

KNOWTHECHAIN | QUESTIONS REGARDING FORCED LABOUR RISKS IN YOUR COMPANY'S LEATHER SUPPLY CHAIN

In countries including but not limited to Pakistan, Bangladesh and India, leather processing is characterised by hazardous and poor working conditions, which may be early indicators or eventually lead to forced labour.¹ In countries including India and China forced labour risks have been documented. Through this questionnaire, KnowTheChain would like to get a better understanding of how your company is addressing risks related to forced labour specifically in its leather supply chain.

In answering these questions, please indicate where your company's policies or practices specifically apply to cattle sourcing, leather processing or leather goods manufacturing countries at risk of forced labour and human trafficking such as **Brazil, China and India**² or other countries where you might have identified forced labour risks.

Please note the information in blue indicates relevant existing disclosure identified for your company.

Sources:

- 2016 Sustainability targets report: http://www.kering.com/sites/default/files/Kering_Sustainability_Targets_Report/index.htm
- 2015 E&P report: http://www.kering.com/sites/default/files/kering_group_2015_environmentalpl_0.pdf
- Leather Sourcing: <http://www.kering.com/en/sustainability/targets/sustainably-sourced-leather>
- [KnowTheChain Disclosure questions 2016](#)
- [India Committee of the Netherlands \(2017\) - Do leather workers matter?](#)

Traceability:

1. Leather goods manufacturing:
 - a. In which countries does your company and/or your suppliers manufacture leather goods (option to indicate percentage or volume of supply from each country)?

At PUMA the manufacturing of leather goods is largely limited to shoe production. Our main production countries for shoes are Vietnam, China, Cambodia and Indonesia.
 - b. What are the names and addresses of your company's and/or your suppliers' leather goods manufacturers? Please indicate the nature of your relationship to them, e.g. direct owned or purchasing only (option to indicate workforce data you deem relevant, such as workforce composition (e.g. percentage of informal/migrant/female workforce) or rate of unionisation). What are the names of the persons legally responsible for the production facilities?

¹ Associated Press (2017) - [Report examines grim Bangladesh leather trade, links to West](#); India Committee of the Netherlands (2017) - [Do leather workers matter?](#); Undark (2017) - [Skin Deep: Feeding the Global Lust for Leather](#); SOMO (2016) - [Hell-bent for leather. Labour conditions in the leather industry in Pakistan](#); Human Rights Watch (2012) – [Toxic tanneries](#).

² The [US Department of Labor](#) identified risk of forced labour in the cattle industry in Brazil, the leather industry in China, as well as related to sourcing leather goods / accessories from India.

PUMA does not own any production facilities, with the exception of a shoe factory in Argentina, which produces only for the local market. For a list of our independent production partners, please refer to the PUMA core suppliers list, which is published on our website:

<http://about.puma.com/en/sustainability/supply-chain/public-factory-list>

Following a recent request by several civil society organizations, we are currently in the process of updating our public core supplier list with addresses and numbers of employees for each factory.

We are not collecting rates of unionisation for vendor factories. However, in our latest PUMA Annual Report 2016 we are reporting various Social KPIs for our core suppliers, including coverage rates of collective bargaining agreements, based on a supplier country level.

Our Annual Report 2016 will be published on April 12th here:

<http://about.puma.com/en/sustainability/reports/puma-s-sustainability-reports>

As our production is outsourced to independent supplier factories, the legal responsibility for the production facilities falls under the respective owners / CEOs / General Managers of the production facility.

2. Leather processing / tanneries:

- a. In which countries does your company and/or your suppliers process and produce leather?

PUMA does not produce or process any leather. The leather used in our leather shoes is produced and processed in independent tanneries. Our Core leathers must be sourced from nominated tanneries, but in some instances the vendor can nominate a tannery. These tanneries are mostly located on China, Taiwan and Vietnam.

PUMA has set a target of sourcing over 90% of all leather from tanneries which achieved a medal rating (i.e. Gold, Silver, Bronze) by the Leather Working Group. This target was achieved for the last years, including for 2016.

- b. What are the names and addresses of your company's and/or your suppliers' tanneries? Please indicate the nature of your relationship to them, e.g. direct owned or purchasing only (option to indicate workforce data you deem relevant, such as workforce composition (e.g. percentage of informal/migrant/female workforce) or rate of unionisation). What are the names of the persons legally responsible for the production facilities?

Please refer to the PUMA core suppliers list, which includes material suppliers such as tanneries, and is published on our website:

<http://about.puma.com/en/sustainability/supply-chain/public-factory-list>

India is not a key sourcing country for PUMA's international collections. This also holds true for leather sourcing, where we source over of 90% of our leather from Leather Working Group Medal rated tanneries, mainly in **China**, Vietnam and Taiwan.

Purchasing practices:

3. How does your company use its leverage to influence its leather supply chain with regards to labour practices and/or reward suppliers with good labour practices?

As mentioned in the previous question, we source over 90% of our leather from LWG medal rated tanneries. This implies following the LWG protocol and undergoing regular audits to confirm the medal rating. More information on the LWG and its ratings can be found here:

<http://www.leatherworkinggroup.com/>

4. How does your company ensure its labour standards are cascaded down its leather supply chain beyond tier 1 suppliers?

In addition to the LWG standard, which is mainly focusing on environmental aspects, PUMA has started to audit its core component and material suppliers in 2016. Tanneries are no exception to this practice. Therefore, all of our core tanneries were audited by the PUMA Supply Chain team in 2016.

Worker voice:

5. Grievance mechanisms: Does your company ensure workers in its leather supply chain have access to grievance mechanisms? If yes, please explain what mechanisms are available for workers in both owned and third party leather goods production facilities and tanneries. Please also explain how your company ensures those mechanisms fulfil the [effectiveness criteria under the UN Guiding Principles for Business & Human Rights](#), e.g., they are trusted and used by workers.

As mentioned above, PUMA does not own any leather processing facilities. Our nominated core Tier 2 suppliers are included in our compliance program. This means that our Code of Conduct, including contact details of our Supply Chain Sustainability Team, is publicly displayed at our suppliers. Workers are invited to use the contact details of our team to raise any complaints they cannot resolve locally.

In 2016 we have received 72 such worker complaints in total and could resolve 97% of those complaints.

The other (non-core) Tier 2 suppliers do currently not fall under the scope of our compliance program. However, we request our Tier 1 suppliers to pass down our compliance requirements to their suppliers.

In addition, as PUMA is an accredited member of the Fair Labor Association, 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 here:

<http://www.fairlabor.org/third-party-complaint-process>

6. Worker engagement and empowerment: How does your company ensure that workers in its leather supply chain know about, and can exercise their rights (e.g. freedom of association or, where there are regulatory constraints for freedom of association, alternative means of organising)?

Besides our PUMA Code of Conduct, which is applicable to all PUMA Vendors, and typically openly displayed in local language at our suppliers, we have listed our compliance requirements in our PUMA Sustainability Handbooks for Social Standards, Health and Safety Standards, Chemicals Management and Environmental Standards. Those handbooks are also available online here:

<http://about.puma.com/en/sustainability/standards/handbooks>

Monitoring / certification:

7. Do you participate in sustainable leather sourcing / certification?

Yes, LWG Medal Ratings.

8. If yes, how does the verification initiative/certification address labour rights, and how does your company ensure labour standards are adequately covered?

The LWG focuses on environmental aspects. Labor standards are covered within PUMAs own compliance program, which also includes core material and component suppliers, covering 80% of the material volume used for PUMA production.

Stakeholder engagement:

9. Does your company actively participate in one or more multi-stakeholder or industry initiatives focused on forced labour and human trafficking or work with peer companies to address risk in high risk regions/clusters of tanneries or manufacturers?

PUMA is an accredited member of the Fair Labor Association and an active partner of the ILO Better Work program.

Both of these programs cover forced labor and human trafficking, but none of them have specific focus on the leather industry.

10. If so, please specify who you work with and how you address forced labour risk related to leather sourcing.

PUMA:

Acknowledgement of labour issues below tier 1: Our experience shows that while the apparel and footwear industry has clearly put compliance to the ILO Core Labor Standards on the agenda of export oriented finished goods manufacturers, the same standards often remain less communicated or even implemented in the lower Tiers of the supply chain. We can also confirm that many of the problems you mention, such as unstable working conditions or a lack of social security coverage are zero tolerance issues for brands including PUMA at the direct manufacturer level, but can typically

still be found at the lower tiers of the supply chain, where brand audits have had limited or no coverage so far.

Having distributed the “Do leather workers matter?” report to our Indian supplier base, we will cover the content of the report in our Annual Indian Supplier Round Table Meeting, which will happen in September this year.

Comment PUMA: The mentioned report was covered and discussed during our Indian Supplier Round Table Meeting 2016.

Additional information

Please provide any additional information regarding how your company addresses forced labour risks in its leather supply chain (e.g. related to risk assessment and due diligence, supplier training, recruitment) or regarding your company’s supply chain structure which you think is relevant.

Human Rights Due diligence:

PUMA has completed a human rights screening with the expert consultancy Elevate in 2015. The results of this screening were presented at PUMA’s Annual Stakeholder Meeting Talks ab Banz, as well as in the PUMA Annual Report 2015.

Furthermore, we have completed a human rights assessment with the expert consultancy Twentyfifty for our own entities in 2016 (again results were presented in Banz and will be reported in the Annual Report 2016) and currently work on a human rights impact assessment for our supply chain, to be completed in 2017. As part of the supply chain impact assessment we are also looking at the leather industry, here with the help of a leather specific risk analysis from the company Maplecroft.

Training:

We are conducting frequent supplier round tables in all major sourcing regions since several years. During these round tables PUMAs sustainability and compliance program and targets are discussed with our suppliers. Since 2016, material and component suppliers are also invited to those meetings. Last year these round tables covered 312 supplier factories.

Background information:

This questionnaire has been sent to the following companies:

- Footwear companies: Belle International, adidas, Nike, Kering (Puma), VF (Timberland)
- Luxury brands: Hugo Boss, Prada, Kering (Alexander McQueen, Balenciaga, Brioni, Gucci, Saint Laurent Paris, etc.), Ralph Lauren, PVH (Tommy Hilfiger, Michael Kors, Calvin Klein)

Please note your response will be made public on the [Business & Human Rights Resource Centre website](#). In addition, KnowTheChain will publish a short analysis to highlight better practices, as well as companies and areas where disclosure is limited. For an indication of what KnowTheChain regards as better practices, please review the [methodology](#) and the [findings report](#) of [KnowTheChain's apparel & footwear benchmark](#).