PRODUCT-RELATED
Environmental & Social Report

S.A.F.E.
PUMA SOCIAL ACCOUNTABILITY & FUNDAMENTAL ENVIRONMENTAL STANDARDS

puma.com
PUMA, in its capacity as a global player in the sporting goods industry, feels an especially high degree of responsibility for the protection and preservation of our environment. This responsibility has been incorporated in the company’s business policies.

PUMA upholds strict standards of environmental and social accountability on a company wide basis. Compliance is required on two fronts, first with regards to ecological and toxicological production stipulations and secondly, with regards to the maintenance of social standards. With regard to the observance of human rights, PUMA has implemented a partnership with its manufacturers. This partnership, based on mutual cooperation, serves as a bridge between PUMA and the company’s manufacturing employees. The purpose of this partnership is to ensure that activities such as child labor and forced overtime are not experienced in PUMA’s production sites. By realizing these objectives, PUMA is ensuring that a solid foundation of worker’s rights is in place.

We understand that social accountability is only attainable through the creation of an active dialogue between our company and our global manufacturers. Since our goals are mutual, and involve the creation of a socially responsible work environment and conditions, in accordance with local laws and regulations, we are dedicated to make these a reality.

PUMA has developed a Code of Conduct that combines the most important principles of worker’s rights. Our Code of Conduct is currently available in 17 languages, based on the conventions of the International Labour Organization (ILO), and is displayed and accessible at all our production sites.

All product-relevant environmental and social standards have been set out in a manual. This manual, often referred to as the PUMA S.A.F.E. (Social Accountability & Fundamental Environmental) Standards Manual, contains essential information on environmentally hazardous substances in materials that may be used in the production of sporting goods.

The “S.A.F.E. Team’s” job is to ensure that our environmental and social standards are enforced. The team consists of auditors that conduct on site inspections of our partner’s production sites. It is important to note that the S.A.F.E. Team is more than just a monitoring body; it is also a consulting team that assists in the introduction of an environmental and social management system. In the event that the team discovers fundamental infringement of the principles laid out in the manual, PUMA will terminate its relationships with the facility. Our logo, the jumping PUMA, is universally known for its dedication and respect towards the environment. As a company, PUMA recognizes its responsibility to the environment as well as to the people inhabiting it.
People involved in sports are in direct contact with their environment. Therefore, environmental protection is of enormous importance to PUMA. It is our aim not only to make the environmentally compatible production of our sporting goods transparent to our partners, but also to continuously improve it. We recognize our high degree of ecological and social accountability towards the environment, our suppliers, manufacturers, employees and customers.

>> Transparency: PUMA’s aim is to offer our customers high-quality products that are free of substances that are harmful to people or the environment. Prior to production, PUMA employs independent institutes to test the quality and ecological compatibility of its products. With the help of our product-related environmental and social standards, as well as the publication of environmental and social reports, we guarantee the transparency required for a platform of mutual trust and cooperation between our suppliers, manufacturers and customers.

>> Dialogue: Questions and problems regarding environmental and social matters can best be solved within a team by way of constructive dialogue. Our commitment to a permanent exchange of opinions between our partners and us enables us to seek solutions that are valuable to both sides and, as a consequence, improve our products.

>> Sustainability: The foundation of PUMA’s business activities lies on a sustainable environmental and social policy. We understand that a sustainable policy is one that “meets the needs of the present without compromising the ability of future generations to meet their own needs and choose their way of life” (Brundtland Commission 1987).

>> Social Accountability: The observance of human rights forms an essential part of social accountability. PUMA places the highest of demands on our global production sites. All activities must comply with enacted regulations and must be created in a manner that does not present any health risks. In close cooperation with its manufacturers, PUMA aims to guarantee a socially responsible workplace. The social standards that have been laid down in our Code of Conduct contain the most important social principles and are based on the conventions of the International Labour Organization (ILO).

>> Evaluation: The “S.A.F.E.” (Social Accountability & Fundamental Environmental Standards) team’s job is to ensure that our environmental and social standards are enforced. Their tasks comprise the control and monitoring of the environmental and social standards defined by PUMA on the basis of national and international laws. Where there are no obligatory limit values, self-imposed values will be laid down in cooperation with independent auditors. In light of this, the S.A.F.E. Team is more than just a monitoring body; – it is also a consulting team.
INTRODUCTION

PUMA's mission is to become one of the most desirable sports brands in the world. The brand strategy is based on three cornerstones: brand identity, marketing and product. The brand identity defines PUMA as the brand that successfully combines the influences from the areas of sports, lifestyle and fashion. Continuous investments in the areas of communication, product design and marketing, have allowed PUMA to bolster its brand position, strengthen its image in key markets and further increase its brand presence with its target consumer. The fusion of these three elements is what makes PUMA the ultimate alternative sports brand.

PUMA is determined to become the first genuine virtual sports company in the world. The virtual corporate headquarters are in three decentralized competence centers situated in Herzogenaurach, Germany, Westford, USA and Hong Kong. PUMA and its subsidiaries develop and market a broad range of sporting and leisure goods in footwear, apparel and accessories. The company continuously focuses on environmental responsibility and social accountability. The three pillars of the global company are its virtual corporate structure, strategic planning and its employees. The innovative organizational structure, which is supported by the virtual corporate headquarters and the decentralized centers, has been designed to support the global brand strategy. The multi-cultural mixture of employees forms an essential part of the corporate success. Aside from employing seasoned veterans from the sporting goods industry, PUMA also recruits talented individuals with a diverse professional and educational background. PUMA comprises approx. 1,500 employees worldwide, all of whom are committed to environmental protection.
Even prior to production, i.e. during the respective development stages, the product-related standards laid down by PUMA and the S.A.F.E. Team have an initial impact on the product. PUMA strictly adheres to its S.A.F.E. Standards when selecting materials and manufacturing techniques. This means that manufacturers must be awarded a certificate of compatibility to ensure that the materials used for production contain no harmful substances. For this purpose, each supplier receives the PUMA S.A.F.E. manual before a contract is signed. The standards that the new supplier will be held accountable to are stipulated in the manual, and reiterated in the contract. Only after successful evaluation will PUMA grant permission for production.

Apart from conducting extensive tests on materials, additional tests are carried out by our national and international laboratories several times a year for the purpose of self-control and ensuring product consistency. These tests help PUMA obtain statistical data on compliance with our standards and gather information on overall product quality.

In order to optimize the influence of our S.A.F.E. standards on product quality, product-related environmental seminars are regularly carried out at various production sites. These seminars comprise discussions and workshops that help to emphasize the importance of product-related standards.

Even prior to production, i.e. during the respective development stages, the product-related standards laid down by PUMA and the S.A.F.E. Team have an initial impact on the product. PUMA strictly adheres to its S.A.F.E. Standards when selecting materials and manufacturing techniques. This means that manufacturers must be awarded a certificate of compatibility to ensure that the materials used for production contain no harmful substances. For this purpose, each supplier receives the PUMA S.A.F.E. manual before a contract is signed. The standards that the new supplier will be held accountable to are stipulated in the manual, and reiterated in the contract. Only after successful evaluation will PUMA grant permission for production.

Apart from conducting extensive tests on materials, additional tests are carried out by our national and international laboratories several times a year for the purpose of self-control and ensuring product consistency. These tests help PUMA obtain statistical data on compliance with our standards and gather information on overall product quality.

In order to optimize the influence of our S.A.F.E. standards on product quality, product-related environmental seminars are regularly carried out at various production sites. These seminars comprise discussions and workshops that help to emphasize the importance of product-related standards.
Since its founding, the S.A.F.E. Department, whose sole responsibility is that of environmental and social matters, has already achieved the following milestones:

- Complete ban on use of azo dyes.
- Complete ban on use of heavy metals in production.
- Avoidance of nickel in all product segments.
- Complete ban on use of chlorophenols for leather impregnation.
- Substantial reduction of formaldehyde applied in textile finishing, thus ensuring that PUMA’s test results lie below the legally stipulated limit for formaldehyde usage.

By consigning goods and placing their signatures on order forms, manufacturers are legally obliged to ensure that no substances harmful to people or the environment have been used in the production of PUMA manufactured products.

**PRODUCT-RELATED ENVIRONMENTAL POLICY**

**OUR GLOBAL COOPERATION WITH TESTING INSTITUTES**

Since its founding, the S.A.F.E. Department, whose sole responsibility is that of environmental and social matters, has already achieved the following milestones:

- Complete ban on use of azo dyes.
- Complete ban on use of heavy metals in production.
- Avoidance of nickel in all product segments.
- Complete ban on use of chlorophenols for leather impregnation.
- Substantial reduction of formaldehyde applied in textile finishing, thus ensuring that PUMA’s test results lie below the legally stipulated limit for formaldehyde usage.

By consigning goods and placing their signatures on order forms, manufacturers are legally obliged to ensure that no substances harmful to people or the environment have been used in the production of PUMA manufactured products.
Since product-related environmental protection is an ongoing commitment for PUMA, we have set specified targets that we plan to fulfill in the coming years in order to completely remove all controversial environmentally relevant compounds from our products. Examples of such compounds are:

>> DISPERSE DYES
PUMA uses no allergizing disperse dyes. In cooperation with manufacturers, alternative dyes are applied which ensure the renowned high quality standard of our goods.

>> FORMALDEHYDE
Formaldehyde is mainly used for cotton processing in order to reduce the fabric’s shrinking properties. The application of formaldehyde has meanwhile been reduced to a minimum and PUMA’s use of this substance lies well below officially stipulated limits.

>> HEAVY METALS
Toxic heavy metals such as chrome compounds are no longer used in our dying processes. The application of cadmium as a stabilizer in the PVC industry has been banned completely. Other toxic heavy metals contained in various compounds have also been banned.

In relation to this, PUMA has initiated a project in collaboration with the German mail-order company OTTO-Versand and the TÜV (German technical inspectorate) Rheinland-Brandenburg. The aim of this project is to detect all environmentally relevant compounds used in the finishing processes and to substitute these with biodegradable compounds that have a significantly lower impact on the environment.

>> ORGANOTIN COMPOUNDS
The use of organotin compounds as an adhesive for applications has been banned completely.
**Our Strategy:**

1. **Application of toluene as solvent**: Fulfilled by all production sites by fall 2000
2. **Application of solvent-based adhesives**: Already successful application of water-based adhesives; currently not foreseeable
3. **Application of various solvents in various production processes with varying negative impacts on the environment and workplace conditions**: Will gradually be introduced in the course of the coming year; currently not foreseeable in detail
4. **Partially increased noise-level during production with negative effects on the working conditions**: Currently not foreseeable
5. **Application of PVC in various product areas**: Massive reduction of PVC application by spring/summer 2003 with the aim of a complete PVC ban

---

**PUMA’s Strategic Targets for Environmental Protection**

<table>
<thead>
<tr>
<th>Current Situation 2000</th>
<th>Target Situation</th>
<th>Comment</th>
<th>Fulfilled As Of / By</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application of toluene as solvent</td>
<td>Absolute ban of toluene in all production areas</td>
<td>Application of harmless solvents with similar characteristics</td>
<td>Fulfilled by all production sites by fall 2000</td>
</tr>
<tr>
<td>Application of solvent-based adhesives</td>
<td>Complete substitution of solvent-based adhesives with water-based adhesives</td>
<td>Problems with regards to substitution in soccer boot production continue to exist</td>
<td>Already successful application of water-based adhesives; currently not foreseeable</td>
</tr>
<tr>
<td>Application of various solvents in various production processes with varying negative impacts on the environment and workplace conditions</td>
<td>Raise awareness amongst manufacturers as to the effects of the application of solvents by way of training programs; increased industrial safety measures</td>
<td>Future audits will comprise solvent concentration monitoring carried out with mobile on-the-spot analysis equipment</td>
<td>Will gradually be introduced in the course of the following year; currently not foreseeable in detail</td>
</tr>
<tr>
<td>Partially increased noise-level during production with negative effects on the working conditions</td>
<td>Reduction of the noise-level to a minimum</td>
<td>Future audits will comprise noise-level measuring and corrective action if required</td>
<td>Currently not foreseeable</td>
</tr>
<tr>
<td>Application of PVC in various product areas</td>
<td>Absolute ban of PVC in all product segments</td>
<td>Initial material tests are already being planned</td>
<td>Massive reduction of PVC application by spring/summer 2003 with the aim of a complete PVC ban</td>
</tr>
</tbody>
</table>

---

**Application of Water-Based Adhesives**

<table>
<thead>
<tr>
<th>Production Lines</th>
<th>FIGURES IN PERCENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>IC1</td>
<td>95</td>
</tr>
<tr>
<td>IN1</td>
<td>95</td>
</tr>
<tr>
<td>VR1</td>
<td>75</td>
</tr>
<tr>
<td>VM1</td>
<td>95</td>
</tr>
<tr>
<td>PR1</td>
<td>As of summer 2001, complete substitution by water-based adhesives</td>
</tr>
<tr>
<td>CT1</td>
<td>First tests have been completed for certain orders</td>
</tr>
<tr>
<td>CS1</td>
<td>Testing is completed, starting 2001</td>
</tr>
<tr>
<td>CO3</td>
<td>Soccer boot production</td>
</tr>
<tr>
<td>CO2</td>
<td>Soccer boot production</td>
</tr>
<tr>
<td>CT9</td>
<td>50</td>
</tr>
<tr>
<td>CS9</td>
<td>50</td>
</tr>
<tr>
<td>CP9</td>
<td>50</td>
</tr>
<tr>
<td>CM9</td>
<td>50</td>
</tr>
</tbody>
</table>

---

**Application of Polyvinyl Chloride (PVC)**

PVC is a chemical compound that provides textile producers several benefits when it is incorporated into the production process. However, besides its numerous advantages, PVC also has one major disadvantage: it contains chlorine, which during waste incineration may produce toxic dioxins and furanes.

PUMA has decided to ban PVC from its entire product range. This initiative was begun in the 1980’s and will culminate in a complete ban of PVC’s by 2003. The use of PVC’s has been substituted with the relatively harmless compound, polyurethane (PU). The production of children shoes is already entirely PVC-free.
JOINING OUR FORCES TO ACHIEVE OUR TARGETS

The only way to achieve our targets is through cooperative dialogue. This means that, our suppliers, customers and employees as well as independent organizations must join forces with us to ensure compliance with our S.A.F.E. Standards.

The German Business Ethics Network (dnwe) pays great attention to PUMA’s efforts in trying to establish minimum social standards regarding the production of consumer goods.

The seriousness and sustainability of these efforts is impressive. This report solidifies the company’s commitment and the explicit support by the company’s executive management. The company plans to continue this direction going forward.

Such developments are only made possible by coordinated internal efforts to implement these corporate policies. By having documented the goals, PUMA has implemented a control measure that helps monitor suppliers’ global compliance with the standards. The short-term targets are the most convincing proof of PUMA’s commitment: the complete auditing of all licensees and sub-suppliers in the manufacturers by the end of the year and the commitment: the complete auditing of all suppliers, producers and sub-suppliers in the near future.

We hope that PUMA’s customers will also appreciate these measures. Only then can they contribute to the corporate policies by showing their support for recent actions. In 2002 the German Business Ethics Network awarded a “Prime for Corporate Ethics” to the Hamburg-based mail-order company Otto Versand. In turn, this company recognized PUMA’s notable efforts and wished PUMA all the best for the future in realizing its targets in the area of environmental and social standards.

The works council of PUMA AG appreciates the recent developments that have allowed the company to assume a more proactive stance towards production-related environmental and social issues. We too recognize that PUMA has a moral responsibility towards all employees working directly or indirectly for our company.

Therefore, we will critically watch this process and look forward to a consistent and continuous improvement and adaptation of global social and environmental standards. Specifically, we await greater convergence of PUMA’s social standards towards the conventions of the International Labour Organization (regarding working hours and wages), an expansion of audits covering all sub-suppliers and licensees, as well as the absolute ban of all toxic or environmentally harmful substances. Furthermore, we propose a gradual increase of the minimum standards required to successfully pass an audit, i.e. above the currently required degree of compliance of 75%.

The PUMA AG works council will continue to actively support the company along this path.

As one of PUMA’s business partners, PTNASA must adhere to S.A.F.E’s “Code of Conduct”. We are determined to build the relationship with our business partners on a platform of trust, honesty, teamwork and mutual respect.

Our pool of 7,600 employees is made up of a variety of cultures and people. We appreciate their cultural diversity as we believe that innovation is often generated from the dynamics of understanding and the integration of various ideas and opinions. We ensure that we recruit our employees on the basis of individual qualifications and we oppose discriminatory recruiting methods.

PTNASA does not permit forced labor or child labor and the minimum recruiting age for employees is 15 years. We manufacture on a regular hourly basis with one day off per week. Furthermore, we ensure that the workweek is capped at 60 working hours. We pay every employee more than the local minimum wages and also offer additional benefits such as meals, transportation to and from work, healthcare, evening school for employees wishing to complete their high school leaving certificate, maternity leave and sickness benefits, among others.

PTNASA has committed itself to a steady process of improvement in environmental protection and safety at work. This cooperation will span both internal and external development and production processes. Our employees have undergone training and instruction programs that enable them to fulfill their respective tasks in a qualified manner, recognize the importance of safety at work and detect pollution risks. The results of these measures can be seen in our employees’ attitudes and activities, all of which reflect their commitment to environmental protection and safety at work.

All of these efforts clearly indicate that NASA consistently lives up to its commitment to carry out its business in compliance with the requirements and standards for environmental protection and safety at work in order to avoid potential occupational accidents and reduce job-related sickness and environmental pollution. At the same time, we try to ensure that work efficiency and productivity are increased. We are well aware of the importance of maintaining attention in order to maintain our high environmental and workplace safety standards not only at present but also in the future.

Our added focus on social accountability, since the mid-nineties, has allowed us to realize a further aspect of sustainable management.

The “Code of Conduct” developed by Otto comprises regulations on fair workplace conditions. It calls for humane working conditions and adequate wages. Child and forced labor, as well as any other form of exploitation, is strictly prohibited.

Every manufacturer directly working for Otto is obliged to comply with the stipulated contract conditions in accordance with the “Code of Conduct”. This also applies to the manufacturers’ sub-suppliers. Compliance with these contractual obligations is monitored worldwide.

As an Otto supplier of many years, PUMA AG is actively involved in binding its suppliers to environmental and social standards. As one of the big-brand manufacturer of sporting goods, PUMA does not only promote environmental protection but is also making a global effort to create fair workplace conditions at all its production sites.

PUMA pays great attention to the subjects of social accountability as well as production-related and human ecology. The results of its commitment are documented in PUMA’s Environmental and Social Report. This report is also evidence of the PUMA AG’s long-term targets. to bring global living conditions into alignment rather than destroy natural resources or widen social gaps. For this reason we wish to continue our successful cooperation with the PUMA AG in future.
The most important principle of PUMA’s product-related social policy is also our most substantial instrument of control: The Code of Conduct. Our Code of Conduct is currently available in seventeen languages and is displayed and accessible at all our production sites. PUMA has developed a code of conduct that is based on the conventions of the International Labour Organization (ILO).

Employment shall not be offered to children who are under 15 years of age or below the minimum age specified by the respective applicable laws, or have not yet concluded the compulsory school attendance specified by the respective applicable laws.

Compliance with the respective applicable laws and regulations regarding the handling of harmful substances, safety at work and environmental protection.

The working week comprises six days amounting to a total of 48 working hours and a maximum of 60 working hours per week; one day off is given within the seven-day week; overtime is remunerated in accordance with the respective applicable laws.

Fair remuneration as well as the compliance with all other legally specified benefits is guaranteed.

Assurance of equal rights regardless of race, religion, age, social background, political beliefs, gender or position within the company.

Assurance of human dignity at work; no harassment, abuse and/or corporal punishment.

Freedom of association as well as the right to join trade unions.

The Code of Conduct requires that all manufacturers working for PUMA strictly adhere to the working and social conditions stated therein.

The following chronicle shows the development of our social standards as well as the Code of Conduct since 1993. It also illustrates our social accountability towards our employees.

“A child in danger is a child that cannot wait“

Kofi Annan
The following chronicle shows the development of our social standards as well as the Code of Conduct since 1993. It also serves to illustrate our social accountability towards our employees. All employees working for PUMA have been instructed to be alert to any infringements of social and environmental standards during their visits to production sites. Any and all non-compliance issues are to be immediately forwarded to the S.A.F.E. Team.

DEVELOPMENT OF OUR SOCIAL STANDARDS

>> 1993
Introduction and incorporation of the Code of Conduct into all production contracts for footwear and apparel in the Far East

>> February 1994
Distribution of the Code of Conduct to all footwear and apparel manufacturers

>> September 1995
Distribution of the Code of Conduct to our accessories manufacturers in the Far East

>> January 1996
Letters to all licensees demanding strict compliance with the Code of Conduct

>> August 1996
Meeting with the SGI (Sporting Goods Industry) on the subject of child labor to ratify a joint statement, which was publicly announced during the Atlanta Super Show in February 1997

>> September 1996
Visit to football (soccer) manufacturers in Sialkot, Pakistan; official statement concerning the “Declaration de Berne”

>> November 1996
Official press release by the SGI (Sporting Goods Industry) on initial measures taken by the industry to ensure compliance with social standards

>> February 1997
Again, letters sent to all Far East manufacturers stating the overall importance of the Code of Conduct

>> July 1997
Appointment of a Far East representative responsible for the implementation of social audits in all PUMA manufacturing facilities.

>> October 1997
Press release issued by one of our ball manufacturers who serves as chair of the “Steering Committee on Child Labor in Industry” (SCCLI) demanding the absolute prohibition of child labor in football production

>> November 1997
Revision and distribution of the Code of Conduct to all PUMA manufacturers in Europe and the Far East, requiring strict compliance with the stipulations

>> December 1997
Distribution of the revised Code of Conduct to all licensees

>> February 1998
Distribution of the revised Code of Conduct to all accessories manufacturers; again, a letter is sent to all our global partners demanding the strict adherence to PUMA sourcing guidelines and compliance with the Code of Conduct

>> May 1998
PUMA opens up an office in Sialkot, Pakistan, announcing that the office will house a technical representative who is responsible for ensuring that the production of soccer boots and soccer gloves is carried out without child labor

>> June 1998
Modifications are made to PUMA’s licensing contracts with soccer ball manufacturers. Now soccer balls are exclusively sourced from manufacturers who have been audited for compliance with the Code of Conduct

>> September 1998
At the AVE (the German Retail Industry’s Foreign Trade Association) meeting in Cologne, PUMA participates in the working group for the German retail industry’s social standards

>> August 1998
Receipt of the counter-signed licensing contracts modified in June 1998

>> January 1999
Audit seminar in Hong Kong implemented by I.T.S. (Intertek Testing Services) with the aim of informing PUMA of the social standards of the company’s suppliers and manufacturers.

>> February 1999
New licensees are subjected to PUMA’s modified license contracts based on the Code of Conduct

>> May 1999
PUMA appoints a corporate environmental officer responsible for enforcing environmental and social standards in PUMA’s global network of suppliers and manufacturers.

>> October 1999
Appointment of a Far Eastern representative responsible for the implementation of social audits in Asia

>> November 1999
Review of the Code of Conduct and publication of the first manual on product-related environmental and social standards

>> As of 2000
Presentation of the product-related environmental and social standards manual during the festivities for the tenth anniversary of World Cat LTD in Hong Kong in the presence of footwear and apparel manufacturers. Also, distribution of the manual to the manufacturers, requiring them to accept and sign our “Declaration of Principles” which obligates them to adhere to our social standards

Distribution of the product-related environmental and social standards manual to all manufacturers, requiring them to strictly comply with the environmental and social standards defined therein
In 2000, sporting goods manufacturers received considerable negative press regarding factory working conditions in the Far East. In relation to this, a demonstration was organized by the “German Clean Clothes Campaign”, after which the demonstrators took part in a discussion at the PUMA headquarters in Herzogenaurach. Prior to this demonstration, an extensive postcard campaign had been initiated by the “Clean Clothes Campaign” and Misereor, a German catholic organization. The essence of this campaign was the premise that poor working conditions are predominant in global sporting goods production.

On the grounds of these accusations we instructed our auditors to thoroughly examine this matter.

In many third world countries it is considered normal for children of a certain age to seek employment in order to ensure the livelihood of their families. In these countries, a general school attendance rule does not exist and actual attendance is impossible to verify due to the enormous costs involved.

PUMA rigorously condemns child labor as being exploitative.

The problematic nature of overtime work is also one of our major concerns.

In many of the interviews carried out, PUMA staff learned that the production facility employees come from rural areas and have taken up work in the respective factories with the intention of remaining there for a maximum of five years during which they want to earn as much money as possible. For these persons, overtime work is not only accepted but, in fact, welcomed.

We know that the reduction of overtime work, especially in times of very high production outputs, is a very difficult and problematic matter. Nonetheless, we are continuing the intensive cooperation with our manufacturers, the target of which is a strict compliance with our standards, and are doing the utmost to detect and prevent any and all potential non-compliance issues.

We understand that social accountability is comprised of a cooperative dialogue between our company and our global manufacturers with the target of jointly creating socially viable workplace conditions and compliance with all the relevant laws and regulations. Furthermore, we have committed ourselves to ensuring that all people working for PUMA are granted the legal minimum entitlement in terms of working conditions.

Prior to every audit, intensive briefings are held with the respective suppliers. The aim of such briefings is to explain the intention of the audit to suppliers in advance and to make them aware of the advantages of conducting these audits.

However, the S.A.F.E. Team is more than just a monitoring body, we also strive to be a consulting team. With our standards, which were put together on the basis of the globally accepted SA 8000 Standard (Social Accountability), we want to offer cooperative dialogue to our suppliers with the aim of making them rethink their own standards and, eventually move towards a stance centered on social accountability.

Apart from publicly displaying the Code of Conduct, which requires the manufacturer to comply with the standards stated therein, the so-called “Declaration of Principles” must also be signed by our manufacturers prior to contract conclusion. These documents comprise all the requirements that manufacturers are contractually bound to fulfill. Non-compliance with these standards may result in termination of contract. The “Declaration of Principles” also stipulates that our manufacturers are obliged to forward the standards provided in our S.A.F.E. manual to all their sub-suppliers. Manufacturers are responsible for the compliance with these standards. However, the written confirmation of compliance with our standards by way of contract conclusion, as described above, does not relieve PUMA from implementing social audits at our global manufacturers’ factories to ensure such compliance.

We understand that social accountability is comprised of a cooperative dialogue between our company and our global manufacturers with the target of jointly creating socially viable workplace conditions and compliance with all the relevant laws and regulations. Furthermore, we have committed ourselves to ensuring that all people working for PUMA are granted the legal minimum entitlement in terms of working conditions.

For this purpose, we have created a special team, which consists of auditors that visit our global production sites to control and monitor the environmental and social standards defined by PUMA. Whenever non-compliance issues are detected in these factories, they are thoroughly discussed with the local representatives and documented in the “Corrective Action Plans”. The “Corrective Action Plan” serves as an instrument for documenting conditions that need improvement and also includes a target schedule for the realization of such improvements.

Prior to every audit, intensive briefings are held with the respective suppliers. The aim of such briefings is to explain the intention of the audit to suppliers in advance and to make them aware of the advantages of conducting these audits.

However, the S.A.F.E. Team is more than just a monitoring body, we also strive to be a consulting team. With our standards, which were put together on the basis of the globally accepted SA 8000 Standard (Social Accountability), we want to offer cooperative dialogue to our suppliers with the aim of making them rethink their own standards and, eventually move towards a stance centered on social accountability.
The implementation of our auditing program involves filling out standard questionnaires available in PUMA's S.A.F.E. manual and gathering information on general social as well as product-specific matters. A factory will successfully pass an audit if the ranking result of the audit evaluation amounts to 75% or more. This figure is, however, a minimum requirement and we insist that factories whose ranking is not above 75% to fundamentally improve their standards.

Depending on the respective factories' categorization, audits may be carried out annually. Production sites that do not comply with the PUMA standards will be cut off from production if the detected non-compliance issues are not immediately rectified.

Factories are categorized as follows:

A – PUMA assesses a factory of category A as being very good. All the required environmental and social standards are complied with by almost 100%. These factories are subject to routine audits every other year.

B – PUMA assesses a factory of category B as being good to satisfactory. Possible non-compliance issues that are of minor importance can be rectified immediately. A follow-up audit will be carried out within six months.

C – PUMA assesses a factory of category C as being poor. Serious non-compliance issues regarding environmental and social standards have been detected during the audit. These non-compliance issues must be rectified immediately, i.e. during the ongoing audit or within a period of eight weeks. A second audit will then be carried out with the result of either a complete shutdown of production or a continuation of cooperation with the factory, depending on the second audit's results. If no corrections whatsoever have been realized, the business relationship between PUMA and the factory in question will immediately be terminated.

All factories that have not been audited will from now on be regarded as factories that have not yet been monitored for compliance with the S.A.F.E. Standards. Such factories may not manufacture PUMA products.
Social Policy

Auditing situation: 100% auditing level
Extensive auditing currently 95% of our direct measures are currently 100% auditing level
suppliers carried out

S.A.F.E. Social Accountability & Fundamental Environmental Standards have been distributed to all manufacturers, licensees and sub-suppliers 95% of all our partners have our manual

Accountability & the PUMA’s Environmental standards have been distributed to all manufacturers, licensees and sub-suppliers

The Code of Conduct has been distributed to all of PUMA’s licensees and sub-suppliers

Social standards based on the SA 8000

The auditing of our licensees and sub-suppliers is being prepared

Implementation of training measures on social matters addressed to all our manufacturers

We know that the road leading to our target is very long. However, each step brings us closer to reaching our ultimate goal.

Current Situation Target Situation Comment Fulfilled As Of/By
Auditing situation: 100% auditing level Extensive auditing measures are currently carried out October 2001
S.A.F.E. Social Accountability & Fundamental Environmental Standards have been distributed to all manufacturers, licensees and sub-suppliers 95% of all our partners have our manual
All manufacturers have the PUMA’s Environmental and Social Standards manual All partners must strictly comply with the standards specified in the manual Will be fulfilled by July 2002
Code of Conduct has been distributed to all of PUMA’s manufacturers The Code of Conduct is currently being distributed to all our partners Fulfilled as of October 2001
Social standards based on the SA 8000 Compliance with SA 8000 Initial procedures for the implementation of compliance have begun Currently not foreseeable
The auditing of our licensees and sub-suppliers is being prepared 100% auditing level for all PUMA partners, sub-suppliers and licensees Currently being prepared By June 2002
Implementation of training measures on social matters addressed to all our manufacturers Knowledge of all social standards of the PUMA AG Training measures are carried out within the scope of every audit By 2002

Selected Financial Data

Turnover by Product Segment ‘000 €
- Footwear 270.905 209.022 202.513
- Apparel 163.544 138.952 85.802
- Accessories 27.988 24.735 14.197
Consolidated turnover: 462.437 372.709 302.512
Turnover gained by licensees: 368.638 342.209 344.923
Global turnover: 831.075 714.918 647.435

Turnover by Region ‘000 €
- Western Europe 267.427 227.192 176.735
- America 118.988 84.784 60.298
- Asian/Pacific Region 44.677 38.091 37.742
- Africa/Middle East 9.938 6.104 11.454
Consolidated turnover: 462.437 372.709 302.512
Turnover gained by licensees: 368.638 342.209 344.923
Global turnover: 831.075 714.918 647.435

Financial Highlights ‘000 €
Turnover: 462.437 372.709 302.512
Gross profit margin: 38.2% 38.0% 35.8%
Operating result: 22.826 16.256 4.683
- stated as percentage of turnover: 4.9% 4.4% 1.5%
Pre-tax profit: 21.227 14.393 3.424
- stated as percentage of turnover: 4.6% 3.9% 1.1%
Consolidated profit: 17.572 9.537 4.047
Profit per share in euros: 1.14 0.62 0.26
Number of employees as of December 31: 1.522 1.424 1.145
If you have any questions or would like to comment on this Environmental and Social Report, please contact:

Dr. Reiner Hengstmann
World Team S.A.F.E.
PUMA AG
Würzburger Straße 13
91074 Herzogenaurach

Dr. Ulf Santjer
Spokesman
PUMA AG
Würzburger Straße 13
91074 Herzogenaurach

Published by:
PUMA AG Rudolf Dassler Sport
Würzburger Straße 13
91074 Herzogenaurach
PO Box 14 20
91072 Herzogenaurach
Germany

Tel.: +49/9132 81-0
Fax: +49/9132 81-22 46
E-mail: info@puma.com
Internet: http://www.puma.com

Realized by:
Loos Entertainment
Kaiserstraße 170
90763 Fürth
Germany

Tel.: +49/911 747 900
Fax: +49/911 747 919
E-mail: harald-loos@t-online.de