



Herzogenaurach — July 2019

# Modern Slavery and Human Trafficking Statement 2018

**This statement has been published in accordance with the UK Modern Slavery Act (2015) and the California Transparency in Supply Chains Act of 2010 (SB 657). It sets out the steps that PUMA SE and all its subsidiaries\* (herein after referred to as PUMA) have taken during the financial year 2018 to prevent modern slavery and human trafficking in its own business and in its supply chain.**

## Structure, Business and Supply Chain

PUMA is one of the world's leading sports brands, designing, developing, selling and marketing footwear, apparel and accessories. For 70 years, PUMA has been producing the most innovative products for the fastest athletes on the planet. PUMA offers performance and sportstyle products in categories such as Football, Running and Training, Golf, Motorsports and Basketball. PUMA engages in exciting collaborations with renowned designers to bring innovative and fast designs to the sports world. The PUMA Group owns the brands PUMA and COBRA Golf as well the subsidiary Stichd. PUMA distributes its products in more than 120 countries and employs more than 13,000 people worldwide and is headquartered in Herzogenaurach, Germany.

Social, economic and environmental sustainability is a core value for PUMA. As a long-term signatory to the United Nations Global Compact, we have linked our sustainability strategy to the United Nations Sustainable Development Goals. 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.

We recognize the importance for transparency in our supply chain and publish the list of our core component and material suppliers (Tier 2) and our core manufacturers (Tier 1). The list can be found on the PUMA's website under Sustainability/Social. This PUMA global core factory list includes suppliers that stand for 80% of the sourcing volume of our apparel, footwear, and accessories divisions. PUMA's suppliers are located all around the world, Asia remains the strongest sourcing region overall with China and Vietnam as our main sourcing countries. The core factory list contains the name, address and tier-level of each factory as well as information on the type of product being processed and the number of employed workers.

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 2018).

## Policies on Modern Slavery and Human Trafficking

PUMA is committed to ensure respect of the ILO Core Conventions, the United Nations Universal Declaration of Human Rights and the ten principles of the United Nations Global Compact. These standards are the

foundation for PUMA's labor-related policies. PUMA's Code of Ethics is the basic framework for the behavior of all PUMA employees including employees of joint ventures, customers and suppliers.

\*including PUMA United Kingdom Limited, PUMA Europe GmbH –UK branch, PUMA Teamwear, Stichd and PUMA Premier.



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 modern slavery and human trafficking and forced labor is also integrated 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 responsible recruitment, forced labor, bonded labor, child labor and human trafficking are also detailed in PUMA Sustainability Handbook – Social Standards. This is distributed to all our vendors and their subcontractors and compliance is mandatory for them. The Handbook is updated regularly to integrate relevant Human Rights subjects and set an approach to address and improve specific challenges. All commitments mentioned before are granted throughout 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.

### **Risk Assessment and Due Diligence Processes**

PUMA has actively promoted the respect of Human Rights within its supply chain. All PUMA suppliers (Tier 1) as well as all PUMA Core Suppliers (Tier 2) are regularly assessed for compliance to our Code of Conduct. We recognize the risk of modern slavery within the textile and footwear industries. All forms of modern slavery, including but not limited to forced labor, bonded labor, child labor and human trafficking are Zero Tolerance Issues (ZTIs) as stated in PUMA's Sustainability Handbook – Social Standards. New factories with zero tolerance issues will not be admitted into PUMA's supply chain. For active factories, the remediation of ZTIs is treated with the highest priority. Should factories fail to remediate any identified ZTIs within an agreed timeframe, the business relationship with this factory will be terminated.

As part of our actions to identify and mitigate risks, we carry out due diligence and assessments which include:

- Suppliers' selection through a careful screening process to engage only with business partners who share our commitment to uphold the highest labor standards;
- Conducting regular announced and unannounced audits as well as third-party assessments from the Fair Labor Association (FLA) to better understand local contexts and leverage opportunities;
- The identification of regional specific Human Rights risks engaging in an active dialogue with local stakeholders including NGOs, unions and suppliers;
- Joining industry initiatives for mapping and remediating the most complex challenges.

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 2017, we conducted a Supply Chain Human Rights Risk Assessment together with the specialist consultancy firm twentyfifty. The results showed that PUMA is proactively embedding responsible business conduct in its management processes as well as collaborating with other peers and industry initiatives. Mapping and assessing risks and impacts practices in the lower Tiers of the supply chain are opportunities for improvement to be better integrated at the strategic level.

The high-risk areas identified include the field of cotton farming and cattle ranching as well as labor blind spots, for example on gineries and the lower Tiers of leather tanning as well as marine shipping. Together with internal and external stakeholders an action plan was setup to mitigate the potential risks identified.

Examples of the actions agreed include evaluating the Human Rights risk level for our core suppliers and mapping out the complete supply chain for the ten suppliers with the highest risks. Those suppliers which have not been previously covered by our audits will be evaluated with

a self-assessment tool to identify their specific risks. We will empower our Tier 1 and Tier 2 suppliers to conduct this due diligence exercise on their own supply chain. Furthermore, for cotton farming, we have increased our 50% target to source at 90% of our cotton via the Better Cotton Initiative (BCI) by 2020 to cover the majority of the cotton used in PUMA products by sustainable cotton initiatives like the BCI. In parallel, we work on improving the traceability of the leather we use via the traceability system of the Leather Working Group, where over 90% of our leather suppliers are members. To mitigate the risk of marine shipping, we work with top-class logistic companies and ask them to frequently update us on their own Human Rights policies and performance.

Thanks to our work with industry peers, we have also identified the high risk of Modern Slavery and Human Trafficking to which low-skilled migrant workers are exposed. In 2018, we have updated our own policies to ensure that they adequately address responsible recruitment practices, including for example, that no recruitment fees should be borne by workers.

### Effectiveness

Embedding Human Rights across our operations and suppliers is a part of PUMA's 10FOR20 Sustainability Targets. 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 via a toll-free external whistleblower platform 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.

Our Code of Conduct applies to all our business partners in the 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. During those audits, we look for indicators of forced labor as well as associated indicators of risk, such as freedom of association.

In 2018, we continued to achieve nearly 100% compliance –monitoring of our active Tier 1 manufacturing partners. We also audited our most important Tier 2 suppliers and piloted an audit in a PUMA warehouse. We conducted 536 audits in 473 factories. Eleven factories could not sufficiently meet our requirements or didn't show significant performance improvements.



Consequently, these factories were delisted from our active supplier factory base. Overall, our supply chain team identified five cases of zero tolerance issues in 2018. These cases were related to the underpayment of minimum wages. All factories were asked to immediately remedy the issues in question. One factory was consequently removed from our supplier base and four factories rectified the payments and therefore remained active PUMA suppliers.

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 2018, we received in total of 55 worker complaints from our factories, but none of them concerned modern slavery cases. As PUMA is an accredited member of the FLA, any third party can also file an official third-party complaint with the FLA directly. No cases concerning modern slavery or human trafficking in PUMA's supply chain have ever been brought to the FLA complaint channel.

To measure performance and progress within our supply chain, we use the results of

our annual Social KPI survey. We continue to improve the methodology of data collection and analysis but 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 as well as core material and component manufacturers and support them through training skills and development programs and sharing good practices.

To reach our goals, PUMA collaborates with other brands and international organizations in initiatives to work jointly on improving working conditions in our sourcing countries. One example on how we address the risks, to which high-vulnerable groups are exposed, is our commitment with the project led by the FLA on Syrian Refugees working in the Turkish apparel industry. The FLA and the Ministry of Labor and Social Security in Turkey are raising awareness on the risk of child labor for refugees and provide guidance on the employment of young workers (older than 15 and younger than 18) to employers. The project scope covers cotton farming activities which is one of PUMA's high-risk areas.

### Training and Awareness

In 2018, 99 % of PUMA employees completed an 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 include corruption, diversity and respect for Human Rights.

At the supply chain level, we have conducted frequent supplier round tables in all major sourcing regions for several years. In 2018, we trained 315 PUMA suppliers at our annual supplier Round Table Meetings on how to avoid forced labor. This was done in collaboration with the International Organization of Migration, or other expert organizations, which highlighted the connection between recruitment fees paid by migrant workers in countries like Mauritius and Taiwan and potential forced-labor issues. Migrant workers are the group considered most exposed to significant risks of forced labor in supply chains. Material and component suppliers are also invited to these meetings.

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### Next steps

PUMA will continue to implement the recommendations outlined in our Corporate and Supply Chain Risk Assessments.

We will keep on improving and formalizing the ongoing risk management processes to better identify, prevent, mitigate and account for risks within our supply chain. We request core Tier 1 and Tier 2 suppliers to conduct due diligence on their own operations and supply chains.

PUMA will maintain its commitments at industry level, enabling a common framework for improving migrant workers protection through responsible recruitment practices. Furthermore, PUMA will ensure that our updated policy on recruitment fees is being addressed by our suppliers.

**This statement covers January 1, 2018, to December 31, 2018, and has been approved by the Management Board of PUMA SE.**

### **Bjørn Gulden**

Chief Executive Officer  
PUMA SE

### **Anne-Laure Descours**

Chief Sourcing Officer  
PUMA SE

### **Michael Lämmermann**

Chief Financial Officer  
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### **About PUMA**

PUMA is one of the world's leading sports brands, designing, developing, selling and marketing footwear, apparel and accessories. For 70 years, PUMA has relentlessly pushed sport and culture forward by creating fast products for the world's fastest athletes. PUMA offers performance and sport-inspired lifestyle products in categories such as Football, Running and Training, Basketball, Golf, and Motorsports.

It collaborates with renowned designers and brands to bring sport influences into street culture and fashion. The PUMA Group owns the brands PUMA, Cobra Golf and Dobotex. The company distributes its products in more than 120 countries, employs more than 13,000 people worldwide, and is headquartered in Herzogenaurach/Germany.