with workplace standards, and (b) collaborate with the Company Affiliate to remediate instances of noncompliance.

Actions Taken:

New Balance's contractual obligations with suppliers include agreement to permit New Balance or its representatives (which includes FLA) to enter the factory for inspection at any time for any reason. New Balance has also issued a formal letter to suppliers reminding them that they are obligated to permit FLA representatives to enter the facility per the terms of the Supply Agreement.

Verification by FLA:

The Apparel and Footwear Supply Agreements include explicit notification that the supplier may be subject to periodic inspections on behalf of New Balance. The documents include reference to New Balance representatives that may inspect the supplier. FLA has received a copy of the most recent access letter that New Balance sends to its suppliers to convey that FLA representatives may assess the supplier. New Balance will be incorporating the 2014 version of the Code into the Supply Agreements and FLA recommends that the company ensure that suppliers understand that they may receive assessments by the FLA for compliance with workplace standards. (It is worth noting that there have not been any aborted FLA assessments due to a denial of access). The Supply Agreements require New Balance suppliers to ensure that no exploitative or unsafe working conditions exist at the factory.

3.3 Company Affiliate conditions future business with suppliers upon continuous improvement of compliance performance.

Actions Taken:

Supplier performance is reviewed regularly with sourcing during scheduled meetings, and suppliers deemed to have egregious violations and who are unable or unwilling to meet New Balance standards in the future will have their contracts terminated. New Balance uses a rating system for suppliers. Footwear suppliers are made aware of their performance on a monthly basis through Monthly Performance Review meetings and ratings are communicated with company leadership at Quarterly Business Review meetings. Apparel and Warrior factories are made aware of their performance through audit ratings. A rating of "Generally Compliant" warrants a follow-up audit one year later; a rating of "Partially Compliant" warrants a follow-up audit 6 months later; a rating of "Improvement Required" requires a factory to address all major noncompliances within 6 months and to establish strong management systems; a rating of "Rejected" requires the relevant business unit to withdraw all orders from the factory within 60 days. In certain rare cases of egregious supplier conduct, the business unit may be required to withdraw orders immediately.

Verification by FLA:

FLA confirmed that New Balance has a rating system in place for suppliers. In July 2013, FLA observed an audit remediation follow-up meeting between factory management in China and local New Balance staff in which the factory's rating designation was discussed. During the headquarter assessment, FLA staff reviewed documents where factory status is maintained and FLA interviewed company staff on the rating system, Monthly Performance Review meetings, and Quarterly Business Review meetings.

FLA interviewed New Balance staff regarding two factories where the company ceased production until critical ventilation issues were addressed. FLA has on file a letter from New Balance's Director of Apparel Business Operations to a supplier communicating the termination of business due to noncompliance with wage and hour

laws. As communicated in the letter, New Balance encouraged the factory to take steps to achieve compliance. New Balance indicated that if they could confirm remediation, the company would be open to placing orders again at the factory.

3.4 Company Affiliate ensures that workplace standards are made available to workers, managers and supervisors in written form and appropriate languages.

Actions Taken:

The New Balance Code is available in multiple languages. An English version is included in the standard Supply Agreement contract that suppliers are required to sign. Translations are provided based on supplier location and verifying that the Code is posted in the factory is part of standard audit protocol.

Verification by FLA:

The Supply Agreements outline the expectation that suppliers shall post the Code in the language(s) of employees in visible and accessible locations. FLA has on file copies of the New Balance Code in Arabic, Bahasa, Cebuano, Chinese (simplified and traditional), Hindi, Khmer, Korean, Lithuanian, Portuguese, Punjabi, Spanish, Tagalog, Tamil, Thai, Turkish, Urdu, and Vietnamese. The FLA did not receive a version of the Code in Finnish. The 2014 version of the New Balance Code will undergo translation in 2014.

During the July 2013 internal audit in China, FLA confirmed that the New Balance Code was made available to workers on the production floor in the appropriate language. The September 2013 internal audit in Honduras, observed by FLA, was a pre-sourcing audit and the factory had not yet received a copy of the Code from the company. Two FLA assessments in 2010 found that the New Balance Code was posted in the factory in appropriate languages.

3.5 Company Affiliate ensures that workers, managers and supervisors are informed orally and educated about workplace standards at regular intervals to take account of labor turnover.

Actions Taken:

New Balance standard audit protocol includes an assessment of whether Code related policies and procedures are made available to workers as well as worker awareness of such. New Balance footwear suppliers are trained at least annually on how to ensure that workers, supervisors, and managers are aware of workplace standards. Awareness in apparel, equipment, and accessories suppliers are assessed through the audit remediation process or targeted training. In February 2014, New Balance expanded its annual Compliance Summit training to include most Asia-based apparel and equipment suppliers, in addition to footwear, to ensure that the majority of suppliers have been trained on how to communicate workplace standards effectively. Initial feedback from the 2014 Compliance Summit has been positive and the company plans to continue the expanded participation in future years.

Verification by FLA:

FLA confirms that the Supply Agreements outline the expectation that suppliers shall train workers on the rights and obligations according to the New Balance Code and applicable laws.

FLA Independent External Assessments conducted in 2011 and 2012 revealed that New Balance has not consistently guaranteed that training is regularly provided to workers, managers and supervisors on workplace standards.

FLA observed New Balance assessors at a China facility in 2013 checking on whether workers, supervisors and managers were provided with training on workplace standards. According to worker interviews and as noted in the assessment report, workers had a weak understanding of workplace standards. During the FLA-observed internal audit in Honduras in 2013, FLA noted that the New Balance auditor did not inquire about worker trainings on their rights. FLA recommends consistency across regions in assessing whether workers, managers and supervisors have been informed orally and educated about workplace standards at regular intervals.

FLA reviewed materials related to the New Balance annual summit for the company's Asia footwear suppliers, during which there were presentations for factory management on New Balance compliance strategy, compliance data,

controlling excessive overtime, production planning, employer-employee relations, worker elections, social insurance, environmental programs, fire safety, etc. FLA supports New Balance's efforts to include Asia apparel and equipment suppliers in this training and recommends outreach to non-Asia suppliers in order to ensure that suppliers receive adequate support and resources to in turn train supervisors and workers.

4. COMPANY AFFILIATE ENSURES WORKERS HAVE ACCESS TO GRIEVANCE PROCEDURES AND CONFIDENTIAL REPORTING CHANNELS

4.1 Company Affiliate ensures there are functioning grievance procedures at supplier production sites.

Actions Taken:

New Balance footwear suppliers (representing approximately 80% of the company's total revenue) are required to maintain internal grievance mechanisms and procedures. Training on effective grievance procedures is provided annually at the Compliance Summit, and more frequently as needed. On occasion, New Balance has hired a mediator to assist with grievances that might otherwise escalate.

New Balance reviews grievance mechanisms in apparel, equipment, and accessories suppliers during the audit process; however, this remains an area that presents both challenges and opportunities. New Balance has significantly less leverage with the vast majority of apparel, accessories, and equipment suppliers and is also much more geographically dispersed. New Balance is focusing on a pilot program in China with the intent to apply the learnings from that program more broadly in the future.

Verification by FLA:

FLA confirms that New Balance is proactive with its footwear suppliers in encouraging functioning grievance mechanisms. The New Balance Compliance Team tracks lessons learned from past grievances in the supply chain and uses those as training opportunities with other suppliers. FLA reviewed materials from several trainings for factory management on grievance procedures. The materials cover the importance of having multiple reporting channels available, confidentiality, feedback to the workers, and relevant case studies. The trainings covered each topic in further detail and included best practices in implementing effective grievance mechanisms. New Balance checks on grievance mechanisms as part of its internal monitoring of footwear and non-footwear suppliers. FLA recommends that New Balance continue to focus on ensuring functioning grievance mechanisms in footwear suppliers, and collaborating with suppliers on remediation where grievance mechanisms are not functioning effectively. FLA also recommends that New Balance further extend efforts to apparel and equipment suppliers, in particular to ensure that suppliers have the resources and guidance they need.

4.2 Company Affiliate provides channels for workers to contact the Company directly and confidentially.

Actions Taken:

New Balance requires footwear suppliers to maintain New Balance-branded suggestion boxes maintained in discreet locations in the event that workers need to contact New Balance directly. These boxes can only be opened by New Balance staff and are checked on a regular basis. New Balance compliance staff report that workers regularly use these boxes.

In the case of apparel, equipment, and accessories suppliers, New Balance has less leverage and team coverage and is therefore not able to replicate the system of suggestion boxes that exists in footwear suppliers. Instead, New Balance compliance staff members provide mobile numbers to workers and have received calls or texts. However, the company recognizes that this is an area for improvement and the company is exploring a pilot program in China with the intent to take the learnings to suppliers in other regions.

Verification by FLA:

FLA has reviewed the company's policy on establishing New Balance suggestion boxes in footwear suppliers. The policy includes guidance on location and size of the suggestion boxes, and procedures for reviewing and handling grievances.

A FLA assessment conducted in 2010 in China found that workers were provided with access to a New Balance-controlled suggestion box in their dormitory. FLA assessments conducted in 2010 and 2011 revealed that New Balance had not provided a confidential channel for workers to contact New Balance directly. As observed by FLA staff in 2013 at a New Balance footwear supplier in China, there was a grievance channel for workers to contact New Balance directly. Workers were provided with a dedicated suggestion box with a telephone number and email address to allow workers to submit grievances to the company. Only the local New Balance lead assessor could access the suggestion box and he did so during the audit.

New Balance's efforts to meet this Principle in apparel factories could not be verified. However, FLA interviewed staff regarding a complaint received from a worker about unauthorized subcontracting. In response, the company has called for an investigation, which is ongoing. FLA also interviewed Compliance Team members on a pilot project under development that would involve two service providers. The project would gather input from factories on various mechanisms to contact New Balance directly and explore related issues such as potential costs for a supplementary confidential channel, third parties that could assist with receiving grievances, and how to clearly inform workers about the available channels. FLA supports New Balance's efforts to focus more on providing a channel for workers at apparel and equipment suppliers to contact the company directly and confidentially.

4.3 Company Affiliate ensures training and communication is provided to all workers about the grievance procedures and channels.

Actions Taken:

New Balance assesses the effectiveness of worker-management communication mechanisms and grievance procedures as part of the audit process. Where mechanisms are found to be lacking, suppliers are strongly encouraged to strengthen their policies and procedures and provide training to workers on the grievance system. To support supplier efforts, New Balance has provided training during its annual Compliance Summit to factory management on how to set up and ensure effective grievance procedures. Several New Balance suppliers are participating in the Better Work program where grievance procedure training and communication is integral to the program. New Balance recognizes that there is room for improvement and plans to continue working with FLA, other companies, and other stakeholders to identify and implement best practices to reach the company's non-core suppliers and ensure that they also implement strong and functioning grievance procedures and provide training to workers.

Verification by FLA:

New Balance inconsistently ensures training and communication to workers on grievance procedures and channels. During an observation of an internal audit in China in 2013, FLA noted that the factory's grievance procedures were included in the new hire orientation materials. The training materials included a copy of the New Balance Code but did not include reference to a confidential reporting channel to contact New Balance directly. The examples of training reviewed by FLA focused on training for factory management, rather than for workers. FLA recommends that New Balance place additional emphasis on ensuring that its suppliers provide training to workers on all types of grievance mechanisms, including factory internal grievance procedures as well as the mechanism for workers to contact the company directly.

4.4 Company Affiliate ensures that grievance procedures and complaint channels are secure and prevents any punishment or prejudice against workers who use the systems.

Actions Taken:

New Balance considers confidentiality and anti-retaliation to be prerequisites for successful grievance procedures and complaint channels. The updated version of the Code now includes a clause requiring suppliers to establish effective grievance procedures. New Balance regularly monitors footwear suppliers' systems for confidentiality and

efficacy and also invites workers to contact the company directly through the New Balance suggestion boxes as an independent check should there be any concerns about retaliation or security. If New Balance receives allegations of retaliation or breach of confidentiality, the team will investigate immediately and ensure appropriate remediation.

Verification by FLA:

FLA confirmed that confidentiality and freedom from retribution are covered in the manual for New Balance suppliers. The New Balance China supplier visited by FLA in 2013 allowed workers to raise grievances anonymously and stated a commitment to non-retaliation. FLA interviewed Compliance Team members regarding their process to track worker's names in internal reports (not shared with the factory) in order for them to follow up with a worker who has raised a grievance in case of retaliation. The FLA did not encounter any allegations of retaliation or breach of confidentiality.

5. COMPANY AFFILIATE CONDUCTS WORKPLACE STANDARDS COMPLIANCE MONITORING

5.1 Company Affiliate conducts pre-sourcing assessment of suppliers to review compliance with workplace standards.

Actions Taken:

New Balance maintains a pre-sourcing audit process whereby suppliers must be assessed before orders are placed. In 2012-2013, almost 25% of all prospective suppliers were rejected for New Balance production. The approval process applies across the company. However, due to systems challenges in many areas of the business, the company uncovered a few instances (comprising a non-material percentage of sourcing) where non-core business units placed orders without following the process outlined above. This was a serious breach of policy and these cases were escalated to New Balance's executive team in November 2013. The executive team instructed business units to work with New Balance Compliance and New Balance sourcing teams to ensure that internal policy is followed.

Verification by FLA:

FLA verified that New Balance has a pre-sourcing audit process in place and that this has been an area of attention and improvement within the company. According to document review and interviews at New Balance headquarters, pre-sourcing audits are scored. The New Balance Compliance team essentially has veto power over the approval of a new supplier. On occasion, a supplier is given a chance to improve conditions and New Balance will perform another pre-sourcing audit to test whether the supplier is indeed ready to receive orders.

New Balance has long-term partnerships with its footwear suppliers and they undergo a thorough vetting process. FLA interviewed the Director of Apparel Business Operations regarding the approval process for new apparel factories. Apparel factories must be approved before samples are placed. The Director of Apparel Business Operations has been working on the factory approval process. Both she and the VP of Global Compliance have support from company leadership to institute a more rigorous process around factory approvals. FLA observed a pre-sourcing audit of a potential New Balance apparel supplier in Honduras.

5.2 Company Affiliate monitors an appropriate sampling of suppliers regularly to assess compliance with workplace standards.

Actions Taken:

New Balance strives to audit suppliers at least once per year. New Balance visits footwear suppliers more frequently and in some cases has a compliance staff person based in the factory. Weekly, bi-weekly, and/or monthly visits and compliance discussions, consultations, trainings or assessments with footwear factories are standard practice.

In the case of apparel, equipment, and Warrior factories, New Balance strives to visit them at least once per year. In some cases, New Balance visits more frequently if there are significant issues or specific corrective action or training needs. In a few instances during 2012-2013, the company was unable to visit all factories due to gaps in team coverage. However, with the team at full strength in 2014, New Balance aims to meet this internal goal.

Verification by FLA:

During the headquarter assessment, FLA examined auditing procedures, tools and completed audit reports. FLA reviewed internal audit documents at company headquarters, observed internal audits at a footwear factory in China (July 2013) and an apparel factory in Honduras (September 2013). New Balance informally shares audit reports with other brands, particularly in the Americas, but does not generally accept audits from other brands due to differences in standards and protocols. New Balance does, however, accept assessments from Better Work. FLA interviewed a factory manager about the New Balance audit approach, methodology and frequency and responses were in line with New Balance's descriptions to the FLA. FLA viewed the Master Supplier List where audit schedules are maintained.

5.3 Company Affiliate ensures that monitoring includes as appropriate, but not limited to, worker interviews, management interviews, documentation review, visual inspection, and occupational safety and health review.

Actions Taken:

The standard New Balance audit includes opening and closing meetings with management, management interviews, documentation review, worker interviews, a visual inspection/walkthrough of the factory, and review of environmental, health and safety, and chemical management practices. New Balance audits are conducted with relatively short notice to the factory (72 hours or less) and in some cases, particularly if there are any concerns, will be conducted unannounced.

Verification by FLA:

FLA confirmed through field observations and review of audit reports that New Balance monitoring includes worker interviews, management interviews, documentation review, visual inspection and health and safety review. After each field observation, FLA provided New Balance with detailed feedback that included recommendations on conducting worker interviews, document review, cross-checking data with other assessors during the audit, and collecting information on freedom of association and health and safety compliance.

5.4 Company Affiliate ensures that, where relevant, monitoring is consistent with applicable collective bargaining agreements.

Actions Taken:

Where collective bargaining agreements exist, New Balance compliance staff reviews them in conjunction with audits to ensure factory practice is consistent. Specific key sourcing regions and countries where this regularly occurs include Latin America and Indonesia.

Verification by FLA:

The New Balance audit instrument requires auditors to check on the existence of collective bargaining agreements and auditors collect a hard copy. At the locations where FLA observed New Balance internal audits, there were no collective bargaining agreements in place and FLA was therefore unable to verify that monitors ensure that collective bargaining agreements are upheld.

6. COMPANY AFFILIATE COLLECTS, MANAGES AND ANALYZES WORKPLACE STANDARDS COMPLIANCE INFORMATION

6.1 Company Affiliate maintains a complete and accurate list of all suppliers.

Actions Taken:

New Balance is taking steps to implement and/or upgrade legacy systems and databases. The Compliance Team has worked towards an interim solution: a Master Supplier List maintained on SharePoint to which all team members and requisite sourcing personnel have access. This list is updated on at least a monthly basis in conjunction with each of the different sourcing units. In addition, the team is exploring off-the-shelf database solutions.

Verification by FLA:

FLA has reviewed New Balance's Master Supplier List (Excel) and verified that company compliance staff tracks all active and inactive factories and subcontractors. FLA supports New Balance's efforts to arrive at a database that will enable the company to have a reliable and accurate list of all suppliers.

6.2 Company Affiliate collects and manages information on suppliers' compliance with workplace standards.

Actions Taken:

The New Balance Master Supplier List contains standardized information on supplier status, compliance rating, and sourcing trends. New Balance recognizes that maintaining this information in Excel is not ideal. However, this solution represents a vast improvement over earlier company practices and is viewed only as an interim step until an enterprise solution to supplier records is found.

Verification by FLA:

FLA confirms that New Balance's Master Supplier List includes information on factories' profiles, pre-sourcing audits, noncompliances, most recent audits, dates that remediation plans were submitted, and the next planned audit dates. FLA supports New Balance's efforts to arrive at a database that will enable the company to house compliance information in a more automated and streamlined manner.

6.3 Company Affiliate analyzes noncompliance findings to identify trends, including persistent and/or egregious forms of noncompliance and reports to the FLA on such analysis.

Actions Taken:

This benchmark remains a challenge for New Balance due to the lack of an enterprise database for supplier records. However, with the Master Supplier List, noncompliance findings can now be analyzed at a macro level (i.e. overall ratings, pre-sourcing results, current and historical status, sourcing trends, major issues, etc.). In July 2014, the company became a full participating member of the Fair Factories Clearinghouse (FFC) and will be implementing FFC to meet short- to medium-term data needs. .

Verification by FLA:

The Master Supplier List described above includes limited data on noncompliances. Each factory has a more detailed account of noncompliances, separate from the Master Supplier List.

FLA reviewed a 2012-2013 summary of compliance activities with analysis of pre-sourcing audits, approval ratings, terminations due to compliance failures, and audit ratings. FLA reviewed analysis of Monthly Performance Review data, which covered comparisons of footwear suppliers by number of workers, products, hours of work, overtime, social insurance and hazardous waste treatment. This level of analysis is done on a consistent basis for footwear factories in China. The company also noted issues such as worker strikes, worker unrest, injuries, pay issues, environmental concerns, etc. FLA reviewed a summary for a Quarterly Business Review meeting where critical compliance issues in the supply chain were discussed among New Balance senior leadership. Through interviews, FLA noted that Compliance Team members are able to discuss trends by country, region, and products over time.

FLA staff reviewed the New Balance Critical Issues list. According to the policy, any violation of these issues will be treated as a critical violation of the New Balance Code. Suppliers shall remediate immediately and the corrective action plan should be implemented within 3 months. However, through interviews with New Balance compliance staff, FLA noted that some egregious issues are handled on a case-by-case basis.

FLA supports New Balance's efforts to establish a more sophisticated database that will allow for more robust analysis of trends as well as egregious and persistent forms of noncompliance.

7. COMPANY AFFILIATE REMEDIATES IN A TIMELY AND PREVENTATIVE MANNER

7.1 Company Affiliate, upon completion of the monitoring visit, contacts the supplier concerned within 14 days and collaborates with the supplier to create a remediation plan within 60 days that addresses all noncompliances.

Actions Taken:

For footwear suppliers, the New Balance Compliance Team creates a remediation plan based on the Supplier Rating Matrix and Monthly Performance Review data and reviews progress against these targets on a bi-weekly or monthly basis. Meetings with footwear suppliers are often conducted along with sourcing staff in the factories.

For non-footwear suppliers, the Compliance Team follows up with remediation plans typically within two weeks of the monitoring visit. Noncompliances are typically reviewed at a high level with factory management upon conclusion of the audit, and initial remediation steps may already be discussed at this stage. However, the Compliance Team works with the supplier as needed to clarify and negotiate specific steps. In certain instances, New Balance may recommend or require the supplier to engage outside assistance to ensure a more successful remediation.

Verification by FLA:

FLA reviewed emails with evidence of New Balance communicating audit reports to factories within 14 days of the audit. After the company audits observed by FLA staff, New Balance submitted the audit report to factory management within 14 days. During the headquarter assessment and document review, FLA did not come across any noncompliances that lacked corresponding remediation plans 60 days from the date of the audit. FLA interviewed Compliance staff on the process of developing remediation plans. Apparel and footwear factories observe slightly different processes. Footwear factories are subject to Monthly Performance Reviews and more frequent check-ins on the development of remediation plans. Apparel factories (where New Balance generally has less leverage) fill in a remediation plan and submit it to the company within one month. Historically, New Balance has had an inconsistent record in submitting remediation plans on time to the FLA for Independent External Assessments. FLA recommends further attention to this issue now that the New Balance Compliance Team is at full capacity.

7.2 Company Affiliate takes steps to conduct root cause analysis, apply sustainable supply chain solutions and prevent the occurrence of noncompliances in other suppliers.

Actions Taken:

The development and introduction of the Sustainable Compliance Rating Matrix represents a significant improvement toward detailed root cause analysis. The matrix was developed on principles similar to the FLA Sustainable Compliance Initiative approach. Because the matrix focuses not just on performance but also policies, procedures, ownership, and implementation mechanisms, it provides a roadmap to determine why performance may be lacking.

New Balance has rolled out the Rating Matrix to all footwear suppliers and is currently working to integrate Matrix findings and follow-up into existing remediation tools, such as the Monthly Performance Review meetings and Quarterly Business Review meetings. The team is also working on a revised version of the Rating Matrix to apply to non-footwear suppliers.

Verification by FLA:

The FLA observed the use of a Rating Matrix with a key New Balance supplier in China. The Rating Matrix is updated on a continuous basis to capture factory status and progress. FLA noted that New Balance has a variety of tools that applies to footwear suppliers – audits, ongoing updates to a Rating Matrix, Monthly Performance Reviews and Quarterly Business Reviews.

During a field observation as well as during a remediation follow-up meeting with another supplier, FLA observed New Balance staff sharing best practices on remediation. During the observation of a remediation follow-up with a

supplier that had been struggling to make progress on remediation, New Balance staff capably and effectively engaged factory management in dialogue on the issues and explored possible root causes together. New Balance also conveyed training opportunities to factory management on critical issues. FLA interviewed Human Resources staff on how they are conveying best practices from owned facilities, especially related to productivity and health and safety, to other factories in the supply chain.

Review of New Balance's remediation plans with suppliers showed inconsistent application of root cause analysis. FLA supports the company's development of a Rating Matrix for its apparel business in order to capture root cause analysis in a consistent manner.

7.3 Company Affiliate updates the FLA periodically on progress of remediation and confirms completion.

Actions Taken:

New Balance provides updates to FLA staff on the progress of remediation at suppliers that have received FLA assessments.

Verification by FLA:

Historically, New Balance has had an inconsistent record in submitting updates on remediation plans to the FLA for Independent External Assessments. FLA recommends further attention to this issue now that the New Balance Compliance Team is at full capacity.

7.4 Company Affiliate records and tracks the progress of remediation.

Actions Taken:

The New Balance Compliance Team tracks progress in each of the suppliers' files, which contain historical audit findings, remediation commitments, Monthly Performance Review information (if applicable), informal and formal communication, progress reports, follow up audits, etc. New Balance recognizes that, while workable, this is not an ideal approach because it becomes difficult to take this to scale as the supply chain expands. The company recognizes that it will require a database.

Verification by FLA:

As verified through document review, interviews with New Balance staff and as observed during the field observations, New Balance tracks the progress of remediation. Progress is indicated in the audit reports and factory ratings are adjusted to match progress. FLA observed New Balance staff speaking with factory management about timelines for remediation and following through with those plans in audit reports and follow-up visits. FLA staff pulled sample remediation plans during the headquarter assessment and found that the company has a consistent practice of recording and tracking the progress of remediation.

8. COMPANY AFFILIATE ALIGNS SOURCING CRITERIA AND WORKPLACE STANDARDS²

8.1 Company Affiliate analyzes orders to ensure that sourcing criteria are consistent with workplace standards.

Actions Taken:

Sourcing and compliance have historically been closely integrated at New Balance. This direct integration provides numerous opportunities for formal and informal mechanisms to ensure that sourcing personnel are aware of compliance challenges and supplier performance, and vice versa. The VP of Global Compliance is a permanent participant in the VP of External Product's bi-weekly team meetings for footwear and the Compliance Team also

² New Balance was assessed on the pre-October 2013 version of the FLA Principles of Fair Labor & Responsible Sourcing.

meets on at least a monthly basis with apparel sourcing and Warrior sourcing. There is close collaboration between costing personnel and compliance personnel. Costing personnel regularly seek information on labor rates, including costs related to social insurance, other benefits, etc., and account for this in their work. A few years ago, when the New Balance Compliance team uncovered systematic lack of social insurance coverage for workers in China, the Compliance Team worked with Costing to ensure that this was adequately accounted for in purchase orders. As a result, New Balance now observes much higher levels of compliance with social insurance requirements in China than in the past, although as recent events have revealed, it is not a guarantee that the money earmarked for social insurance coverage is used by the factories for such purpose.

Verification by FLA:

FLA confirmed that New Balance has strong oversight over production capacity and orders at footwear suppliers. Based on interviews with various New Balance staff, the company forecasts production months in advance and provides regular forecast updates to suppliers.

FLA reviewed the pre-sourcing audit process, audit rating system, Rating Matrices, and regular performance reviews (described in sections above) that underscore the company's commitment to ensure that sourcing criteria is consistent with workplace standards. FLA interviewed staff in Sourcing and Costing and confirms that these teams pay close attention to factory capacity (trying not to load orders to growth capacity) and working with Costing to accommodate social insurance costs as well as possible increases if overtime is absolutely necessary and approved. There is also coordination with design since designs can be complex and can become a productivity concern if not addressed. FLA recommends further analysis of orders with non-footwear suppliers, even though the company has significantly less leverage in those facilities.

8.2 In the event of conflicts between sourcing criteria and workplace standards in an order, Company Affiliate provides a mechanism to resolve them in a timely manner to avoid negative impacts on workplace standards and reports to the FLA on those mechanisms annually.

Actions Taken:

One example of New Balance's commitment to responsible sourcing is its Overtime Application Process, which requires footwear suppliers to give notification whenever they expect to work more than 48 hours per week (or lower, if the local limit is lower), and requires higher levels of company authorization if suppliers expect to exceed 54 or 60 hours (60 hours requires VP sign-off). These "exceptions" are tracked and authorizations are granted only if there are clear and pressing business needs and no option exists to move orders or change delivery dates to reduce the hours required. The process does not prevent exceptions from occurring, but does bring them to light and helps to reduce unnecessary exceptions by providing a way to explore alternatives to overtime work. The Overtime Application Process is part of the Purchase Order Management Policy Manual and jointly managed by the Sourcing and Compliance teams.

Verification by FLA:

Through document review and interviews, FLA confirmed the Overtime Application Process and has sample applications from factories on file. This process includes a requirement that workers continue to have one day off in a seven-day period and that all overtime must be consensual. Compliance Team members are included in the communications whenever a supplier submits an application. In 2013, there were no authorized overtime applications for working more than 60 hours per week, although one supplier did so without authorization. FLA recommends that New Balance update the Overtime Application Form to reflect current company staff.

The Overtime Application Process applies to footwear suppliers. According to the Director of Apparel Business Operations (responsible for apparel sourcing), it is New Balance policy to allow some flexibility for orders with factory groups, which will permit the orders to be moved to another facility if needed, provided New Balance has advance notice to assess the factory.

FLA interviewed a factory manager of a New Balance supplier in China regarding the order placement process. Once he receives a quote from New Balance, he engages in dialogue with the company on production capacity and shipping dates. The two parties communicate until an agreement is reached. The factory manager did not involve

the factory compliance staff in the order placement process. The factory manager also conveyed to FLA that production planning was based on a 10-hour workday and a 6-day workweek (therefore, based on a maximum of 60 hours per week). The factory manager's understanding of the New Balance limit on hours of work was not in alignment with the New Balance Code. According to the factory manager, printing and embroidery may be subcontracted out but New Balance shall approve all subcontracting in advance. FLA recommends that New Balance ensure understanding of and commitment from all suppliers to the regular workweek schedule and Overtime Application Process, as well as consistent commitment from all New Balance teams communicating with suppliers.

8.3 Company Affiliate analyzes its supply chain on a quarterly basis to identify negative impacts of sourcing decisions on compliance and makes necessary adjustments.

Actions Taken:

Compliance is a regular topic of discussion during the executive-level Quarterly Business Review meetings that take place between senior New Balance executives and core footwear suppliers. The previous quarter's performance is reviewed, and key issues and remediation needs are identified, discussed, and tracked. This mechanism helps to ensure that compliance is not viewed as a separate issue, but is rather a routine topic of discussion in business meetings.

Verification by FLA:

FLA reviewed the scorecard that includes supply reliability, quality, compliance metrics, LEAN metrics, development efficiency and management/technical/leadership scores. The scorecard is reviewed during Quarterly Business Review meetings and detailed action plans, persons responsible and target completion dates are agreed upon.

9. COMPANY AFFILIATE ESTABLISHES AND MAINTAINS RELATIONSHIPS WITH LABOR NON-GOVERNMENTAL ORGANIZATIONS, TRADE UNIONS AND OTHER CIVIL SOCIETY INSTITUTIONS

9.1 Company Affiliate reviews sourcing base and develops a civil society outreach strategy that reflects the geographical distribution of sourcing.

Actions Taken:

New Balance developed a stakeholder engagement strategy in 2012 that is focused on global, regional, national, and local levels with a goal of long-term investments. Global strategic partners such as ILO Better Work require multiple levels of company engagement. Regional strategic partners are engaged on particular industry issues, while local or factory-level engagements occur with union representatives or with groups in regards to specific remediation. New Balance has engaged with numerous civil society organizations in the Americas, East Asia, Europe, Middle East and Africa, and Southeast Asia.

Verification by FLA:

Through interviews and document review, FLA confirms that New Balance has a civil society outreach strategy that reflects the geographical distribution of the company's supply chain. New Balance staff has long-standing relationships with many of the civil society organizations that were reported to the FLA. The company has recently hired new Compliance Team members in the Americas and Europe; FLA encourages the company to continue its efforts to make civil society outreach a priority in all regions.

9.2 Company Affiliate develops and maintains links to civil society organizations (CSOs) involved in labor rights in sourcing countries to gain understanding of local compliance issues as referenced in FLA guidance.

Actions Taken:

New Balance implements its stakeholder engagement strategy at global, regional, national, and local levels. The company regularly participates in many multi-stakeholder initiatives, ranging from active participation in FLA meetings to participation in global and local Better Work meetings and forums, regular participation and leadership

within regional working groups, as well as multi-level participation in the Sustainable Apparel Coalition and Zero Discharge of Hazardous Chemicals group.

New Balance also seeks to work with other civil society organizations on an as-needed basis, to respond to inquiries or concerns on a timely basis when they arise (for example, a recent concern about chemical usage at a footwear supplier), and to work with civil society organizations on remediation strategies where they have particular expertise (for example, Freedom of Association efforts in Mexico and Indonesia).

Verification by FLA:

FLA has verified that New Balance Compliance Team members have expertise in local compliance issues and regularly consult with civil society organizations to enhance their understanding, provide guidance or for purposes of consultation. New Balance submits annual updates to the FLA on the company's engagements with civil society and FLA has email exchanges and meeting minutes on file.

9.3 Company Affiliate engages with CSOs and knowledgeable local sources in the design and implementation of compliance program strategies, trainings, worker communication channels, or remediation plans specific to production sites.

Actions Taken:

Part of New Balance's stakeholder engagement strategy includes working with civil society and local sources on remediation and particularly challenging issues. Examples include:

- Long-standing, historical partnership with a monitoring organization on their standardized remediation program;
- Partnering with a civil society organization in China to facilitate worker-management communication and/or ensure adherence to New Balance's retrenchment policy;
- Working on a Freedom of Association committee in Indonesia along with other brands, local unions, and civil society organizations; and
- Working with civil society, local and global unions, academics, and government officials in Peru on the use of temporary employment contracts in that country.

Verification by FLA:

FLA staff confirms via document review, interviews and in-person observation, that New Balance is actively engaged with the organizations listed above on issues ranging from factory specific remediation, Freedom of Association, the auditing process, special investigations, worker integration, training to New Balance staff, factory-level trainings, human rights projects, and environmental sustainability.

New Balance has been actively engaged with the FLA on a recent Third-Party Complaint. In November 2013, a union organized in a factory in Lima, Peru filed a Third-Party Complaint with the FLA alleging failure to implement directives of the Ministry of Labor with respect to worker contracts and noncompliances related to Freedom of Association and Health and Safety. At the time of the complaint, New Balance sourced a small volume of orders from the factory (less than 1% of the factory's total production). Prior to the complaint, New Balance had been working closely with stakeholders in Peru on the issue of short-term contracts in the textile sector and the company intensified its efforts after the filing of the Third-Party Complaint. New Balance provided the FLA with a comprehensive assessment of the allegations, and agreed – with the collaboration of other brands – to an independent investigation of the issues, which now includes the decision by the supplier to permanently close a spinning mill where a large share of union members work. The independent investigation was conducted in early May. New Balance has been responsive in addressing the substance of the complaint and is playing a leadership role in developing a remediation plan.

9.4 Company Affiliate consults with legally constituted unions or worker representative structures at the production site during audits and remediation.

Actions Taken:

New Balance regularly consults with union representatives on site during its audits and/or at regional levels when needed. Examples of countries where this type of consultation regularly occurs include Cambodia, Canada, Honduras, Indonesia, Peru and Vietnam.

Countries such as China and Vietnam where unions are subject to legal restrictions present particular challenges. However, a long-time New Balance supplier in China was one of the first to hold democratic worker elections for its factory-level union representatives – a best practice case that was highlighted and shared with other New Balance suppliers in the 2012 New Balance Annual Compliance Summit.

Verification by FLA:

During the July 2013 internal audit in China observed by FLA staff, New Balance staff leading the audit consulted and interviewed union representatives and a union representative was present at the opening meeting. There was no union or worker representative structure at the facility visited by FLA staff in September 2013 (a different facility from the one mentioned above).

Through interviews with New Balance Compliance staff, FLA noted that there are frequent interactions with local unions or worker representative structures at the factories and in respect of remediation. However, due to the lack of a database, New Balance is not currently able to systematically identify all of the suppliers where there are legally constituted unions or worker representative structures. FLA recommends further analysis of the New Balance supply chain to determine union or worker representative structure presence, followed by consistent consultation with these groups during audits and remediation.

10. COMPANY AFFILIATE MEETS FLA VERIFICATION AND PROGRAMMATIC REQUIREMENTS

10.1 Company Affiliate participates in FLA due diligence activities, including production site monitoring, assessments and company headquarter visits, as applicable.

Actions Taken:

New Balance has participated in the FLA's factory assessment program since 2010 and the company had three field observations and one headquarter-level assessment by FLA staff in 2013.

Verification by FLA:

Since affiliation as a Participating Company in 2009, New Balance has been subject to 17 FLA assessments – 7 Independent External Monitoring visits, 5 Sustainable Compliance Initiative assessments and 5 SCOPE Worker Surveys. FLA staff has visited several New Balance suppliers, including observations of New Balance internal audits in China (July 2013) and Honduras (September 2013). FLA staff conducted an assessment at New Balance headquarters in December 2013.

10.2 Company Affiliate completes a standardized annual report on fulfillment of Principles of Fair Labor & Responsible Sourcing.

Actions Taken:

As a Participating Company, New Balance submitted annual reports to the FLA covering activities from 2010-2012.

Verification by FLA:

FLA confirms that New Balance submitted the annual reports with information on activities from 2010-2012. As of the writing of this report, the 2013 annual report was not yet due to the FLA.

10.3 Company Affiliate maintains a complete and accurate list of applicable suppliers with the FLA.

Actions Taken:

New Balance maintains an up-to-date applicable facility list on file with the FLA.

Verification by FLA:

In 2010, the company had two aborted audits at factories that were not active for New Balance, which the company had failed to inform the FLA about. The current New Balance factory list with the FLA is complete and up-to-date.

10.4 Company Affiliate responds to FLA requests for documentation, contracts, information and clarification in a timely manner.

Actions Taken:

New Balance compliance staff strives to respond to all FLA requests for documentation, contracts, information and clarification in a timely manner. Under previous leadership, the company recognizes that in practice this did not always happen in a timely fashion and some FLA requests were overdue for response. The company is working to improve its record with new leadership and a full team now in place.

Verification by FLA:

Historically, New Balance has had an inconsistent record on responding to FLA assessment related inquiries (e.g. providing exit language where the company is no longer sourcing from a factory that received an FLA assessment). FLA recommends further attention to this issue now that the New Balance Compliance Team is at full capacity.

New Balance has signed the FLA's Monitoring Services Agreement.

10.5 Company Affiliate pays annual dues and any other applicable fees.

Actions Taken:

New Balance has paid annual dues and all other applicable fees to the FLA in full.

Verification by FLA:

New Balance has paid all dues and fees in full. Documentation is available on file at FLA headquarters.

CONCLUSION

Accreditation of New Balance's compliance program should not be interpreted as a guarantee against issues and risks in the supply chain. Rather, accreditation indicates that the company has the systems in place to proactively identify and remediate those risks. Accreditation is not granted automatically, and is only renewed following a satisfactory FLA evaluation of labor compliance systems and activities during the timeframe. FLA will continue to conduct standard due diligence activities on New Balance. To check an affiliate's accreditation status, visit www.fairlabor.org/accreditation.