



## **PUMA Statement on Slavery and Human Trafficking**

Financial Year 2016

This statement has been published in accordance with the requirements of Section 54 of the UK Modern Slavery Act 2015 and sets out the steps that PUMA Group [hereby referred to as PUMA] including PUMA UK Ltd. has taken during the financial year 2016 to address modern slavery and human trafficking in its value chain – both in its own business and in its supply chain. While this is PUMA's first public statement addressing these issues in line with the requirements of the UK Modern Slavery Act 2015, PUMA has focused on the rights and well-being of the people who work for PUMA and for our suppliers for many years.

### **1. PUMA's Organisational Structure, Business and Supply Chain**

PUMA is one of the world's leading sports brands, designing, developing, selling and marketing footwear, apparel and accessories in categories such as Football, Running and Training, Golf, and Motorsport.

PUMA owns the brands PUMA and COBRA Golf as well as the subsidiary Dobotex. PUMA distributes its products in more than 120 countries and employs more than 13,000 people worldwide. It is headquartered in Herzogenaurach / Germany.

PUMA's suppliers are located all around the world. We recognize the importance for transparency in our supply chain and publish the list of our core component and material suppliers [Tier 2] in addition to our core manufacturers [Tier 1]. Our PUMA global core factory list includes suppliers that stand for 80% of the sourcing volume of our apparel, footwear, and accessory divisions.

Further information about PUMA, its organizational structure and group relationships is available on the company's website under [PUMA at a Glance](#) and under *Financial Reports* [cf. PUMA's [Annual Report 2016](#)].

## 2. Our Policies

As a signatory of the United Nations Global Compact, we aim to bring our trading practices in line with the principles of sustainable development and ensure that our products are manufactured in workplaces, where human rights are respected.

*PUMA's Code of Ethics* is the basic framework for the behavior of all PUMA employees including employees of joint ventures, customers and suppliers. The Code of Ethics is mandatory and extends to every individual working for or on behalf of PUMA. It determines PUMA's commitment to ethical and responsible individual and corporate behavior and requires everyone to comply with legal requirements at all times.

Our commitment to avoid human trafficking and forced labor is also underpinned in *PUMA's Code of Conduct* that, in addition to the *Code of Ethics*, all our vendors and their subcontractors are required to fully respect. It forms an essential part of our purchasing contracts. Introduced back in 1993, *PUMA's Code of Conduct* sets a clear minimum standard for supply chain partners and is displayed in all of PUMA's directly contracted partner factories. It stipulates very clearly:

*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.*

Our compliance requirements covering forced labor, bonded labor, child labor and human trafficking are also detailed in *PUMA Sustainability Handbook – Social Standards*, which is distributed to all our vendors and their subcontractors and which they have to comply with.

All commitments mentioned before extend down through the supply chain, so that a supplier with whom PUMA has a direct contractual relationship [Tier 1 supplier] in turn bears the responsibility for ensuring compliance across their own direct supply chain.

For example, the elimination of the risk of child and forced labor remains a prominent issue in the cotton industry in Uzbekistan. PUMA bans Uzbek cotton completely and officially extended this ban to Turkmenistan in 2016. All PUMA suppliers are expected to avoid cotton sourcing from these countries and comply strictly with this cotton origin policy for any PUMA product.

## 3. Our Due Diligence Processes

For more than two decades, PUMA has actively promoted the respect of human rights within our supply chain. We understand the risk of modern slavery within the apparel, accessory and footwear industry. All forms of modern slavery, including but not limited to forced labor, bonded labor, child labor and human trafficking are considered zero tolerance issues as stated in *PUMA's Sustainability Handbook – Social Standards*.

Embedding human rights across our operations and suppliers as well as social compliance with industry standards / ILO Core Conventions for our suppliers are part of PUMA's 10FOR20 Sustainability Targets.

We recognize that our most salient risks regarding modern slavery and human trafficking in our supply chain are in the lower tiers. Based on a risk mitigation approach, our core Tier 2 suppliers, who represent more than 80% of our business, have been included in our compliance program. For the other non-core Tier 2 suppliers, we require our Tier 1 suppliers to pass down our compliance requirements to their business partners.

In 2016, based on the high-level recommendations provided by the organization *Shift* on how to better implement the United Nations Guiding Principles on Business and Human Rights (UNGPs), we conducted a Corporate Human Rights Risk Assessment covering our own entities, including PUMA offices, warehouses and stores to better identify potential human rights risks.

We used the organization *Twentyfifty* and the *Verisk Maplecroft* Human Rights Risk Tool to conduct our risk assessment as well as the audit findings of our social compliance program to better understand local human rights contexts, including modern slavery and human trafficking risk exposure.

The results of our 2016 Corporate Human Rights Risk Assessment have been presented to our stakeholders during our annual stakeholder meeting "Talks at Banz" in November 2016 and show that overall risks for modern slavery are low in our own workforce. Nevertheless, we identified risks of being linked to inadequate working conditions including modern slavery risks at third parties. Those potential risk areas include inadequate working conditions (e.g. for temporary workers employed through agencies), working conditions for employees of outsourced service firms (cleaning companies, building companies etc.) and working conditions in "local production", meaning where products are locally manufactured and sold on local markets, in our franchised stores and outsourced warehouses. Our 2017 Human Rights Action Plan, including all the findings, will be executed in collaboration with all the relevant internal and external stakeholders to make sure that the identified risks are mitigated.

#### 4. Measuring Performance

All PUMA employees who feel that ethical standards in business may have been compromised can raise their voice. Various channels are in place to report any suspicions and or observations related to modern slavery. In practice, all employees should address their request regarding apparent failure to their line manager. They may also raise the matter with staff representatives, the legal department, the internal audit department or the Health & Safety Committee or via a toll-free external **whistleblower hotline** available worldwide. The Ethics Committees make sure that no action is taken against an employee who, in all good faith, reports a case of failure to comply with an ethical principle of the *Code of Ethics*, as a consequence of having reported the matter.

Worldwide PUMA **employee surveys** are also conducted every two years and can help cross-check the results of our grievance mechanisms. In 2015, 83 % of our employees declared that they are treated with respect as an individual, 82 % of employees agreed that people are treated fairly regardless of their gender, ethnic origins, age and state of health or handicap and the majority of the employees feel that it was safe to speak up.

In our supply chain, our sustainability team enforces our requirements by executing regular **audits** every year in all our core factories to ensure that where PUMA products are being produced, these standards are met. PUMA has an own team of auditors, who are located around the world and mostly in Asia. During

those audits, we look for indicators of forced labour as well as associated indicators of risk—such as freedom of association. In 2016, we found one case of passport retention in Malaysia, which was immediately addressed through corrective actions by our business partner.

Since any audit or assessment can only analyze the compliance situation at a given time, we use two other tools to manage and track performance of our suppliers: *PUMA Code of Conduct* posters, including a worker hotline, and PUMA Supplier Social Key Performance Indicators (KPIs).

The *PUMA Code of Conduct* posters include phone numbers and email addresses of our supply chain team to offer complaint channels for all employees of PUMA suppliers. In 2016, we received in total 72 worker complaints from our factories, but none of them concerned modern slavery cases. As PUMA is an accredited member of the *Fair Labor Association* (FLA), any third party can also file an official third party complaint with the FLA. More information on the FLA third party complaint mechanism can be found on <http://www.fairlabor.org/third-party-complaint-process>. Here again, none of the cases brought to the FLA concerned modern slavery or human trafficking.

In order to measure performance and progress within our supply chain, we implemented a comprehensive dashboard of **Social KPIs in 2016**. Even as we continue to improve the methodology of data collection and analysis, we have already been able to identify some potential risk areas such as collective bargaining in some countries in South and South East Asia. Social KPIs and associated improvement programs help our suppliers to better monitor their own risk exposure, strengthening worker organization and collective bargaining that will ultimately help mitigate risks in the workplace.

Beyond our assessments and checking procedures, we also work to establish lasting **partnerships** with our suppliers and sub-contractors, and support them through training skills and development programs and sharing good practices.

To reach our goals, **PUMA has teamed up with other brands** in industry initiatives to work jointly on improving working conditions in our sourcing countries such as the FLA and the *Better Work Program* to improve labor standards.

In 2016, we also entered into a **partnership with the International Finance Corporation (IFC)**, a member of the World Bank Group, to provide financing to PUMA's suppliers in emerging markets. This program offers financial incentives for suppliers to improve environmental, health and safety and social standards. It has been well received by the suppliers.

## 5. Training and Capacity Building

In 2016, 97 % of PUMA employees completed the annual e-learning Code of Ethics training. Available in nine languages, this training sets out the ethical ground rules in place and presents case studies and ethical dilemmas that help employees ask themselves the right questions. It is updated annually and covers all the major ethics principles upheld by PUMA's Code of Ethics. Some of the topics covered from 2014 to 2016 included corruption, diversity and respect for Human Rights.

At the supply chain level, we have also conducted frequent supplier round tables in all major sourcing regions for several years. During these round tables, PUMA's sustainability, compliance program and sustainability targets are discussed with our suppliers, including slavery and human trafficking issues whenever necessary. Since 2016, material and component suppliers have also been invited to these



meetings. In 2016, these round tables covered 312 supplier factories. Furthermore, we are training our sourcing teams regularly on our PUMA compliance program.

## **6. Next steps**

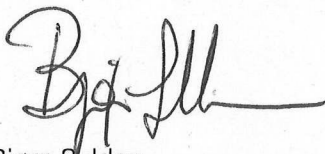
PUMA will keep on improving and formalizing the ongoing risk management processes to better identify, prevent, mitigate and account for risks within its product supply chain.

Based on the findings of our Corporate Human Rights Risk Assessment, PUMA is committed to further investigate and address the identified potential risks. Our 2017 Human Rights Action Plan lays out concrete actions to ensure that modern slavery and human trafficking are not part of PUMA's operations. After covering our corporate own entities in 2016, we will extend our Human Rights Risk Assessment to our supply chain in 2017. This second assessment will also support us on our continuous improvement approach.

## **7. Approval of this statement**

This statement was approved by the Managing Directors of PUMA SE in June 2017 and signed on their behalf by the Chief Executive Officer of PUMA SE.

PUMA SE

A handwritten signature in black ink, appearing to read 'Bjørn Gulden', with a long horizontal stroke extending to the right.

Bjørn Gulden

Chief Executive Officer