

To: Play Fair 2008, Sportswear Working Group

Guy Rider, General Secretary, International Trade Union Confederation
Ineke Zeldenrust, Clean Clothes Campaign
Neil Kearney, General Secretary, International Textile, Garment and Leather Workers' Federation
Lynda Yanz, Executive Director, Maquila Solidarity Network

Dear Sportswear Working Group:

We have received your letter of October 22nd, and have been working to provide complete, accurate answers to your questions.

In your letter, you indicate that you believe the companies attending the July meeting in Hong Kong rejected action at the international level beyond the initial field work that the companies suggested in Indonesia. This assessment is not accurate. New Balance is more than willing to work with Play Fair at any number of levels. To date we have yet to receive any proposal for a specific program beyond the overall action recommended in the Play Fair report. If Play Fair would like to launch a global program to address any of the issues in the report, we look forward to seeing their specific proposal.

Sincerely,

Lary Brown,
Corporate Compliance Manager

1. Reporting Measures

1. Reporting measures

Please indicate whether your company will be willing to report publicly (on your website, in annual reports, or through other publicly available means) on the following matters:

New Balance has posted our Code of Conduct and Supplier Standards Manual on our website for a few years. We are currently in the process of developing a full CSR report that will be completed by the end of 2009.

New Balance provides a list of our key footwear suppliers upon request. We have also worked with some academic institutions for research purposes.

A6. The presence of unions and collective bargaining agreements within your supply chain, including both the number of factories with unions and collective bargaining agreements and the percentage of total production in such factories.

The New Balance Code of Conduct clearly states that we expect our Suppliers to respect the right of workers to join and organize associations and to bargain collectively. Where local law limits the right of freedom of association, employers shall not obstruct legal alternative means of free association. We expect employers to implement effective systems to assure open communications with employees. This policy has been in effect for 5 years. The New Balance Compliance program has invested time and training to assist in this area.

A7. The percentage of your company's production in countries and/or zones where freedom of association and collective bargaining are legally restricted.

New Balance does not disclose production volumes by country. We do, however, provide a list of key suppliers upon request.

C2. The percentage of your company's production in each country in which your goods are manufactured.

New Balance does not disclose production volumes by country. We do, however, provide a list of key suppliers upon request.

C3. The average length of relationship with your supply factories, as well as more detailed statistics on the number of factories with which the company has worked for various incremental number of years (e.g. 1, 3, 5, or more years) and where they are located.

Relationships with our key suppliers are long term, 10 to 20 years. We do not maintain data for secondary suppliers. Turn-over of suppliers in some non-core product categories would undermine the value of such statistics.

C4. Your company's policies for supplier/vendor selection, management, and/or termination, including new source approval process, linking of supplier CSR performance with sourcing decisions, and strategy for managing impact of exiting factories.

A new supplier must be determined to meet a certain level of standard prior to producing New Balance products as part of our factory selection process. This means undergoing an audit or providing results of a recent audit from a company with standards at least equal to those of New Balance. Factories with management that show indifference to solving problems and working with our compliance teams for improvement, or violate a "no tolerance" issue, are terminated.

Please also indicate when and in what form this reporting will be made available.

This issue is currently under consideration.

2. Policy development

Please indicate whether your company will adopt new policies across your supply chain regarding the following matters, and where applicable, a time-frame for delivery.

A1. In order to develop a positive climate of non-interference with freedom of association and collective bargaining within sportswear supply chains, require all suppliers to proactively adopt a “Freedom of Association Policy” and communicate this policy to workers in their own languages in the form of a ‘Right to Organize Guarantee’. Audit to ensure the policy has been adopted and communicated to workers.

New Balance has had a policy on freedom of association in our supplier factories for five years. Freedom of association is required to be included in all supplier factory employee handbooks, a copy of which is to be given to each worker. Policies are also to be explained verbally to workers upon hire.

B4. Incorporate a clause in the Code of Conduct prohibiting labor-only contracting arrangements or false apprenticeship schemes intended to avoid fulfilling obligations to workers.

New Balance’s Standards Manual, which factory managers receive along with our Code of Conduct, has prohibited labor-only contracting arrangements and false apprenticeship schemes for a number of years. Adding these issues to the New Balance Code of Conduct would not be difficult.

B5. Produce guidelines on precarious employment, and incorporate key requirements into Compliance Benchmarks.

New Balance has had a policy on temporary workers for over a year.

C1. Develop and adopt formal policies and procedures to give effect to the MFA Forum’s Collaborative Framework, including all of the steps outlined in the MFA Forum’s *Guidelines for Managing Responsible Transitions*, and communicate these policies publicly.

This issue is currently under consideration.

D1. Incorporate a living wage standard in your Code of Conduct.

Suppliers must pay at least the minimum wage required by law or the prevailing industry wage, consistent with the local area statistics, whichever is higher, and shall provide legally mandated benefits. We have developed a comprehensive, detailed wage and documentation system as part of our supplier evaluation process, and provided training to workers to ensure they understand their pay. New Balance is willing to consider more detailed language in this area.

3. Study/measurement

Please indicate whether your company will engage in research – either individually or in a multi-stakeholder environment – regarding the following matters, and where applicable, in what time frame:

A3. Develop means of measuring impacts of management and worker training programs, and develop quantitative and transparent reporting on those results.

Measurement of impact is built into all NB training programs.

D3. Undertake an independent review of prices paid to suppliers in supplier factories to determine whether prices paid to suppliers are sufficient to allow compliance with international labor standards and provide for an expected wage for workers that meets workers' basic needs.

New Balance already does this as part of our factory selection process.

D5. Work with trade unions, suppliers and NGOs to develop a wage ladder, including a living wage figure for workers in each country or region.

New Balance is willing to consider work in this area.

D8. Commission one or more independent studies of lean production methods and whether they reliably deliver increases in wages to workers by increasing the efficiency of production lines without increasing the pace, hours or physical exertion expected of workers.

New Balance is willing to consider work in this area.

5. Factory level actions

Please indicate whether your company will undertake efforts with your suppliers and trade unions at the factory level to:

A2. In collaboration with trade union organizations and credible labor rights NGOs, facilitate independent education and training for workers and management personnel concerning freedom of association and collective bargaining.

New Balance has implemented a number of programs in recent years to address these issues, and expect to implement additional programs in the future. Freedom of Association is routinely included in factory training programs.

A9. Require the signing of access agreements between factory management and local unions at supply factories.

New Balance requires supplier factories to adhere to local law regarding union access to factory workers. We are willing to undertake additional efforts to assure respect for workers' legal rights to organize within our supplier factories.

A10. Where trade unions are present or newly established at supply factories, facilitate the negotiation by the union and the employer of grievance procedures, as well as rules and procedures for hiring, firing, promotion, discipline, union facilities at the workplace, and dispute handling.

Requirements in all of these areas have been an important part of New Balance compliance programs for some time.

A12. Where freedom of association and collective bargaining are restricted by law, take identifiable measures promoting genuine freedom of association within the country concerned, including engaging the workers collectively to facilitate their self-organization in ways that are consistent with the principles of freedom of association and respect for human rights.

Efforts in this area have been part of New Balance compliance for some time.

D4. On a confidential basis, provide information regarding the unit price the buyer is paying for goods to workers' representatives engaged in collective bargaining with suppliers.

Most regions where New Balance works have legal regulations in this area, which we expect supplier factories to uphold. New Balance strongly supports strengthening the ability of union members to cost product themselves so that they do not have to rely upon figures provided externally, and can better link wage demands to productivity gains.

7. Government policy

Please indicate whether your company is willing to advocate and/or support advocacy with national governments for:

A13. Positive legal reforms of labor laws to remove legal restrictions on freedom of association and collective bargaining where these rights are restricted by law.

B9. Positive legal reforms of labor laws in each country of supply to legally restrict the use of short-term contracts.

D10. Increases in the minimum wage consistent with ILO Convention 131.

New Balance would be interested in efforts in any of these three areas, and look forward to receiving a specific program proposal from Play Fair as to how they feel we should

proceed. Individual foreign companies are in a poor position to engage government in many countries, so it is important that they join with other players to have an impact.

8. Collaboration with other brand buyers

Please indicate whether your company is willing to commit to achieving a living wage in shared suppliers over time by:

- collaborating with other buyers (possibly through an MSI) to identify suppliers in which participating buyers collectively control more than 75% of production on a regular basis;

Multi-brand collaboration is likely to be the best way to address living wage issues. New Balance would be willing to participate in such a program

- facilitating the establishment of negotiating structures to enable factory management and trade union(s) to consolidate the living wage element into the existing pay structure at those factories;

Yes.

- individually negotiating with factory management on measures needed to meet a living wage target proportional to each buyer's share in production.

Yes.

All of the above proposals correspond to Proposal D6 in the *Clearing the Hurdles* report.