



PUMA SE

ASSESSMENT FOR REACCREDITATION

JUNE 2019

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Workers working on zippers for PUMA products at a facility

INTRODUCTION

This report is an assessment to inform the FLA Board of Directors' decision to approve the reaccreditation of PUMA's social compliance program.






Affiliates eligible for accreditation agree to the respectful and ethical treatment of workers and the promotion of sustainable conditions through which workers earn fair wages in safe and healthy workplaces by adopting the FLA [Workplace Code of Conduct](#). Affiliates with accredited social compliance programs have the systems and procedures in place to successfully uphold fair labor standards throughout their supply chains and mitigate and remediate violations.



Accreditation is a multi-year process to assess the performance of a Participating Company against the FLA [Principles of Fair Labor and Responsible Sourcing](#). During this process, FLA staff verify the implementation and effectiveness of a company's social compliance program through:

FLA ACTIVITY	PURPOSE
Headquarter (HQ) Assessment	<ul style="list-style-type: none"> • Interview compliance staff, senior leadership, and relevant staff or purchasing, production, and planning • Review documentation, processes, and database capabilities
Field Office Assessment (as applicable)	<ul style="list-style-type: none"> • Interview compliance staff, senior leadership, and relevant staff or purchasing, production, and planning • Review documentation, processes, and database capabilities
Field Observations	<ul style="list-style-type: none"> • Observe internal audits, training sessions, and/or remediation visits • Verification of progress over time and provide constructive feedback
Factory-Level Assessments (SCI & SCIV)	<ul style="list-style-type: none"> • Assess for labor violations at the factory-level so the company remediates identified labor violations sustainably
Annual Self-Assessment	<ul style="list-style-type: none"> • Review company-reported documentation, processes, capabilities and the evolution of the social compliance program
Safeguard Investigations	<ul style="list-style-type: none"> • Can occur throughout the company's FLA affiliation and provides insight into compliance programs, remediation strategies, and engagement with civil society, as applicable
Fair Compensation	<ul style="list-style-type: none"> • Review of use of the FLA's Wage Data Collection Tool Kit in applicable facilities • Provide feedback on short- and long-term Fair Compensation plans and strategies to improve compensation for workers
Strategic Projects	<ul style="list-style-type: none"> • Learn about compliance strategies to detect and remediate complex issues, as applicable
Stakeholder Engagement	<ul style="list-style-type: none"> • Additional perspective, especially from civil society, on the social compliance program from relevant organizations

SECTION 1: PUMA SE OVERVIEW

Name	PUMA SE (PUMA)	Category	Participating Company
Location	Herzogenaurach, Germany	Product	Apparel, Footwear
Revenue	€ 4.648 bln	Applicable Facilities	225
FLA Affiliation Date	January 2004	Reaccreditation Date	June 2010
PUMA's Strengths & Recommendations for Improvement¹			
Workplace Standards 	Principle: Committed to accountability and transparency through established workplace standards.		
	Strength: Top management commitment is publicized through annual Sustainability Reports, public supplier lists, and through a public sustainability strategy, regularly reviewed by stakeholders; the Social Sustainability Team is integrated within the Sourcing Team to allow for coordinated implementation of responsible purchasing practices; both teams report to the Global Director of Sourcing.		
	Recommendation: Continue to include Dobotex in PUMA's work on Sustainability to strengthen Dobotex's knowledge and capability beyond the day-to-day remediation follow-ups.		
Supplier Training 	Principle: Obtains commitment and trains relevant supplier management on workplace standards and tracks effectiveness of supplier workforce training.		
	Strength: Annual Supplier Roundtable Meetings are mandatory for all suppliers and take place in multiple regions.		
Timely & Preventative Remediation 	Principle: Works with suppliers to remediate in a timely and preventative manner.		
	Strength: Regular collaboration on audits and remediation with other companies supports effective remediation.		
	Recommendation: Continue to collaborate and improve root cause analysis within the remediation process.		
Responsible Purchasing Practices 	Principle: Aligns planning and purchasing practices with commitment to workplace standards.		
	Recommendation: Ensure all staff are trained, aware, and abide by the newly formalized Responsible Sourcing standards and ensure knowledge sharing across teams; implement a Fair Compensation Strategy to support the compensation code element.		
Consultation with Civil Society 	Principle: Identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions.		
	Strength: Strategic partnerships with civil society organizations to support remediation efforts and special projects.		

¹ To see the complete list of FLA Principles and Benchmarks PUMA was assessed against for reaccreditation, see Appendix C.

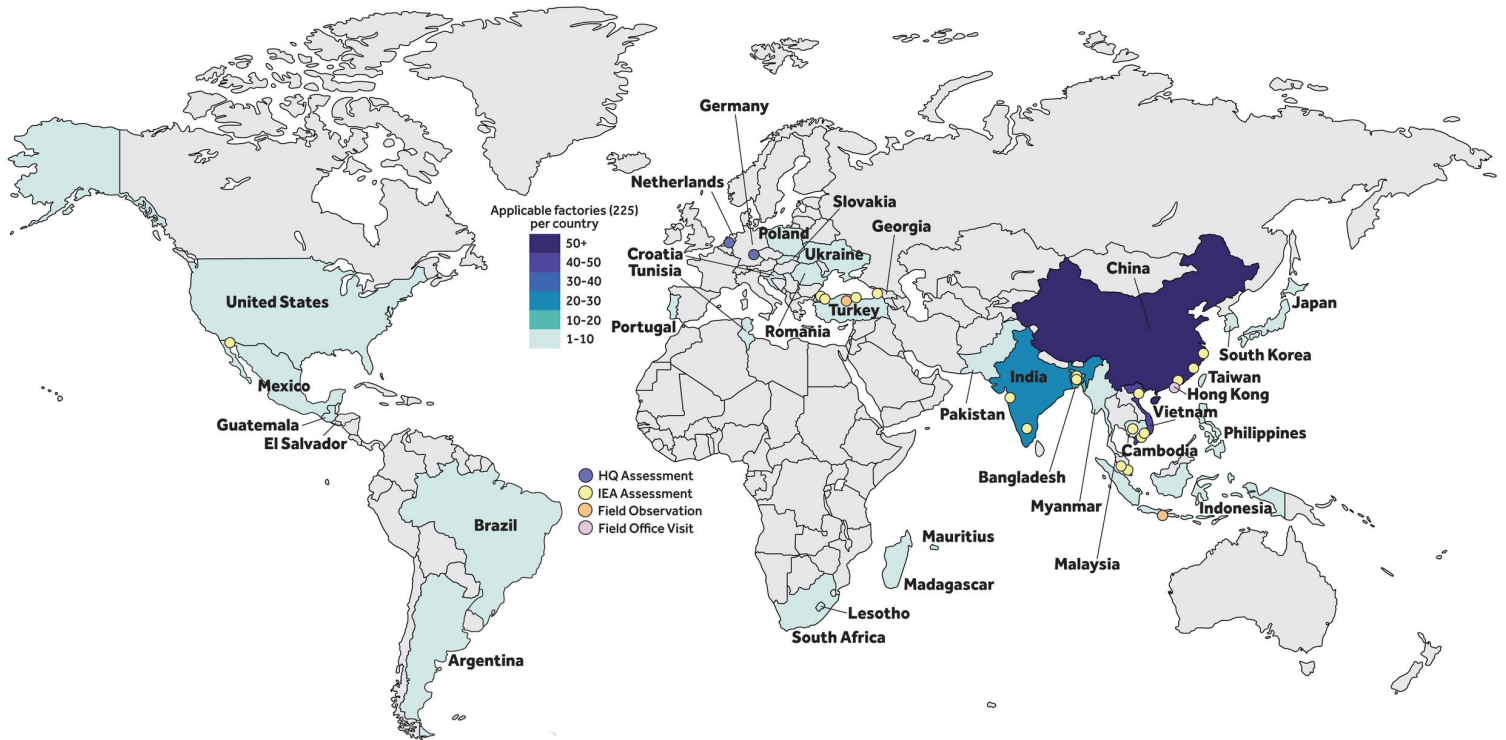
PUMA SE (PUMA) affiliated with the FLA in 2004, was first accredited in 2007, and was recredited in 2010. PUMA produces athletic and casual footwear, apparel, and accessories. PUMA was founded in 1948 and has been publicly listed since 1986. KERING acquired a majority stake in PUMA in 2007, and then spun it off to its' shareholders in 2018. The holding company of Kering is still a long-term strategic partner of PUMA owning 16 percent of its' shares. Since its last accreditation, PUMA fully acquired Dobotex, a licensing company that produces socks and underwear. Dobotex produces for PUMA, Tommy Hilfiger (PVH), Levi Strauss & Co., and HEAD. The FLA visited the Dobotex headquarters to verify its social compliance program is supported by PUMA's Sustainability and Social Compliance teams and aligned with the FLA's Principles of Responsible Sourcing.

Since 2010, PUMA has continued to improve its sustainability program and dedicate substantial resources to its work to implement the Principles of Responsible Sourcing. PUMA has publicly committed to social and environmental compliance through its supplier list disclosure of core Finished Goods and Materials suppliers. Its Annual Sustainability Report includes data analysis of audit findings by region and year- to-year comparisons, including trends on minimum wage, overtime hours, and percentage of workers covered by collective bargaining agreements. The Sustainability Team has increased from 12 to 21 dedicated staff, and PUMA has integrated the Social Sustainability Team within the Sourcing organization.

PUMA has strong responsible sourcing practices, having integrated numerous compliance processes into its purchasing operations. The interactions between the supply chain team and the Social Sustainability Team have continued to improve; the Social Sustainability Team regularly participates in the Supply Chain Team's capacity review meetings, and the Supply Chain Team members must attend the Supplier Roundtable Meetings hosted by the Social Sustainability Team.

PUMA has numerous partnerships with different stakeholders which allow them to be strategic and relevant in addressing local issues. For example, PUMA partners with Microbenefits to implement a workers' voice program and is collaborating with the Fair Wage Network on a fair wage project in Bangladesh. PUMA is also a signatory of the FOA Protocol in Indonesia, a signatory of the Accord in Bangladesh, and takes part in the Americas Group and the Mexico Committee. PUMA frequently invites Civil Society Organizations to its supplier roundtable meetings to participate in discussions with suppliers. In addition to collaborating with CSOs, PUMA also collaborates with other companies for work on remediation and information sharing.

SECTION 2: PUMA SUPPLY CHAIN & FLA DUE DILIGENCE 2010 - 2019



The above map shows PUMA's sourcing countries in 2019 and the number of factories in each shaded country. China, Bangladesh, and Vietnam are PUMA's highest production volume countries. PUMA currently sources from 225 factories, under FLA scope, in 29 countries.

For the FLA's assessment for reaccreditation, in 2018 the FLA conducted the Headquarter Assessment in Germany and a Field Office Visit in Hong Kong. In 2019, the FLA conducted a Headquarter Assessment at Dobotex, PUMA's subsidiary, to verify implementation of the Principles of Responsible Sourcing. In 2018, PUMA received an audit field observation in Turkey and a training field observation in Indonesia.

SECTION 3: PUMA LABOR COMPLIANCE PROGRAM ANALYSIS

Information used in this assessment originates from reports submitted by PUMA SE and verified by the FLA through:

- 1) An assessment at PUMA headquarters in Germany conducted by FLA staff in May 2018;
- 2) An assessment at the PUMA field office in Hong Kong conducted by FLA staff in September 2018;
- 3) An assessment at Dobotex headquarters conducted by FLA staff in March 2019;
- 4) Information gathered in person, via phone interviews, and through email correspondence with PUMA staff;
- 5) Documentation review of supporting evidence submitted by PUMA;
- 6) Field observations of one factory-level assessment in Turkey;
- 7) Field observations of one training in Indonesia;
- 8) Results of FLA Independent External Assessments at PUMA applicable facilities conducted by FLA assessors and accredited service providers; and
- 9) Communication with stakeholders.

PRINCIPLE 1: WORKPLACE STANDARDS²

Workplace Standards

The [PUMA Code of Conduct](#), introduced in 1993 and was revised to meet or exceed the FLA's Workplace Code of Conduct in 2016, is translated into forty-one languages and provided to all suppliers. The Code of Conduct is included in the public [PUMA Sustainability Rulebooks](#) on Social Standards, Occupational Health & Safety, Chemical Management, and Environmental Standards. PUMA subsidiary Dobotex sources for PUMA, [PVH](#), [Levi Strauss](#), and HEAD³, and follows each company's Code accordingly. PUMA's code of conduct is operationalized through compliance benchmarks included in PUMA's Sustainability Rulebooks on social, chemical management, environment, occupational health and safety, and slavery and human trafficking standards.

Senior Leadership Commitment

Senior Leadership Commitment at PUMA is demonstrated through several core documents and publications. The [Code of Ethics](#) articulates expectations for every PUMA employee: respect, integrity, and accountability, and the PUMA Principles, which guide day-to-day operations and decision-making. Every PUMA team member needs to complete the ethics training as part of onboarding. PUMA's [annual reports](#) include a sustainability section, which details company efforts in social compliance, grievance channel reporting and analysis, health & safety concerns at finished goods and core material suppliers, and PUMA's accreditation and continued engagement with the FLA. Social Compliance is one of PUMA's 10FOR20 Sustainability targets, and the 2018 annual report notes the company's 2020 goal is on track, all zero-tolerance issues uncovered in 2018 have been resolved, the worker complaint resolution rate remains 100 percent, and PUMA audited all major component and material suppliers. PUMA also drives sustainability integration and performance in the business by linking the sustainability goals to staff bonuses. PUMA's supply chain staff are held accountable for achieving relevant sustainability goals; one of PUMA's sustainability goals in 2018 was no fatal accidents in the supply chain, and PUMA has incentivized its staff to strive for this goal through staff bonuses.

² Principle 1: Company affiliate establishes and commits to clear standards.

³ HEAD does not have its own social compliance program. Dobotex only uses PUMA approved factories for HEAD production.

PUMA has publicly disclosed a [list](#) of its finished goods, sewing, core component, and material suppliers since 2015, and has earned a prime rating from [ISS-oekom](#) and a place on the [FTSE4Good Index](#), other organizations that review environment and social governance company practices.

In addition to these core publications, senior leadership at PUMA makes their commitment to sustainability and labor rights known at the highest levels. PUMA's Chief Sourcing Officer uses information about hours of work, treatment of workers, and labor shortages to inform decision-making on factory selection and business development, while PUMA's Management Board Sustainability Committee, comprised of three board members, serves as a resource for senior leadership on social compliance issues.

PRINCIPLE 2: RESPONSIBILITY & HEAD OFFICE TRAINING⁴

Staff Responsible for Social Compliance

Since its first accreditation in 2007, PUMA has significantly strengthened the size and breadth of its Social Sustainability team. PUMA has three teams focused on factory-level compliance: the Social Sustainability Team has nine staff who report to the Team Head for Social Sustainability, the Environmental Team has five staff who report to the Team Head for Environmental Sustainability, and the Chemical Team has three staff, led by the Senior Manager, Chemical Sustainability. The Social Sustainability Team is responsible for social compliance-related tasks including social compliance audits, remediation follow-ups and special projects. The four-member Corporate Sustainability Team is led by the Head of Corporate Sustainability and is focused on corporate-level strategies and undertaking projects, including global civil society engagement and the integration of data from third party platforms into PUMA datasets.

PUMA recently reorganized the company structure, integrating the sustainability teams within the sourcing organizations. This integration allows the sustainability teams to understand better the sourcing operations and impacts on the suppliers so that the potential sustainability issues can be uncovered and discussed before they become concerns. The four sustainability teams report directly to the Global Director of Sourcing Operations (known as SourceCo), who reports to the Chief Sourcing Officer. The Global Director's responsibilities include the implementation of sustainability standards with suppliers. The Social Sustainability Team has staff in key sourcing countries: China, Vietnam, Indonesia, El Salvador and Bangladesh. Dobotex has two staff from the Sourcing Team who are responsible for social compliance work. The FLA recognizes the benefits of having staff in all key regions and recommends Dobotex evaluate its own regional needs so as to adopt a similar staffing approach.

Social Compliance Training

All newly hired PUMA staff receive training on PUMA's sustainability standards. All staff also receive an annual training on ethics and the Code of Conduct through an e-learning course. In addition, senior leaders stay up to date and informed about PUMA's sustainability activities and targets through the sustainability committee, which meets twice a year.

The Social Sustainability Team meets in person on an annual basis to discuss the Sustainability Program and supplement any training needs the team may have. For example, the team requested that the FLA provide a training on root cause analysis at their 2019 meeting, in response to needs identified during the 2018 headquarter assessment. These global team meetings have also included

⁴ Principle 2: Company affiliate identifies and trains specific staff responsible for implementing workplace standards and provides training to all head office and regional staff.

past trainings on worker-management communication, grievance handling and reporting, and techniques for worker interviews and remediation.



Sustainability team members at a meeting in Ho Chi Minh City, Vietnam.

In addition to the global team meetings, training is provided to a wider group of supply chain operational staff during the supplier roundtable meetings. The Sustainability Team uses these opportunities to inform and update relevant staff on sustainability and compliance issues in its supply chain. Dobotex staff are invited to attend the roundtable meetings, and Dobotex staff participate in other licensors' supplier meetings focused on social compliance as well.

Although PUMA uses third party service providers to conduct some audits, these auditors receive the same training as

PUMA's internal auditors. The training includes a one-day classroom training and a shadow-audit. Refresher training is also conducted for all auditors who audit against PUMA's standards.

PRINCIPLE 3: SUPPLIER TRAINING⁵

Supplier Commitment

As a demonstration of supplier commitment to sustainability, PUMA and its suppliers sign the Declaration of Principles before the beginning of the sourcing relationship. The declaration includes the supplier's agreement to observe and train workers on PUMA's standards and for suppliers to accept sustainability audits from any service provider on behalf of PUMA. All approved suppliers receive a copy of the [PUMA Social Standards Handbook](#) and PUMA Safe Audit Policy which provides detailed information on the Code of Conduct. All vendors must sign a manufacturing agreement which determines the commercial relationship between PUMA and its vendors, respect for the PUMA code of conduct and sustainability requirements is included in the contract.

Dobotex suppliers that manufacture for PUMA follow the same process as above. In cases where other licensors are involved, Dobotex follows all necessary processes to communicate the applicable licensor code of conduct to its suppliers; the FLA verified this protocol at the Dobotex headquarter visit.

Conditioning Future Business on Suppliers' Improvement of Working Conditions

The Declaration of Principles includes an agreement that reserves PUMA's rights to terminate relationships based on noncompliance against the Code of Conduct, and for the supplier to work with PUMA to remediate any noncompliance within an agreed timeline. PUMA scores suppliers based on the audits and uses these scores to determine future business. PUMA informs suppliers that their scores can impact future business with PUMA, which incentivizes suppliers to score well on social audits. To give one example, the FLA confirmed that a supplier failed an audit due to a sexual

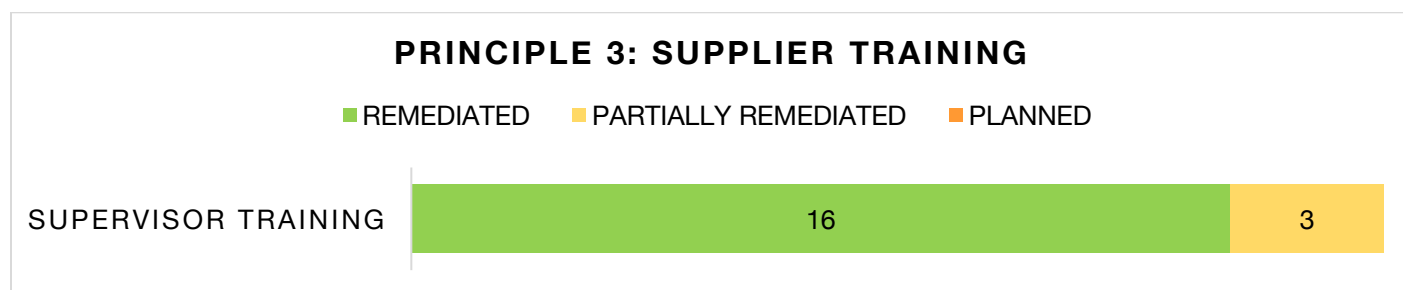
⁵ Principle 3: Company affiliate obtains commitment and trains relevant supplier management on workplace standards and tracks effectiveness of supplier workforce training.

harassment finding; PUMA then partnered with the factory to remediate the finding in a timely matter, and would have terminated business if the issue had not been remediated within the agreed upon timeline. Another example is that PUMA works with financial institutions to provide supplier financing. In this financing scheme, the interest rates fluctuate based on the suppliers' sustainability performance, directly impacting the cost of business operations.

Workplace Standards Training & Accessibility for Workers

To ensure the code's accessibility to all workers, PUMA has translated its Code of Conduct into forty-one languages: Afrikaans, Arabic, Bahasa Malay, Bengali, Brazilian Portuguese, Burmese, Chinese, Croatian, Czech, English, Filipino, French, German, Gregorian, Hindi, Hungarian, Indonesian, Italian, Japanese, Kannada Tunga, Khmer, Korean, Lao, Malagasy, Nepalese, Polish, Portuguese, Romanian, Sesotho, Slovakian, Spanish, Swati, Tamil, Telugu, Thai, Turkish, Ukrainian, Urdu, Vietnamese, and Zulu. The PUMA Code of Conduct also includes the availability of hotlines in 10 languages. Worker interviews during audits confirmed the availability of the Code of Conduct at the factories and consistent worker knowledge of the Code of Conduct.

PUMA verifies that all workers have been trained on their Code of Conduct has taken place by including questions on workplace standards training in its audit tool. During the Audit Field Observation in Turkey, the auditor asked workers about all types of trainings, including new employee orientation, Human Resources, and safety training during interviews.



The FLA conducted ten SCIs and SCIVs from 2012 to 2018. Across the ten assessments, the FLA found 19 benchmark violations regarding supervisor training; PUMA has remediated 16 of these findings to date. For example, in a factory in Vietnam, the assessor determined foreign managers did not receive health & safety training. PUMA worked with the factory to train all foreign managers on health & safety. In the same factory, facility management is finalizing a policy and procedures on industrial relations and freedom of association, so the related training for supervisors has not yet occurred.

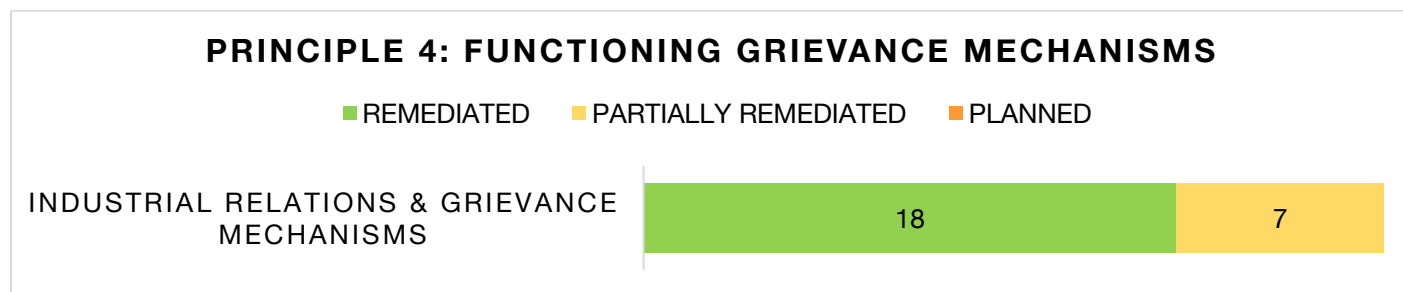
As part of their ongoing commitment to supplier training, PUMA requires all suppliers to participate in annual supplier roundtable meetings to receive refresher and detailed training on specific sustainability topics. The roundtable meetings are held in key production countries on an annual basis so all suppliers can attend. In 2017, PUMA conducted roundtable meetings in China, Vietnam, Bangladesh, Indonesia, India, Germany, and Mexico and had a total of 302 suppliers attend, approximately 72 percent of all PUMA suppliers. PUMA tailors its trainings to address salient topics. For example, in 2018 PUMA collaborated with the International Organization of Migration to train 315 suppliers to avoid forced labor. The FLA's EMEA Regional Manager participated in a training on freedom of association in 2018. Additionally, the FLA conducted a Training Field Observation at a regional supplier roundtable in Indonesia in 2018, which included presentations on PUMA's sustainability strategy, training sessions on forced labor, modern-day slavery, and freedom of association. Each roundtable concludes with a participant survey, which PUMA analyzes to make subsequent

improvements. The FLA commends PUMA's commitment to suppliers and the annual regional meetings.

PRINCIPLE 4: FUNCTIONING GRIEVANCE MECHANISMS⁶

Assessing Grievance Mechanisms

The PUMA Sustainability Handbook on Social Compliance provided to all suppliers covers formal, informal, and third-party complaint procedures and reprisal rights. The FLA verified PUMA's standards for grievance procedures, reporting channels, and worker awareness through an audit field observation: the company maintains grievance and investigation records, along with improvement plans, and the audit procedures require auditors to tell interviewed workers about available grievance mechanisms. Auditors also question workers about the confidential reporting channel and whether they face penalty for reporting grievances. PUMA reviews and analyzes the effectiveness of grievance mechanisms through its audit tool; in response to low levels of worker grievances, the Social Sustainability Team launched a worker voice program at two facilities in China with the service provider [Microbenefits](#). This program, covering nine core suppliers in China as of 2018, incorporates online training, worker surveys, and HR involvement, and PUMA plans to expand its reach to all core suppliers in China. Between 2018 and 2019, 11 facilities in China and four in Vietnam launched this program. Through this program, PUMA learned of a worker grievance regarding forced overtime. In response, PUMA visited the factory and met directly with workers and factory management to resolve this issue.



The remediation chart above shows the number of benchmark violations found related to industrial relations and grievance mechanisms in ten SCIs and SCIVs from 2012 to 2018. In an SCI conducted in 2015 in Vietnam, the factory had no policy or procedures for grievance mechanisms. In a 2017 SCIV assessment at the same factory, the finding had been fully remediated: the factory had formalized a grievance policy and implemented a review period to update the policy annually. PUMA is working with suppliers towards full remediation on the seven remaining violations. For example, an SCIV in Bangladesh in 2017 found that suggestion boxes were not opened frequently. Additionally, grievance records lacked details on the actual grievance, since the records only noted the resolution of the grievance. PUMA is working with the factory to develop new standard operating procedures for its suggestion boxes and partnering with management to ensure they properly record grievances.

⁶ Principle 4: Company affiliate ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.

Confidential Reporting Channel to PUMA Headquarters

The PUMA Code of Conduct includes information about the company's grievance channels, including the confidential reporting channel to PUMA headquarters in the form of telephone numbers and an email address (sustain@puma.com). During the Audit Field Observation, the FLA verified PUMA auditors are required to check the PUMA Code of Conduct for grievance channel information and confirm worker awareness of available grievance mechanisms.

PUMA received 44 complaints from workers and three third-party complaints through grievance channels in 2018. PUMA resolved all complaints submitted in 2018, an increase from complaints submitted in 2017 where 5 percent of complaints were not resolved. The third-party complaints focused on the right to freedom of association and on fair compensation. At the time of this report, two complaints have been resolved, while one is pending in local labor courts.

Dobotex follows the requirements of its licensors regarding grievance procedures. To ensure all suppliers have a confidential channel to a company's headquarters, Dobotex has developed a grievance mechanism policy. This policy states that in the case a confidential channel to a buyer's headquarters is not available, Dobotex will work with a service provider to provide a confidential channel to the Dobotex headquarters. All factories Dobotex sources from are approved by PUMA and produce PUMA products; therefore, all active factories have a confidential channel to PUMA headquarters.

Worker Training & Supplier Grievance Mechanism Support

PUMA auditors verify worker training and knowledge gained through audits. The PUMA audit tool includes a question on how to communicate a grievance and during every audit, the auditor explains the importance of functioning factory-level grievance mechanisms to factory management. The FLA audit field observations verified workers received training on PUMA's grievance mechanisms.

PRINCIPLE 5: MONITORING⁷

Pre-Sourcing Factory Assessments

PUMA has a robust pre-sourcing process that starts when the Sourcing Team identifies new suppliers. Potential suppliers must submit a New Factory Registration form, which is a thorough questionnaire on workplace standards and includes numerous questions on the number of special category of workers, recruitment and contract management, compensation, hours of work, and labor relations, among other topics. The Social Sustainability Team then must review the form and approve it before the potential supplier can move forward to the next onboarding stage, which includes a full social compliance audit. PUMA then rates the factory on an A to D scale determined by the audit findings. If a factory receives a C or D rating, it is not allowed to produce for PUMA and will not progress further in the registration process. If the factory scores an A or B, it receives a Letter of Agreement and a Release Report, meaning the Sourcing team can start placing orders at the factory. The factory then receives documents, like the Supplier Agreement and acknowledgement of workplace standards.

Dobotex undergoes a specific pre-production process for each buyer; all buyers go through a pre-assessment process, and in the event a buyer does not have a pre-assessment process, Dobotex uses a PUMA-approved supplier to production.

⁷ Principle 5: Company affiliate conducts workplace standards compliance monitoring.

Assessing Factory Conditions

PUMA audits all suppliers annually. In 2016, PUMA divided its supply chain into core and non-core suppliers. Approximately 80 percent of its business volume is produced by core suppliers. The core suppliers are audited by one of PUMA's seven internal Social Sustainability staff, while non-core suppliers are audited by external assessors. Core suppliers are reevaluated annually. External assessors are nominated by PUMA based on expertise and experience. PUMA provides training on PUMA's auditing standards to internal and external assessors, including supplemental trainings on topics such as anti-corruption, and annual refresher trainings on audit standards. PUMA staff also conduct shadow audits before approving assessors.

The PUMA Sustainability Audit Procedure Manual is shared with all auditors and includes guidelines for worker interviews, consulting with unions or worker representatives, management interviews, documentation review, visual inspection, and occupational safety and health review. The Manual includes interview sample size and effective worker interview guidance. Auditors are required to verify the terms and conditions of collective bargaining agreements, such as wages, throughout the audit. The Manual includes additional guidance on emergency reporting for fatal, major/critical, and major/serious findings. It also includes guidance on excessive overtime reporting and child labor.

PUMA started to monitor material and component suppliers since 2016 with 63 such suppliers audited in 2018. The Social Sustainability Team is also in the initial stages of setting an expectation that finished goods suppliers audit their material suppliers; as of

2019, some finished goods suppliers have submitted audit reports of their material suppliers to PUMA. All material suppliers for core finished good suppliers must be approved and fulfill specific social and environmental guidelines. PUMA has Quality Control, production, and sourcing staff whom the Social Sustainability staff have trained to identify violations against workplace standards. The Quality Control staff are in the factories regularly and provide crucial information to the Social Sustainability Team. Increasingly, PUMA is sourcing from vertically-integrated suppliers, which allows for easier access to information on workplace standards during audits. Two-thirds of PUMA's supply base are vertical in nature.

PUMA supports collaboration on audits with other brands to seek efficiency and effectiveness in social compliance and remediation activities. All PUMA audits are available to members of Fair Factories Clearinghouse (FFC) to promote audit sharing. In 2018, 39 percent of all PUMA audits were shared assessments by which PUMA used other brands audits to replace their own audits. PUMA meets regularly with peers in the field through organizations like the Apparel Footwear Brand Collaboration Forum. PUMA is also an active supporter of the Social Labor Convergence Project (SLCP). In 2018, during Light Operation of SLCP, PUMA conducted ten assessments. In 2019, PUMA will roll out SLCP with core suppliers where it is available. PUMA staff will be trained to be SLCP verifiers.



PUMA's supplier roundtable in China in 2019

PUMA Audit Observations & Recommendations

The FLA conducted an audit field observation in Turkey to verify that PUMA's audit program meets the FLA requirements for workplace monitoring. PUMA's Manager of Supply Chain Sustainability, EMEA and a service provider conducted the audit at a facility producing for Dobotex. The audit took place with the assessed factory's own corporate social responsibility representative present. The factory had an established system for managing sustainability related issues for the auditor to verify. The FLA verified the use of the PUMA Audit Procedure Manual, and confirmed unions and worker representatives were invited and attended the opening and closing meetings.

In addition to the strengths mentioned above, the FLA provided some recommendations from the field observation. While root cause analysis was conducted as part of the audit process, it was observed that the auditor could only select predetermined root causes. Additionally, there were no clear guidelines for the auditor to follow on how to conduct root cause analysis. The FLA recommends PUMA provide training to auditors on root cause analysis and update the CAP format to allow auditors to more freely provide root cause analysis, rather than limit them to predetermined root causes.

An additional recommendation involves the selection of workers for interviews during the audit process. While FLA observed that the auditors included special categories of workers in the worker interview selection process, there are no formal guidelines on the selection criteria. Therefore, the FLA recommends PUMA provide guidelines on the worker interview selection process in its Manual.

PRINCIPLE 6: COLLECTION & MANAGEMENT OF COMPLIANCE INFORMATION⁸

Data Management

PUMA maintains a list of global sourcing suppliers with factory address and contact information, historic audit results, root causes of noncompliance, previous labor disputes, incidents, accidents, and information on unions and worker representative structures, as applicable. This list is maintained within Fair Factories Clearinghouse (FFC), which is PUMA's main database.

Social Compliance Data Trend Analysis

PUMA analyzes all audit findings by workplace standard and region and uses this data to inform and direct supplier capacity-building programs. For example, PUMA collected and analyzed the percentage of its workers covered by a collective bargaining agreement, which led the company to incorporate freedom of association training into its 2018 Supplier Roundtables. PUMA also publicly includes data analysis from audits and its suppliers in its annual Sustainability Report. Data analysis is conducted on a monthly basis and reported to the Sustainability Team during team meetings to discuss and address trends.

In the annual Sustainability Report, PUMA highlights its work on the Social Key Performance Indicators, including average number of work accidents per 100 full-time employees, payment of workers at manufacturing partners compared to local minimum wages, female representation among workers, average hours of overtime work per week, coverage under social insurance provisions, percentage of fixed-term versus permanent contracts, and workers covered by a collective bargaining agreement. PUMA collects wage data from its core suppliers. As shown in the table on the next page, PUMA analyzed the collected data and found, on average, its core suppliers pay 21 percent above legally mandated minimum wage; with overtime and bonuses, the amount increases to 84 percent above legally mandated minimum wage. PUMA maintains transparency about its own social compliance information and shares its own data analyses in its annual reports.

⁸ Principle 6: Company affiliate collects, manages, and analyzes workplace standards compliance information.

T.4 S-KPIS FROM PUMA T1 CORE SUPPLIERS*

	LATIN AMERICA		SOUTH ASIA			EAST AND SOUTHEAST ASIA				EMEA	2018 AVERAGE	2017 AVERAGE	2016 AVERAGE
S-KPI	El Salvador	Mexico	Bangladesh	India	Pakistan	China	Cambodia	Indonesia	Vietnam	Turkey			
Gross wage paid above minimum wage excluding overtime and bonuses (in %)	6.9	63.7	38.0	15.0	29.5	7.1	5.2	1.2	40.2	2.1	20.9	26.1	22.1
Gross wage paid above minimum wage including overtime and bonuses (in %)	16.8	246.4	110.0	22.5	38.0	184.9	57.4	37.3	102.7	20.6	83.7	86.7	69.1
Workers covered by social insurance (in %)	99.8	100	100	93.5	100	65.6	100	99.7	94.6	100	95.3	95.7	95.9
Overtime work (hours per week)	0.4	7.4	9.6	0.0	0.2	18.2	6.9	7.2	6.8	4.3	6.1	6.8	6.6
Workers covered by a collective bargaining agreement (in %)	0.0	0.0	0.0	0.0	0.0	86.7	47.7	33.3	98.8	0.0	26.7	21.5	35.7
Female workers (in %)	71.5	48.2	41.4	22.0	3.6	57.8	85.5	89.8	80.1	60.5	56.0	59.3	64.2
Permanent workers (in %)	100	8.3	100	100	100	21.5	15.2	84.3	51.2	100	68.0	63.6	n.a.
Annual turnover rate (in %)	17.6	63.3	30.3	10.6	47.5	79.7	31.3	16.9	30.9	40.0	36.8	40.3	n.a.
Injury Rate	0.8	0.2	0.3	0.0	0.0	0.5	3.2	0.3	0.3	0.0	0.6	0.4	n.a.

* Data received from 50 PUMA core suppliers representing 74% of 2018 production volume
Reporting period for data collection: November 2017 – October 2018

PUMA has also partnered with the consulting firm [twentyfifty](#) to identify areas of high risk in PUMA's supply chain through audit data analysis. twentyfifty found the highest risk of human rights violations at cotton farms and leather tanning, crusting, final manufacturing, and finishing facilities. PUMA has established an action plan to address these risks in the cotton farms, this includes sourcing 90% of its cotton from the Better Cotton Initiative.

PRINCIPLE 7: TIMELY & PREVENTATIVE REMEDIATION⁹

Remediation Policies and Procedures

As part of the review and assessment of PUMA's remediation practices, the FLA reviewed its Sustainability Audit Procedure Manual. The Sustainability Audit Procedure Manual describes PUMA's remediation process and includes types of noncompliance, scoring, remediation follow-up, and consequences. The Manual includes guidance and timelines for submitting the audit report, corrective action plan follow-up, report release, action plan timelines, and an audit scoring guide. The Manual also provides guidance to auditors on the remediation of high-risk issues such as child labor and wage deficiencies. PUMA has clear criteria to define zero tolerance findings, critical findings, and major findings. While the Manual lacks a formal procedure for collaborating with unions and worker representatives, the FLA observed that in practice PUMA works with unions and worker representatives on remediation plans. The FLA recommends PUMA formalize this collaborative process in the Manual.

Root cause analysis is an important piece of remediation, and the Manual specifies that the auditor must analyze the root cause for zero tolerance and critical issues. Additionally, the CAP form includes pre-determined CAPs for auditors to select for the final report. The FLA provided PUMA with an interactive training on root cause analysis at its annual Sustainability Team Meeting in 2019. The Manual does not yet encourage collaborative root cause analysis, instead relying on the selection of

⁹ Principle 7: Company affiliate works with suppliers to remediate in a timely and preventative manner.

pre-determined caps. The FLA's audit field observation found limited root cause analysis in practice, so the FLA recommends PUMA provide further support to auditors on root cause analysis standards.



A worker threading a machine at a factory

Effective Remediation

PUMA scores facilities based on audit results and remediation at the end of each calendar year, with the expectation that all zero tolerance issues will be resolved. A factory's score determines its ability to stay in business with PUMA. To ensure remediation is completed in a timely manner, PUMA conducts follow up visits. Factories are graded on an A-D scale depending on the type and number of findings: A (95 percent to 100 percent), B+ (90 percent to 94.99 percent), B- (85 percent to 89.99 percent), C (75 percent to 84.99 percent), and D (74.99 percent and

below). Factories that score an A or B receive a follow up visit on an annual basis, factories that score a C or D receive visits every four months until they score an A or B.

The Manual includes guidance on resolved versus unresolved issues and specific remediation guidelines are provided for child labor. The FLA verified the implementation of this child labor policy by observing PUMA's response to an SCIV assessment finding in Vietnam in 2017. During the assessment, which was shared with accredited Participating Company New Balance, the assessor found four children working at the factory. All four children had been hired by an independent subcontractor and were about 14 years old, under the legally and FLA Code-required minimum age of 15 years old. The canteen contractor had hired two of the children, and a recruitment agency for an onsite production subcontractor had hired the other two. Both companies worked diligently to remediate these violations; however, due to a delay in information gathering from the assessor, the brands and supplier were only able to confirm the identities of two of the children. The companies and supplier followed guidance from [CCR-CSR](#), an organization with expertise on child rights, as well as the guidance in each company's respective standards, in order to develop an action plan. The brands and the supplier were able to provide funding to one child to go back to school.

In addition to the immediate remediation, the brand verified in September 2018 that the supplier now has and follows a contractor/subcontractor management policy that requires annual training for contractors and subcontractors about the suppliers' contractor/subcontractor management policy. The brands involved in the remediation of this case also provided recommendations to improve the policy to include minimum age verification, minimum wages, and working time. The supplier also recognized the importance of hiring for all production processes directly, and no longer uses a recruitment agency.

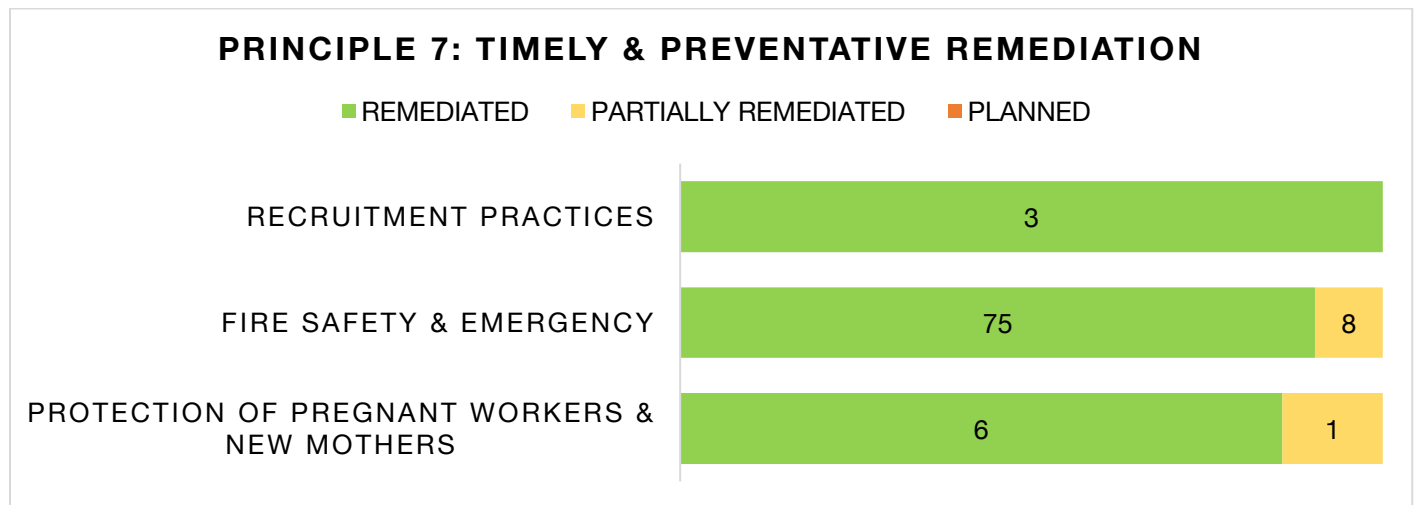
This example illustrates how companies and suppliers can partner to effectively remediate child labor violations in apparel and footwear supply chains. While there is less risk of child labor in Tier 1 facilities, the FLA recognizes that child labor can still occur and that cultural norms can present challenges in the remediation. The FLA commends the collaboration between the brands and the supplier to uphold the legal requirements and company codes of conduct on child labor. The FLA

recommends PUMA continue to work with the supplier to ensure that their recruitment and age verification policies continue to be followed by the supplier and subcontractors.

To ensure effective remediation, PUMA regularly partners with organizations to support remediation. In China, PUMA responded to the low use of grievance mechanisms by partnering with Microbenefits on a program to enhance worker voice. Additionally, PUMA has implemented a women's empowerment project in Bangladesh with the International Labor Organization in Bangladesh. The program aims at educating managers, supervisors, and workers on sexual harassment at the workplace, workers communication and workers' rights and responsibilities. An additional project in China has PUMA working towards a goal of having all Chinese factories provide complete social insurance coverage. For core suppliers, all apparel factories have achieved this goal and accessories increased from 88 percent coverage to 100 percent in 2018. The core factories for footwear have reached 20 percent coverage, while aiming for total coverage for all factories by 2020.

To ensure the effectiveness through continuous implementation of remediation, PUMA has also partnered with a university to establish a three-year training program for core Tier 1 and Tier 2 suppliers to lay out the continuous improvements over three years. In the first year in 2017, it provided training on risk assessment for suppliers to conduct the risk assessments. Some of the key risk areas in the risk assessments were followed up in the subsequent training: injury log and machinery safety in the second year; occupational health and safety and chemical safety in the third year. PUMA has mapped all its material suppliers for core suppliers and the Social Sustainability Team and material suppliers are working toward meeting legal requirements.

The below chart shows a sample of remediation status from ten SCIs and SCIVs conducted between 2012 and 2018:



Recruitment Practices: The findings on Recruitment Practices are from an SCI conducted in Vietnam in 2016. The assessment found that the factory did not offer the employment contract in the workers' local language or workers with a copy, and the employment contract was missing key information about the worker. PUMA partnered with the factory to guarantee workers receive their contracts in the local language and that the contract included all the correct information.

PUMA has also signed the [AAFA/FLA Apparel and Footwear Industry Commitment to Responsible Recruitment](#). The commitment was formalized in October 2018 and calls for apparel and footwear brands and suppliers to create conditions where no worker pays for their job, workers retain control of

their travel documents and have full freedom of movement, and workers are informed of basic terms of their employment. As of January 2019, 127 brands and suppliers are signatories of this commitment, making it one of the largest formal commitments in the apparel and footwear industry to improve working conditions. The FLA recommends PUMA continue to operationalize this commitment.

Fire safety and emergency: Fire safety and emergency findings are one of the most frequent findings found in IEA assessments. The FLA commends PUMA on remediating 75 of 83 benchmark violations, which ranged from benchmark violations on fire safety training to blocked exits. The remaining 8 violations are in the process of being remediated.

Protection of pregnant workers and new mothers: An SCI conducted in India in 2016 found that the factory lacked a policy or procedures on Personnel Development and Compensation, which meant the rights of pregnant workers and new mothers were not protected. PUMA worked with the factory to ensure all the right policies and procedures were implemented to include protection on all categories of workers.

PRINCIPLE 8: RESPONSIBLE PURCHASING PRACTICES¹⁰

Responsible Sourcing Procedures

PUMA finalized its Responsible Sourcing Policy in May 2019. The Policy covers the commitment, purpose, scope, and intent of the Policy, in addition to the expectations for PUMA staff on responsibilities, dialogue, training, and performance from implementing responsible sourcing practices. The responsibilities section outlines PUMA's role in ensuring fair compensation, balanced production planning, and expectations on subcontractors, among other standards. The dialogue section outlines the monthly operations meetings between suppliers and sourcing teams, and quarterly meetings between the sourcing, operations and sustainability teams for information sharing. The training section provides an overview of the training program, from the list of responsible staff to training effectiveness, and the performance section is an overview of the Supplier Score Card, with Sustainability representing 20 percent of the scorecard.

Although the Responsible Sourcing Policy is relatively new, the FLA verified that PUMA has been implementing responsible purchasing practices throughout its operations. Timely and effective production not only helps meet the demands but also minimizes production changes and pressures, supporting the responsible purchasing practices. PUMA has implemented a strong Milestone Management System to ensure timely and effective production; this system also supports the adherence to adequate lead times and production planning. PUMA's sourcing operations analyze and monitor orders, supplier capacities, lead times, and supplier distribution in real time. PUMA uses two one-year production calendars from the design to production phase, and holds all teams to tight calendar adherence from the design stage onwards. These calendars are shared with potential suppliers at the appropriate time in the production process. PUMA determines the best supplier to produce each style at the final design meeting. The consistency of PUMA core suppliers means PUMA can provide stable forecasting and planning to suppliers as orders are often repeated year after year.

Focusing on consistent styles and designs, PUMA's practices benefit core suppliers as consistent styles and designs do not require investment in new skills or equipment to fulfil PUMA orders. PUMA splits its products into apparel, footwear, and accessories, and between inline and non-inline collections. The inline collection makes up 60 to 65 percent of products, with about 80 percent of

¹⁰ Principle 8: Company affiliate aligns planning and purchasing practices with commitment to workplace standards.

products iterations of previous designs. PUMA maintains a material repository for designers to select from during the design phase.

PUMA is in constant communication with suppliers, sharing WIP reports throughout production to delivery. PUMA uses referenced material suppliers and is increasingly sourcing from vertical suppliers. If a factory wants to use its own material supplier, PUMA will test the material and give the new material a code if it passes. Once designs have been finalized, PUMA sends for samples which are then offered to subsidiaries to decide which items they want to purchase; PUMA then negotiates prices with suppliers and once agreed upon, the production process is initiated by sending tech packs to the suppliers. PUMA is in constant communication with suppliers, sharing WIP reports throughout production to delivery.

Training Relevant Business Staff on Responsible Purchasing Practices

The expectation for training on responsible purchasing practices is outlined in the Responsible Sourcing Policy. All relevant PUMA staff from sourcing, product development, production, production planning, and purchasing operations, receive a training on the Policy. The training will be provided annually and is included in the new staff onboarding process. PUMA ensures training effectiveness by including simulations and scenarios in the training, written feedback and questionnaires from the trainees, and by evaluating the training program on a regular basis and assessing behavioral changes when trained staff address sourcing and production challenges.

The FLA verified through training documents that the training contains detailed information on responsible purchasing practices, including supplier selection, on time payments, price negotiations with suppliers, production planning, and dialogue among the team and with suppliers. The training includes different scenarios and common findings, which supports effective training. Examples of scenarios in the training include possible impacts on late design changes, price calculations for countries that have varying wage scales, and possible impacts on the supplier when forecasting does not match orders.

Holding Staff Accountable to Purchase Responsibly

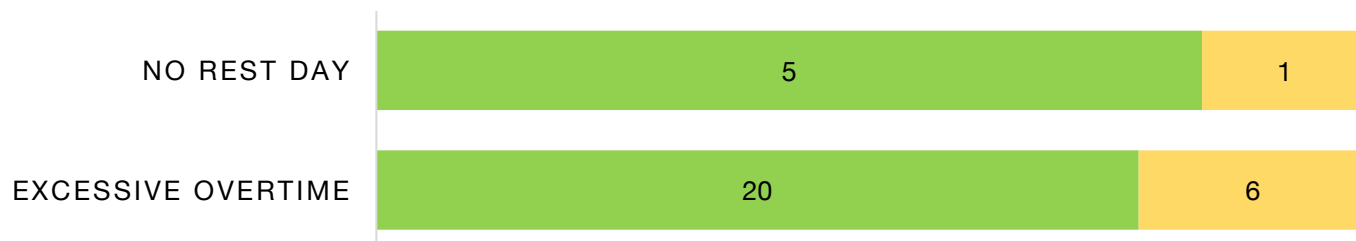
PUMA has very strict calendar timelines to hold each team accountable for meeting deadlines that keep production on track and help maintain adequate lead times. Key meetings and deadlines are shared with all suppliers in advance, which limits deviation from the original timeline. PUMA analyzes operational indicators to determine bottlenecks and challenges to responsible production.

PUMA's production planning system records, analyzes, and monitors supplier capacity in real time. Factories must provide capacity biweekly; if a factory is over capacity based on the production orders, the system automatically pushes the capacity to other months, extends the delivery deadline, or shifts production to other factories. These automated systems have reduced excess overloading and on-time delivery has increased. The ability to manage supplier capacities is a strength of PUMA's systems.

Because there can be a correlation between worker overtime at the factory level and brand purchasing practices, tracking and reducing overtime is an important piece of responsible purchasing practices. PUMA requests suppliers to declare their open capacities based on a standard working hour (i.e. excluding overtime) so that PUMA can fill capacity appropriately. When production flexibility is required, factories' overtime is closely monitored to avoid excessive overtime by requiring suppliers to submit a working hours report form if they must work overtime. If factories do not fill in this form and are found to be working overtime, PUMA deducts points from its factory score, which can risk continued business.

PRINCIPLE 8: RESPONSIBLE PURCHASING PRACTICES - HOURS OF WORK

■ REMEDIATED ■ PARTIALLY REMEDIATED ■ PLANNED



The above remediation chart shows an overview of rest day and excessive overtime violations from 10 SCI and SCIV assessments from 2012-2018. An SCI conducted in 2016 in India found that workers worked on rest days and rest day work was recorded on a different timesheet than regular working hours. PUMA is working with the factory to implement an aligned time recording system and a new rest day policy that states workers have a right to a rest day every seven days of consecutive work. PUMA has successfully collaborated with suppliers to reduce excessive overtime and is in the process of working with other suppliers to complete remediation. An SCIV assessment in Vietnam in 2017 found that an original finding on double bookkeeping, which carries risk of excessive overtime, had not been successfully remediated. PUMA has addressed the finding by working with the factory to follow an overtime management policy and to use a discipline form to prevent off-the-clock work. Workers and production managers have been trained on the new policy, and the PUMA team has conducted monthly interviews with workers on the new policies. The FLA recommends PUMA continue to hold staff accountable for responsible purchasing practices to mitigate and remediate excessive overtime violations.

Communication with PUMA Staff & Suppliers on Responsible Purchasing Practices

Knowledge sharing between teams is an important facet of PUMA's responsible purchasing practices. PUMA's Social Sustainability Team is in constant communication with the Sourcing Team. As all relevant staff report to the Global Director, these teams are well-integrated and have a strong leadership commitment to responsible purchasing. The Social Sustainability Team now attends the production planning and supplier capacity meetings, which allows the team to share insights on implications of hours of work and capacity issues. The FLA recommends PUMA continue to incorporate the Social Sustainability Team into the Sourcing team's work to ensure equal knowledge sharing.

Due to high transparency and substantive discussions among key teams, PUMA's business model has become more streamlined. For example, PUMA has integrated data on its shipping processes into Sourcing Team decision-making; the supplier is now responsible for booking a logistics service provider seven days before shipment. In the past, PUMA did not have transparency into these shipment transactions, so were not aware of delays in real time. As a result of this data integration, PUMA is able to assess timelines more accurately by understanding the supplier's delays in shipment transactions against the supplier capacity and production orders. This helps PUMA maintain realistic order levels and maintain adequate production planning.

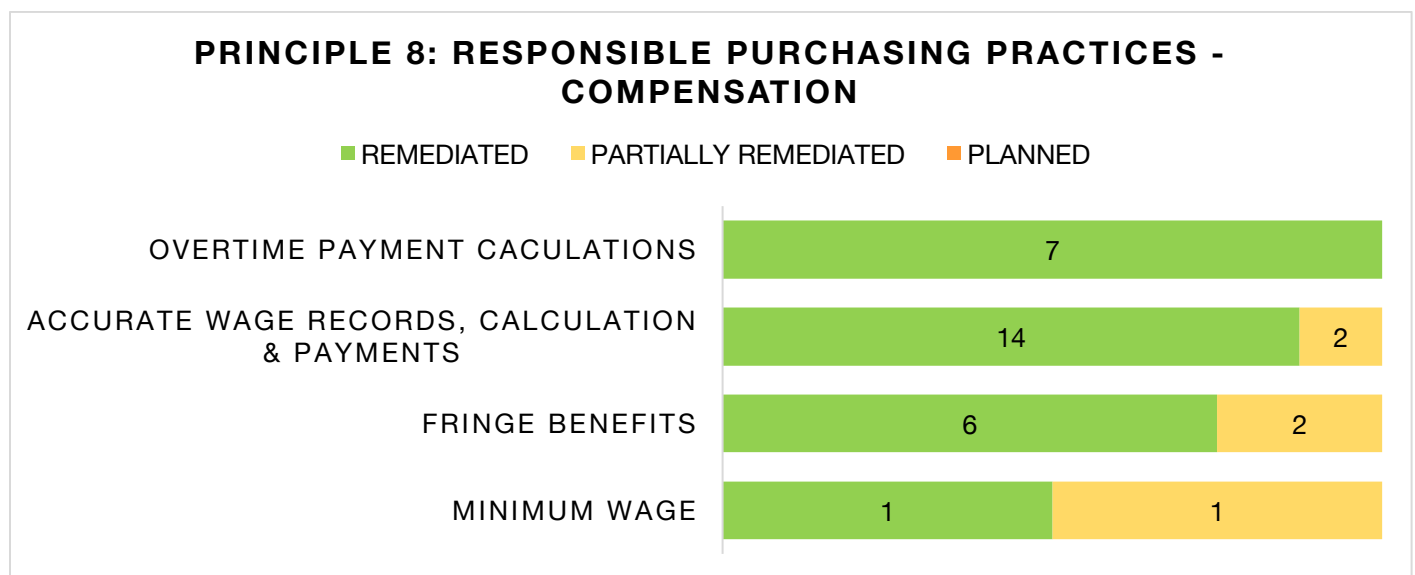
PUMA maintains the frequent and open communications with suppliers so that potential issues can be detected before they become problems. PUMA is in regular contact with its suppliers and requires

suppliers to report capacity on a bi-weekly basis. Lead times are based on the type of product and determined by the Sourcing team, with an average of 60-90 days. With all the systems and communications in place, PUMA enables suppliers to flag potential delays early so that the remediation can be worked out to avoid penalties. Factories are only charged air freight but no penalties if delays occur, even when supplier operational challenges cause the delays. Penalties are rarely applied, with only one case in 2018. Factories can provide direct feedback through PUMA Sourcing contacts and the annual round table meetings, though the FLA recommends PUMA implement a systematic process to gather feedback from factories.

Fair Compensation

Responsible purchasing practices aim not only to prevent involuntary or excessive overtime to meet the production demands but also to ensure that the suppliers can manage their businesses to compensate the workers appropriately under the given business demands and orders. PUMA prioritizes fair wages in its supply chain and piloted a [project](#) with the Fair Wage Network to address the wage levels and wage structures in selected factories in Bangladesh. The pilot project sampled seven suppliers in different regions in Bangladesh and interviewed a total of 665 workers. The report concluded that PUMA suppliers pay workers above market rates, and some recommendations, including for suppliers to improve supplier pay systems. PUMA also uses the FLA Wage Data Collection Toolkit. The FLA encourages PUMA to use the data collected to inform the creation of a fair compensation strategy, aligned with the FLA's compensation code element.

The below remediation chart shows an overview of findings related to fair compensation from ten PUMA SCI and SCIV assessments. An SCIV conducted in Vietnam in 2017 found that workers completing hazardous work were not compensated at the correct amount of five percent above workers working in normal conditions. PUMA is working with the factory to accurately list all workers eligible for this salary increase. During an SCI conducted in 2016 in Vietnam, the assessor found the factory did not correctly compensate all piece-rate workers for overtime work. PUMA worked with the factory to change all workers to an hourly rate, to ensure fair overtime payment for all workers. FLA recommends PUMA continue to work with suppliers and implement responsible purchasing practices to ensure violations of minimum wage, fringe benefits, and accurate wage records, calculation, and payments are remediated.



Incentivizing Suppliers to Improve Working Conditions

PUMA uses factory scores to determine incentives for suppliers. Factories that receive a score of A or B are kept on PUMA's list for continued business. Factories are also eligible for supplier financing, in available countries, if they score an A or B, through the International Finance Corporation, BNP Paribas and HSBC. Suppliers need to maintain a good compliance score from PUMA to receive better interest rates; this incentivizes PUMA to source from high scoring suppliers and for suppliers to improve their rating.

PUMA further incentivizes suppliers by giving Sustainability Awards based on audit scores during the Supplier Round Table meetings. These awards include categories with social and environmental criteria. PUMA also provides incentives to suppliers to submit feedback during round table meetings. PUMA is in the process of developing a scorecard that combines all aspects of its business. Once the scorecard is finalized, the FLA recommends PUMA regularly review the scorecard to ensure sustainability is weighted in consideration of the impacts on workplace standards. The FLA recommends PUMA continue to explore ways to incentivize suppliers to improve working conditions.

At the Field Office Visit in Hong Kong, the FLA determined PUMA clearly demonstrates awareness of the impacts of responsible purchasing on workplace standards. As the Sourcing Team and the Social Sustainability Team both report to the Global Director, the two programs are deeply integrated into PUMA production processes. PUMA's Sustainability Team also holds supplier roundtable meetings with Sourcing staff to enhance understanding of the impact of their work on workplace standards. To further strengthen this piece of PUMA's program, the FLA recommends PUMA regularly train staff on responsible sourcing practices, including new hires.

PRINCIPLE 9: CONSULTING WITH CIVIL SOCIETY¹¹

Civil Society Engagement Strategy

Civil society engagement is one of PUMA's core sustainability targets for 2020. The civil society engagement strategy includes a mapping of civil society organizations and evaluation of the strategic importance of each civil society group to PUMA. The implementation has two prongs: one at the global level and the other at the local level. PUMA has a two-step approach to incorporate both internal and external stakeholders' views. PUMA uses the following criteria: internal assessments and management feedback to narrow down materiality issues, and stakeholder feedback, through surveys, to further determine targets.

At the global level, PUMA maps and groups relevant stakeholders, including civil society organizations, based on influence and focus, which PUMA uses to prioritize engagement. PUMA has annual regional stakeholder meetings in Germany and Hong Kong and supplier roundtable meetings, where civil society organizations, like Better Work and the World Wildlife Fund, present on various topics. In addition, PUMA reviews its CSO mapping regularly and has mapped local civil society organizations in all major sourcing countries. The FLA recommends PUMA continue to include Dobotex in its CSO engagement strategy and ensure all Dobotex supplier countries are included.

Engaging Civil Society on Local Labor Issues

PUMA has engaged with various CSOs to implement or support specific activities at the local level. Country-specific projects differ from country to a country, based on the local needs and gaps:

¹¹ Principle 9: Company affiliate identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions

Asia: PUMA has tracked and publicly reported the percentage of workers covered by collective bargaining agreements in major sourcing countries. While Asian countries have relatively high coverage, Indonesia falls behind its Asian counterparts. PUMA has signed on to the [Freedom Of Association protocol](#) in Indonesia along with national unions, to establish standards for freedom of association and grievance procedures. PUMA works on a Garment & Footwear Sector Road Safety Strategy in Cambodia to ensure garment and footwear workers travel safely to and from work. In Bangladesh, PUMA is working with the International Labor Organization's Better Work program on a Women's Empowerment Project that aims to educate managers, supervisors, and workers on sexual harassment, communication, and worker's rights and responsibilities. PUMA has also participated in the fire and building safety project through its engagement with the Accord in Bangladesh, to which nine of PUMA suppliers have joined.

EMEA: In Turkey, PUMA engaged with the United Nations High Commissioner for Refugees (UNHCR), the Turkish Ministry of Labor and Social Security, and the FLA to advocate for Syrian refugee rights. PUMA participated in a roundtable cohosted by the FLA and UNHCR on challenges to integrating Syrian refugees into the labor market. This project led to the development of informational materials about labor rights for Syrian refugees in Turkey. PUMA has since worked with factories in Turkey to hire Syrian refugees, including the factory where the FLA conducted an audit field observation.

Americas: As part of the Americas Group, a multi-stakeholder organization of brands and civil society organizations who work together on systemic labor issues in Mexico, Central America, and South America, PUMA serves on the Mexico Committee, which focuses on freedom of association and the right to bargain collectively in Mexico. Through a self-assessment and verification process, PUMA tracked the progress of Mexican suppliers to ensure workers' rights to freedom of association and collective bargaining. PUMA has also collaborated with the Maquila Solidarity Network, to ensure quality childcare services are available for parents in its supply chain.

Union & Worker Representative Engagement

PUMA has various level of interactions with unions and worker representatives, in addition to tracking the coverage of workers in collective bargaining agreements across its major sourcing countries. Through local projects, PUMA has regular interactions with the union committee members in Indonesia. Through the audit field observation, the FLA confirmed PUMA includes worker representatives in the opening and closing meetings during audits.

In 2017, the FLA was notified about a third-party complaint from the Garment Labour Union in Karnataka, India. The complaint was in regard to the factory [Triangle Apparels, Unite VI](#) about the process involved to receive payments when the workers leave the factory, abusive language, a lack of consultation on working hour changes, threats against workers who expressed an interest in joining the union, and factory management's unwillingness to engage with unions. PUMA was one of the FLA-affiliated companies sourcing from the factory at the time of the complaint. Through a joint assessment with another FLA affiliate, PUMA devised a remediation plan with the factory to address the key non-compliance findings, and the third-party complaint has since been resolved.

PRINCIPLE 10: VERIFICATION REQUIREMENTS¹²

PUMA's commitment to the FLA is integrated throughout its Sustainability program and outlined in its standard operating procedures. Since its last reaccreditation, PUMA has participated in FLA projects, including the cotton project in Turkey and the rubber supply chain mapping project in Vietnam. PUMA also joined the FLA-led brand delegation to Cambodia in 2018 and participated in FLA CSO Engagement webinars in 2018. In February 2017, PUMA presented at the FLA Board Meeting about its audit sharing program with adidas and its work with the UNHCR on Syrian refugees. PUMA has fulfilled its FLA obligations and the FLA confirms PUMA has completed all administrative requirements, paid all annual dues, submitted annual self-assessments, and provided remediation updates for all SCl assessments.



A facility of an accredited Participating Supplier producing PUMA shoes in Indonesia

¹² Principle 10: Company affiliate meets FLA verification and program requirements.

SECTION 4: RECOMMENDATION TO THE BOARD OF DIRECTORS

The FLA has provided a comprehensive review of the PUMA social compliance program, highlighting where Principles have been fully implemented and where there are further areas for improvement. No labor compliance program is perfect, though the FLA expects accredited companies to commit to continuous improvement. On balance, FLA accreditation signifies a company has aligned its social compliance program with FLA standards, benchmarks, and protocols, and substantively improved conditions for workers. If a specific principle or benchmark is not yet met, accredited companies must address the gap, though this occurrence alone would not call into question the integrity of the affiliate's entire program.

The assessment of the PUMA social compliance program identified strong elements and areas for improvement.

Strengths:

- 1) Top management commitment is publicized through annual Sustainability Reports, public supplier lists, and through a public sustainability strategy, regularly reviewed by stakeholders;
- 2) The Social Sustainability Team is integrated within the Sourcing Team to allow for coordinated implementation of responsible purchasing practices; both teams report to the Global Director of Sourcing;
- 3) Supplier training and communication is supported by annual supplier roundtable meetings, which are mandatory for all suppliers and take place in multiple regions;
- 4) Regular collaboration on audits and remediation with other companies supports effective remediation;
- 5) Strategic partnerships with civil society organizations support remediation efforts and special projects.

Recommendations for improvement:

- 1) Ensure all staff are trained, aware, and abide by the newly formalized Responsible Sourcing standards and ensure knowledge sharing across teams;
- 2) Integrate the Social Sustainability team further into the Sourcing team's processes and ensure knowledge sharing;
- 3) Continue to collaborate and improve root cause analysis within the remediation process;
- 4) Implement a Fair Compensation Strategy to support the compensation code element;
- 5) Continue to include Dobotex in PUMA's work on Sustainability to strengthen Dobotex's knowledge and capability beyond the day-to-day remediation follow-ups.

APPENDIX A: THE PUMA CODE OF CONDUCT

PUMA SE, PUMA WAY 1, D-91074 Herzogenaurach

FOREVER FASTER  PUMA

CODE OF CONDUCT

PUMA respects Human Rights. This respect defines our engagement with the societies in which we operate, and with our partners throughout our supply chain. PUMA respects the environment. We are determined to manage, reduce and report on the impact on the environment of both our organization and our supply chain.

These two commitments are expressed publicly and transparently in the PUMA Code of Conduct. All our Employees, Vendors and their Subcontractors are required to comply in full with this Code of Conduct. Where differences or conflicts arise, the highest standard shall apply.

EMPLOYMENT RELATIONSHIP

Vendors and their subcontractors shall adopt and adhere to rules and conditions of employment that respect workers, and, at a minimum, safeguard their rights under national and international labor and social security laws and regulations.

NO CHILD LABOR

Vendors and their subcontractors may not employ anyone below 15 years of age, or the local legal minimum age, or the age for completing compulsory education, whichever of the three is higher.

SAFE WORKING ENVIRONMENT

Vendors and their subcontractors must provide a safe and hygienic working environment for all employees. Vendors and their subcontractors must take all possible precautions to prevent accidents at the workplace, and should actively promote good occupational health and safety practices.

FREEDOM OF ASSOCIATION & COLLECTIVE BARGAINING

Vendors and their subcontractors must guarantee the right of their employees to join unions, or other work or industry related associations, and to bargain collectively. These rights must be given without fear of harassment, interference or retaliation.

NO DISCRIMINATION

Vendors and their subcontractors do not discriminate against any of their employees. Employees are treated with respect and equality regardless of religion, age, gender, pregnancy, marital status, disability, nationality, race, ethnic origin, political views or sexual orientation.

ETHICAL BUSINESS PRACTICES

PUMA SE will not tolerate corruption neither in the supply chain nor in its own operations.

DIGNITY AND RESPECT

Harassment, corporal punishment and physical, sexual, psychological or verbal abuse is not tolerated in the PUMA supply chain. Vendors and their subcontractors cannot use any form of forced labor including prison labor, indentured labor or bonded labor.

FAIR COMPENSATION

Every worker has a right to compensation for a regular work week that is sufficient to meet the worker's basic needs and provide some discretionary income. Employers shall pay at least the minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide any other benefits required by law or contract.

Where compensation does not meet workers' basic needs and provide some discretionary income, each employer shall work with their relevant stakeholders to take appropriate actions that seek to progressively reach a level of compensation that does.

NO EXCESSIVE WORKING HOURS

Vendors and their subcontractors employees must not be obliged to work in excess of the regular workweek and maximum overtime allowed by local labor law. A regular workweek shall not exceed 48 hours and one day off shall be guaranteed for every seven-day period.

Other than in exceptional circumstances, the sum of regular and overtime hours in a week shall not exceed 60 hours. Overtime shall be voluntary and compensated at a premium rate and not be requested on a regular basis.

RESPECT THE ENVIRONMENT

Vendors and their subcontractors must respect local environmental protection legislation or international industry standards, whichever is higher. All Vendors and their subcontractors must measure and progressively reduce their impact on the environment.

REGION	TELEPHONE	LANGUAGES
Southeast Asia	+84 837838183 +62 254401025	
South Asia	+880 29890461	
East Asia	+86 2038934810	
Americas	+503 2555 9916	
Europe, Middle East & Africa	+49 9132812734 +90 212 4960703	

Vendors and their subcontractors accept that their business practices are subject to scrutiny. All subcontractors must be authorized by PUMA and it is the responsibility of the vendor to ensure that this Code of Conduct is respected at their subcontractors.

PUMA SE reserves the right to cease trading with any company which is found to violate this Code of Conduct.

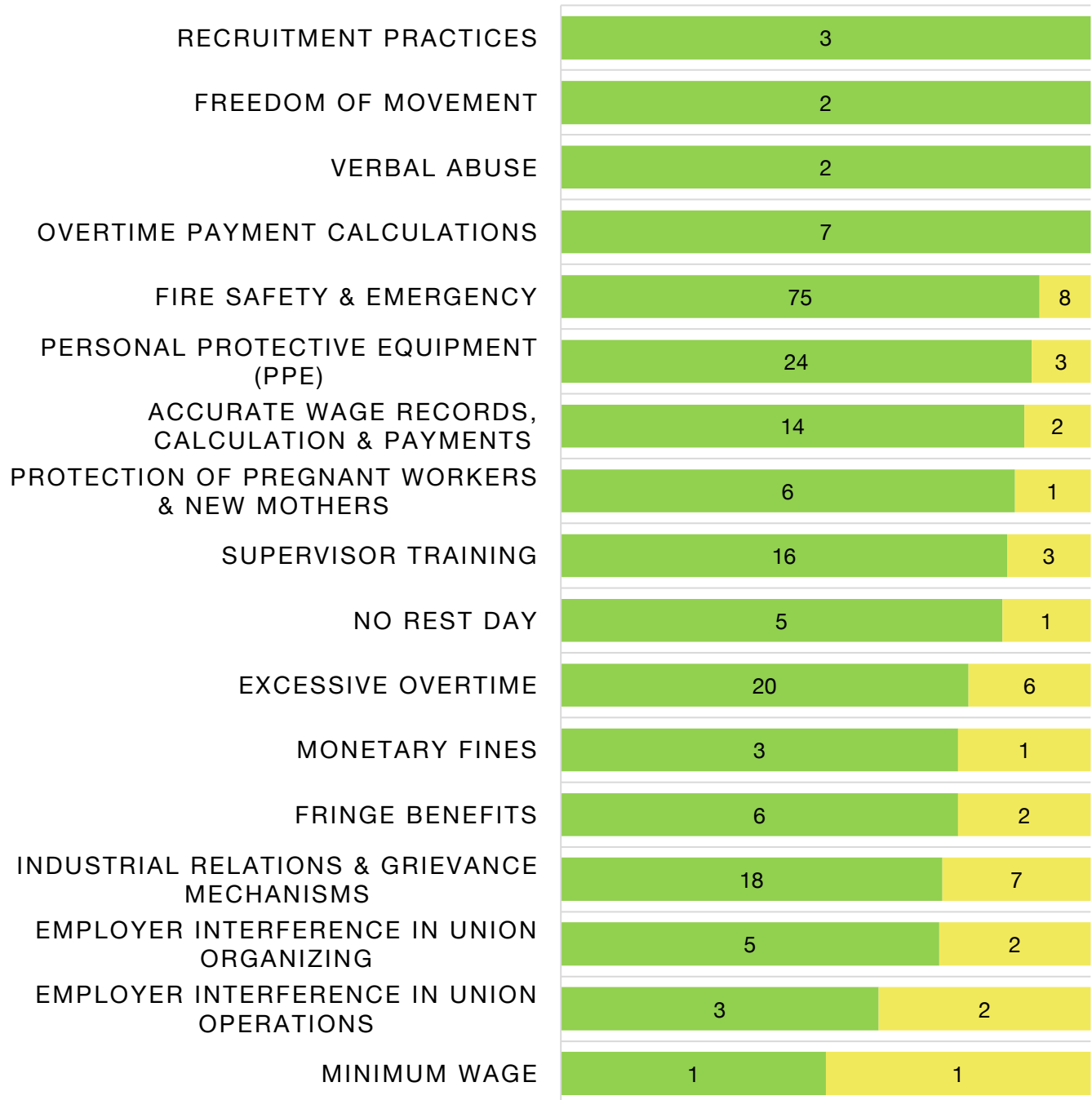
Please direct all enquires, complaints and suggestions regarding this code and its implementation to sustain@puma.com or contact your local PUMA Sustainability Team.

V. 06. 2016

APPENDIX B: PUMA'S REMEDIATION PROGRESS

PUMA REMEDIATION PROGRESS

■ REMEDIATED ■ PARTIALLY REMEDIATED ■ PLANNED



APPENDIX C: PRINCIPLES OF FAIR LABOR & RESPONSIBLE SOURCING

SOURCING	PRINCIPLES & BENCHMARKS
WORKPLACE STANDARDS	Establishes and commits to clear standards.
	Establishes and articulates clear, written workplace standards that meet or exceed those embodied in the FLA Workplace Code of Conduct.
	Leadership formally commits to uphold workplace standards and to integrate them into company business practices.
RESPONSIBILITY & HEAD OFFICE AND REGIONAL TRAINING	Identifies and trains specific staff responsible for implementing workplace standards and provides training to all head office and regional staff.
	Identifies the person(s) responsible for administering and implementing its workplace standards compliance program.
	Trains the person(s)/team(s) responsible for administering and implementing its workplace standards compliance program.
	Ensures that training is provided to all head office and regional staff on the company's commitment to workplace standards and the integration of standards into business practices. Training occurs at onboarding and refresher training is conducted annually.
SUPPLIER TRAINING	Obtains commitment and trains relevant supplier management on workplace standards and tracks effectiveness of training.
	Formally conveys workplace standards to suppliers and receives written acknowledgment of standards and commitment to uphold them.
	Formally conveys workplace standards to suppliers and receives written acknowledgment of standards and commitment to uphold them.
	Conditions future business with suppliers upon continuous improvement of workplace conditions.
	Ensures that workplace standards are accessible to workers, managers and supervisors in written form and relevant languages.
	Ensures that workers, managers and supervisors are trained on workplace standards at regular intervals to take account of labor turnover.
FUNCTIONING GRIEVANCE MECHANISMS	Ensures workers have access to functioning grievance mechanisms, which include multiple reporting channels of which at least one is confidential.
	Ensures there are functioning grievance mechanisms at contract facilities.
	Where local mechanisms are not functioning, provides alternative channels for workers to contact the brand directly and confidentially.
	Ensures training and communication about grievance mechanisms is provided to all workers.
	Ensures grievance mechanisms lack penalty and include at least one confidential reporting channel.
MONITORING	Conducts workplace standards compliance monitoring.
	Conducts pre-sourcing assessment of contract facilities to review compliance with workplace standards.
	Monitors contract facilities regularly to assess compliance with workplace standards.
	Ensures that its monitoring program includes, but is not limited to: <ul style="list-style-type: none"> a) Worker interviews, b) Consultation with unions or worker representative structures (where applicable), c) Management interviews, d) Documentation review, e) Visual inspection, and Occupational safety and health review.
	Ensures that, where relevant, monitoring is consistent with applicable terms in collective bargaining agreements.
COLLECTION & MANAGEMENT OF COMPLIANCE INFORMATION	Collects, manages and analyzes workplace standards compliance information.
	Maintains a complete and accurate list of contract facilities and collects and manages compliance and workplace information.
	Analyzes trends in noncompliance findings.

TIMELY & PREVENTATIVE REMEDIATION	Works with suppliers to remediate in a timely and preventative manner.
	Provides regular follow-up and oversight to implement corrective action following assessments.
	Works with the supplier to determine root causes and take action to prevent future noncompliance in contract facilities.
	Records and tracks the progress and effectiveness of remediation for internal assessments.
RESPONSIBLE PRODUCTION/PURCHASING PRACTICES	Aligns planning and purchasing practices with commitment to workplace standards.
	Formal written policies and procedures for planning and purchasing that 1) articulate the many complexities involved in their global supply chains, including different supplier business models, and 2) require relevant internal representatives to work with suppliers to reduce negative impacts on working conditions. These policies and procedures shall address (a) alignment of financial terms with FLA Workplace Standards, (b) adequacy of lead time provided (considering, for example, availability of inputs, testing, design changes, and production capacity) to produce without excessive overtime, unauthorized subcontracting, or other negative impacts, and (c) balanced annual planning efforts to eliminate negative outcomes (i.e. lower efficiency, poor labor retention, and longer throughput) that arise from traditional seasonal order demand.
	All relevant business and compliance staff and any contracted agent/intermediary are trained and knowledgeable of the consequences of their planning and purchasing practices on working conditions in order to mitigate negative impacts on code compliance.
	Holds relevant staff and any contracted agent/intermediary accountable for the implementation of planning and purchasing practices that help avoid negative impacts on workers and working conditions.
	Staff responsible for planning and purchasing decisions engage with their labor compliance colleagues, any contracted agent/intermediary and suppliers in regular and constructive dialogue throughout the production process and when problems arise to support operations at the factory level and to seek to avoid or mitigate negative impacts on workers and/or compliance with code standards at supplier facilities.
	Provides positive incentives for suppliers and/or facilities producing in a socially responsible and sustainable manner and, if applicable, having internal systems aligned with FLA Principles.
CONSULTATION WITH CIVIL SOCIETY	Identifies, researches and engages with relevant labor non-governmental organizations, trade unions and other civil society institutions.
	Develops a civil society organization (CSO) outreach strategy that reflects the geographical distribution of sourcing.
	Develops and maintains links to relevant CSOs to gain understanding of local labor issues.
	Strategizes with CSOs and knowledgeable local sources in the design and implementation of workplace standards compliance programs.
	Consults with supplier management and legally constituted unions or worker representative structures to gain an understanding of relevant relationships.
VERIFICATION REQUIREMENTS	Meets FLA verification and program requirements.
	Maintains standard operating procedures related to FLA affiliation.
	Participates in FLA due diligence activities, including assessments at contract facilities and company headquarters, as applicable.
	Completes a standardized annual report on fulfillment of Principles of Fair Labor and Responsible Sourcing.
	Maintains a complete and accurate profile and list of contract facilities with the FLA.
	Responds to FLA requests for documentation, contracts, information and clarification in a timely manner.
	Pays annual dues and applicable fees on schedule.