



FOREVERFASTER  PUMA.

PUMA SUSTAINABILITY **HANDBOOK**

Social Standards



Foreword

At PUMA, we believe that our position as creative leader in the Sports industry gives us the opportunity and the responsibility to contribute to a better world for generations to come. With the Forever Faster transformation, Sustainability remains a key value of the PUMA brand. Faster is how we are working towards a more just and sustainable future, accelerating positive change in the industry and the world. We believe that by staying true to our values, inspiring the passion and talent of our people, working in sustainable, innovative ways, and doing our best to be Fair, Honest, Positive, and Creative, we will keep on making the products our customers love, and at the same time bring our vision of a better world a little closer every day.

We aim to bring our trading practices in line with the principles of sustainable development. This means that we do not just want to provide high-quality products, but it is our duty to ensure that these products are manufactured in workplaces where human rights are respected and workers' health and safety as well as the environment are protected.

PUMA takes on the responsibility for everybody involved in the production process, whether a PUMA employee or not. However, this responsibility cannot replace nor substitute the responsibility of our vendors within their own manufacturing facilities. Our "Code of Conduct" expresses the expectations we have of our vendors. It is integrated into our manufacturing agreement, which delimits the business relationship we share with our partners. PUMA takes this shared responsibility seriously. We reserve the right to terminate business relations with any partner who does not respect the letter or the spirit of our Code of Conduct or Corporate Sustainability Policies.

Only by partnering up with our vendors we will be able to have a positive impact and contribute to making a better world for the communities we operate in, the workers who make our great products, our customers and our own employees and, of course, for future generations.

A handwritten signature in black ink, appearing to be "Lars Sørensen".

Lars Sørensen
Chief Operating Officer

A handwritten signature in black ink, appearing to be "Michael Bennett".

Michael Bennett
Global Director, SourceCo and Sustainability



Table of Contents

- Foreword1
- Table of Contents3
- Introduction6
- SECTION ONE PUMA’s Mission and Strategy7
 - 1.1 Mission Statement7
 - 1.2 Sustainability Strategy7
 - 1.3 PUMA 10FOR20 Sustainability Targets7
 - 1.4 The PUMA Code of Conduct8
- SECTION TWO Compliance9
 - 2.1 Promoting Internal Compliance9
 - 2.2 Conflicting Requirements and Conflict of Interest9
 - 2.3 Limitations regarding Anti-Trust9
- SECTION THREE Industry Collaboration 10
- SECTION FOUR Audit Instruments and Monitoring Program 11
- Documentary Requirements 11
 - 4.1.1 Declaration of Principles 11
 - 4.1.2 Fair Labor Association Declarations 12
 - 4.1.3 ILO Better Work Membership confirmations 12
- SECTION FIVE New Factory Application and Pre-screening Visit 12
- SECTION SIX PUMA Compliance Audit 12
 - 6.1 Preliminary Meeting 13
 - 6.2 Facility Tour 13
 - 6.3 Document Review 13
 - 6.4 Employees’ Interview 13
 - 6.5 Summary Meeting 14
 - 6.6 Corrective Action Plan 14
 - 6.7 Audit Report 14
 - 6.8 Additional Checks for Compliance 14
 - 6.9 The PUMA Audit Rating System 15
 - 6.10 Core Suppliers 16
- SECTION SEVEN Zero Tolerance, Critical, Major and Regular Issues 17
 - 7.1 Zero Tolerance (ZT) Issues 17
 - 7.2 Critical Issues (CI) 17
 - 7.3 Major Issues (MI) 19
 - 7.4 Regular Issues (RI) 20
- SECTION EIGHT Social and Labour Standards 20
 - 8.1 Child Labor, Young Workers and Apprenticeship Programs 20
 - 8.1.1 Policy on Child Labour 20
 - 8.1.2 Young Workers 21
 - 8.1.3 Apprenticeship and Traineeship Programs 21



8.1.4 Documentation	22
8.2 Employment Policies and Procedures.....	22
8.2.1 Recruitment.....	22
8.2.2 Contract Management	22
8.2.3 Informed Workplaces/Employee Handbooks/HR Information Systems	23
8.2.4 Employee Training	24
8.3 Working Hours and Rest Days	24
8.3.1 General Requirements	24
8.3.2 Overtime Regulations	25
8.4. Wages and Benefits.....	25
8.4.1 Legal Benefits	26
8.4.2 Mandatory Insurance/Social Protections	26
8.4.3 Bonuses & Deductions.....	26
SECTION NINE Equal Opportunities and Gender Fairness	27
9.1 Policy	27
9.2 Non-Discrimination	27
9.3 Freedom of Religion	28
SECTION TEN Women Workers	28
10.1 Policy	28
10.2 Sexual Harassment	29
SECTION ELEVEN Migrant Workers.....	30
11.1 Policy	30
11.2 Vulnerability and Special Needs.....	30
SECTION TWELVE Voluntary Labour	31
12.1 Policy	31
12.2 Voluntariness of Overtime	32
SECTION THIRTEEN Dignity and Respect.....	32
13.1 Policy	32
13.2 Physical Harassment.....	32
13.3 Verbal Abuse	32
13.4 Psychological Harassment	32
13.5 Unfair Work Practices.....	33
13.6 Racial Harassment	33
SECTION FOURTEEN Disciplinary Practices, Termination and Retrenchment	33
14.1 Disciplinary Practices.....	33
14.2 Termination.....	34
14.3 Retrenchment Plan.....	34
SECTION FIFTEEN Suggestions, Complaint and Grievance Procedures	35



15.1 Employee Suggestion Scheme	35
15.2 Complaint Procedures	35
15.2.1 Informal Complaint Procedure	35
15.2.2 Formal Complaint Procedure	35
15.3 Reprisal.....	36
SECTION SIXTEEN Freedom of Association and Collective Bargaining	37
16.1 Works Councils, Unions and Other Forms of Employee Representation	37
16.2 Collective Bargaining	38
SECTION SEVENTEEN General Welfare Facilities	38
17.1 Break Areas and Canteens	39
17.2 Changing Rooms	39
17.3 Dormitories	39
17.3.1 General	39
17.3.2 Rooms	40
17.3.3 Water Supply.....	40
13.4 Other Welfare Facilities	40
SECTION EIGHTEEN Factory Training and Capacity Building Projects	41
SECTION NINETEEN Worker Grievance/Complaints Management	41
SECTION TWENTY Year-end Grade Guidance.....	41
APPENDIX	43
A. Code of Conduct.....	43
B. Contact Person	44
C. Glossary of Terms.....	44
TABLE OF FIGURES	45



Introduction

The protection of the environment, in accordance with established environmental and social standards has become an important topic in every industry, as well as in society in general. As a signatory of the United Nations Global Compact, PUMA is committed to setting an example on reducing the impact on the environment, both from own entities and within the supply chain, as well as, product usage and end of life. PUMA requires that all our vendors worldwide fulfil established environmental and social standards.

While continuously optimizing the production process, PUMA also sets targets to reduce our environmental footprint and mitigate negative impacts to the world's ecosystem of our supply chain. PUMA's comprehensive and ambitious targets to reduce our environmental impact and become more sustainable can be encompassed in the PUMA 10FOR20 Sustainability Targets, which are inspired by the United Nations Sustainable Development Goals and aligned with PUMA's majority shareholder, Kering.

It is the responsibility of our vendors to ensure that all minimum legal requirements concerning labor, worker health & safety, environment and product safety are fully complied with. However, our standards may exceed the legal requirements of the national laws of the countries. These standards are explained in the "PUMA Sustainability Handbooks". Our guidelines for sustainability and environmental protection are contained in the handbook "Environmental Standards", the guidelines for Chemicals and Restricted Substances are in "Chemical Management", and finally the handbooks "Social Standards" and "Occupational Health & Safety" elaborate in detail PUMA's position on labour and health and safety.

These four handbooks are subject to continuous updates, so suggestions and comments to improve are welcome.

PUMA pursues contractual relationships with licensees and factories that have agreed to comply with the guidelines set out in the PUMA Sustainability Handbooks. All PUMA factories are contractually bound to pursue only business relationships with subcontractors that are in compliance with these established guidelines and directives.

As a matter of course, transparency from suppliers is a minimum expectation. PUMA's sustainability team will work with suppliers to help address the root causes of non-compliance (for example via various training and development projects) and this can only be done within a transparent context. Any indication of false documentation or coaching of workers may have serious repercussions on the business relationship with PUMA.

Legal Disclaimer:

The content of this handbook is not meant to replace local or national regulations, nor will following the handbook guarantee all regulations are complied with. It remains the sole responsibility of our own entities, vendors and their subcontractors to ensure compliance with all local and national regulations at all times.

SECTION ONE

PUMA’s Mission and Strategy

1.1 Mission Statement

PUMA’s mission is “To be the fastest sports brand in the world”. Faster is how PUMA will work towards a more just and sustainable future, accelerating positive change in the industry and the world. PUMA considers the best interest and welfare of the workers who make PUMA products, the consumer and general public who uses our products and the environment that provides the resources to make our products. PUMA aims to do this while striving to make our business profitable in order to continuously provide the best benefits for all of our stakeholders.

1.2 Sustainability Strategy

In line with our “Forever Faster” transformation, PUMA has refined its global sustainability strategy that balance three dimensions Economic, Social and Environment (Figure 1) to achieve sustainable business development. The new strategy includes a drive to mainstream sustainability, create impact and ensure industry alignment.

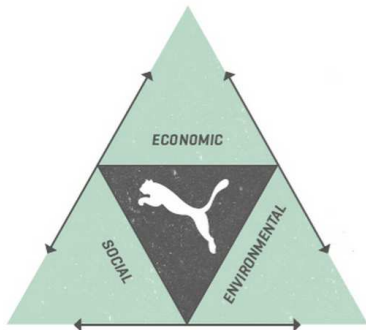


Figure 1: Three dimensions of PUMA Sustainability Strategy

1.3 PUMA 10FOR20 Sustainability Targets

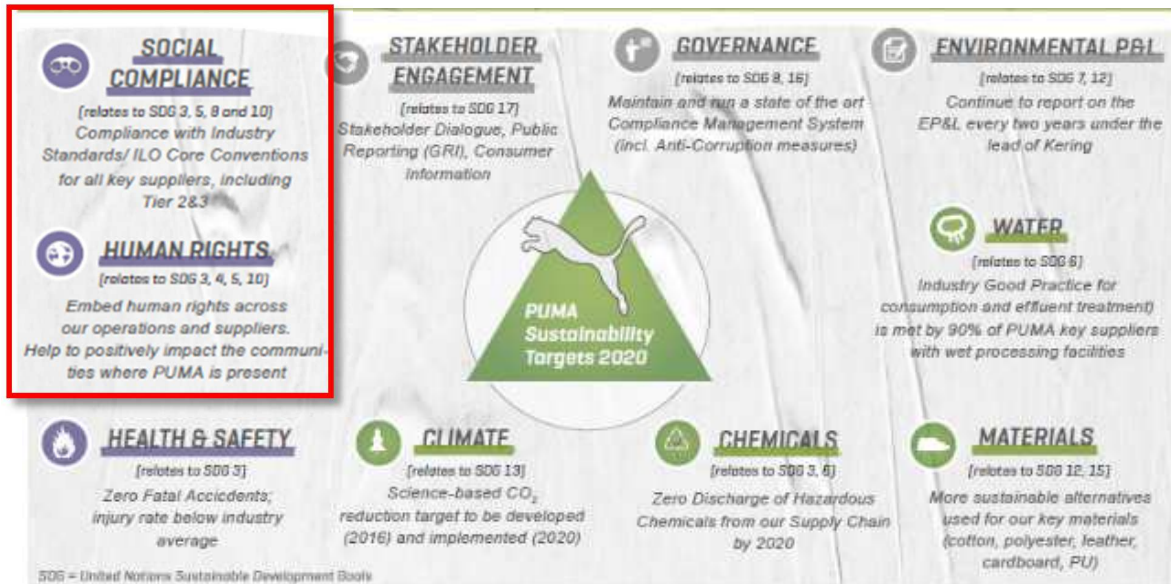


Figure 2: PUMA 10for20 Sustainability Targets



PUMA targets to reduce our environmental impact and become more sustainable are encompassed in the PUMA 10FOR20 Sustainability Targets which are inspired by the United Nations Sustainable Development Goals and aligned with PUMA's majority shareholder, Kering (See **Figure 2**). With the 10FOR20 targets we will create positive sustainability impact within 10 focus areas.

Following a lifecycle approach starting from product design, we are setting a strong focus on sourcing significant volumes of more sustainable raw materials. PUMA also encourage its supplier chain to adopt Industry Good Practice in manufacturing processes and eventually Zero Discharge of Hazardous Chemical by 2020. Leading by example, PUMAs owned and operated entities are obliged to meet equally ambitious reduction targets as those set for established for suppliers.

In addition, corporate environmental accounting is used to quantify the external damage and benefits caused by PUMA's business activities. The PUMA Environmental Profit & Loss Account not only puts a price tag on nature's services, but also provides a useful tool to identify where the largest environmental impacts lie and consequently how those can be optimized.

Acknowledging that we have mainly focused on environmental targets within our own sphere of influence for the period from 2010 to 2015, we have now balanced this with adding health and safety, human rights and governance targets for 2020 as well as shifting our focus deeper into the supply chain.

1.4 The PUMA Code of Conduct

PUMA recognizes its responsibility to all its stakeholders including direct and indirect employees, shareholders and consumers. With our PUMA Sustainability concept we developed a strategy to ensure a sustainable implementation of Corporate Responsibility issues along our supply chain.

PUMA's most important principles are summarized in our Code of Conduct (CoC), it lists the basic requirements relating to all employees of our supplier factories and their respective suppliers as well.

Our CoC (**Appendix A**) is regularly updated and distributed to all our suppliers. Each factory shall post the CoC in local language at accessible places in the production areas so that all employees are able to read it. Additionally, the factory shall ensure that all employees are aware of the Code.

The compliance to our CoC is monitored by our Sustainability team through internal monitoring visits (audits) or through authorized 3rd party monitoring firms. The authorization of PUMA production is only possible for factories which successfully passed a PUMA audit. The Sustainability team does not only audit for compliance, but also assesses the factory's management systems to implement continuous improvement.

SECTION TWO

Compliance

2.1 Promoting Internal Compliance

Suppliers shall appoint a Sustainability compliance officer to be in charge of, implement and support PUMA's Code of Conduct within its operations. Ideally, the officer speaks English besides the national language as he/she will be the main contact between the factory and the Sustainability team. The role of the officer is to promote the development of internal compliance programs and monitor its effectiveness.

To support the implementation of the Code of Conduct, the factory shall put into effect internal policies and control mechanisms to identify any potential non-compliance at an early stage and work towards remediation wherever required. This internal audit or compliance system should integrate the monitoring and implementation of compliance-related systems.

2.2 Conflicting Requirements and Conflict of Interest

Suppliers shall ensure that all their activities, contracts or agreements, accounting, and so on are in compliance with its internal policies which in turn are compliant to all the relevant local, national and international legislation. In case of conflicting requirements, the regulation with stricter demands shall be followed.

Company decisions should always be made objectively, free of bias, such as: business dealings (e.g. having relationship or investment with competitors), social ties (e.g. friends or relatives influencing judgment) or other personal considerations (e.g. offering or accepting bribes; gifts from suppliers and so on).

2.3 Limitations regarding Anti-Trust

In general, PUMA will not willingly violate any anti-trust legislation by sharing commercial information or other information deemed by government authorities that violates anti-trust. As the compliance-related management systems in a factory converge so that working conditions are taken into consideration in production planning and other business decisions by the supplier, some commercial information may be implied from the compliance data. Suppliers must remain responsible for the confidentiality of commercial information and must inform all relevant customers, including PUMA, of the specific information shared and with which parties.

SECTION THREE

Industry Collaboration

We believe that in order to mainstream the sustainability efforts of our industry and to achieve long-term and stable positive impact within the factories and communities we operate in, it is absolutely necessary to collaborate with our industry peers. While in most cases we may be able to influence our direct contract partners at the first tier of the supply chain, our influence is much lower at the second tier of subcontractors and component suppliers. Therefore, we have placed a large emphasis on industry alignment and collaboration and where feasible try to support existing industry initiatives.

We also believe that to make the overall system more efficient, individual industry organizations need to align with others working in the same field, ideally converging their tools or at least harmonizing their systems. Examples of our efforts to support industry alignment and collaboration are:

- Harmonizing the PUMA compliance audit tool with the methodology of FLA and Better Work
- Supporting a convergence of the various existing supplier social compliance assessments under the umbrella of the Sustainable Apparel Coalition (SAC).
- Working on the introduction of relevant social KPIs as part of the SAC framework on social standards to measure performance in addition to compliance.

Such harmonization and alignment will potentially free up resources currently spent by brands and suppliers alike on multiple audits for the same factories, multiple test reports for hazardous chemicals on the same materials and effluents, as well as multiple capacity building and training projects focusing on similar subjects and suppliers.

Instead, we plan to use our resources more effectively on creating true positive impact for our direct and indirect employees as well as the communities and environment they operate in. Our new targets “10FOR20” will guide our work in this respect.

Further Information on the global initiatives and programs which PUMA actively supports can be found in the following sites:

Fair Labor Association: <http://www.fairlabor.org>

Better Work: <http://betterwork.org/global>

Sustainable Apparel Coalition: <http://apparelcoalition.org>

International Labour Organization: <http://www.ilo.org>

United Nations Global Compact: <https://www.unglobalcompact.org>

United Nations Sustainable Development Goals: <https://sustainabledevelopment.un.org>

Global Reporting Initiative <https://www.globalreporting.org>



SECTION FOUR

Audit Instruments and Monitoring Program

Compliance audits are one important tool to check that PUMA's social, health, safety and environmental standards are observed at its contract factories as well as those of its subsidiaries, licensees or joint ventures. PUMA also supports capacity building projects and conducts regular consultation with factories to improve the level of compliance but it is through monitoring activities, either by PUMA or other qualified parties, that compliance and sustainability are verified. Within its manufacturing agreements, PUMA SE reserves the right to conduct a comprehensive social, health, safety and environmental audit at factories to verify compliance with PUMA's policies and requirements as well as the applicable local laws. Thus, every factory, which manufactures PUMA products, is regularly audited for compliance with all PUMA standards and the relevant national and local laws.

The PUMA compliance monitoring program is not limited to manufacturers of finished goods but also applies to manufacturers of key components and materials.

In order to avoid audit fatigue and multiple buyer audits at individual factories, PUMA accepts audits or assessments conducted by or on behalf of the ILO Better Work Program and/or accredited member brands of the Fair Labor Association (FLA), provided full audit or assessment reports are shared with PUMA and those are not older than one year. PUMA is an active member of both the FLA and the ILO Better Work Program as well as the Fair Factories Clearing House (FFC), a compliance information platform which is used to store, manage and share our PUMA compliance data.

For areas or countries of low risk and strong national labour compliance, the PUMA Sustainability team may decide not to audit a factory but instead have the factory complete a self-assessment similar to the PUMA compliance audit.

Furthermore, PUMA supports the efforts of the Sustainable Apparel Coalition (SAC) to converge the various social and labour standards within the Apparel and Footwear industry. Therefore, PUMA core vendors as well as selected suppliers of components and materials will be asked to complete the SAC HIGG Index Social Facilities Module on an annual basis.

Documentary Requirements

PUMA requires that every contract factory sign the Declaration of Principles and the FLA Declarations. In both documents, the factory commits itself to ethical practices and compliance with the standards and to submit itself to PUMA's regular audit and monitoring system.

4.1.1 Declaration of Principles

After passing the initial PUMA audit, all suppliers sign the Declaration of Principles to declare their intention and conviction to comply with all the relevant national and local laws and with the policies set forth in the PUMA manuals. It also affirms their commitment to choose only such subcontractors that, in respect to the manufacture of PUMA products, comply as well with all the relevant national and local laws and with the policies set forth in the PUMA manuals.



4.1.2 Fair Labor Association Declarations

Since January 2004, PUMA is a member of the Fair Labor Association (FLA). After a three year implementation period, PUMA became an accredited member in early 2007. The FLA is a non-profit organization which seeks to integrate multiple stakeholders, such as Industry, NGOs and Universities, in order to protect workers' rights and improve their working conditions worldwide. Suppliers also sign the FLA Declarations reaffirming their commitment to ethical practices and PUMA's standards and to implement the FLA Workplace Code of Conduct. By signing the FLA Declarations, the factories also agree to be subject to FLA's compliance audits, the factories agree to allow the FLA monitors to enter the facility, have access to records, conduct private interviews and inspect the production areas and other facilities inside or outside the factory premises.

4.1.3 ILO Better Work Membership confirmations

Since 2013 PUMA is an active member of the ILO Better Work Program. This program is jointly run by the ILO and the IFC in certain countries including Cambodia, Vietnam, Bangladesh and Jordan. Factories who are subject to the ILO Better Work Program should submit their official confirmation of program membership to PUMA on an annual basis. Upon receipt, PUMA will refrain from conducting own audits at the facilities in question but instead use the Better Work Assessment reports and work with the factories on performance improvement.

SECTION FIVE

New Factory Application and Pre-screening Visit

Before a PUMA audit is conducted at a factory applying for accreditation as PUMA supplier, requesting Sourcing partners usually conduct a pre-screening to get an overview of the factory's compliance status. Based on an initial visit and investigation at the factory, the Sourcing partner may fill out a compliance report to be used to prepare the audit.

Factory Self-Assessment

Before a compliance audit is scheduled, each factory will be asked to complete a self-assessment questionnaire. This self-assessment questionnaire is similar in scope to the PUMA compliance audit and allows the factory in question to compare its existing compliance system with the PUMA requirements.

SECTION SIX

PUMA Compliance Audit

A PUMA compliance audit is conducted with all potential suppliers prior to the start of business relationship. Only factories with a passing grade of A or B will be authorized for PUMA production.

Factories with a C rating will be given a certain time frame (typically 8 to 12 weeks) to eliminate critical non-compliance issues. Based on the successful completion, the factory will be upgraded to a B rating and production authorization will be given.



Factories with a D rating are far away from being compliant with the PUMA Social Standards. Therefore, no production authorization can be given. D rated factories are free to apply for a new PUMA compliance audit only if they provide credible evidence that a higher compliance status has been achieved permanently.

Factories who are authorized for production will be assessed at regular intervals, typically once per year.

PUMA Core Suppliers will be contacted more frequently. However not all assessments will be in the form of audits. Core suppliers might also be visited, for example, for validation of social and environmental Key Performance Indicators and their entries on the SAC HIGG Index.

PUMA compliance audits may be conducted announced or unannounced.

6.1 Preliminary Meeting

The audit starts with a briefing to the factory management/representatives on the PUMA standards, the audit process and its scope.

6.2 Facility Tour

It is an inspection of all the production areas and the attendant facilities, such as materials storage areas, drinking stations, kitchen, dining room, medical clinic, dormitories, shower and toilet facilities, recreational areas, garbage staging area and waste water treatment facility where applicable, including those that may be located outside of the factory premises.

6.3 Document Review

Documents for review include registration papers with appropriate government agencies; business and safety licenses and permits; company policies and procedures; employment records including contracts and age documentation; attendance records; payroll and other related records; and those related to health, safety and environmental practices in the factory.

The documents are primary evidences of the factory's compliance with the standards. Presentation by the factory of fake or manufactured documents during the audit is non-negotiable. This is a zero tolerance issue and the audit will be discontinued until concrete assurance of transparency is obtained. All related questions where the non-transparency was found will receive maximum rating penalties. Regardless of the grade obtained, the PUMA sustainability team may recommend not to commence a business relation with the subject factory or to discontinue a business relation that has already been started

6.4 Employees' Interview

Interview of randomly selected employees is another important audit procedure. This may be done in groups or individually depending on the nature of information being desired from the interview. Interviews may be conducted on-site, off-site or remotely depending on the circumstances during the audit. On-site interviews may be conducted during actual work proceedings, or separately, as circumstances warrant.



Members of the factory management or any office staff are not allowed to be present during workers' or supervisors' interviews to avoid biased answers.

Workers are provided with PUMA contact details during interviews and any form of retaliation against interviewed workers by management will be considered as a serious non-compliance.

6.5 Summary Meeting

A wrap-up meeting is held to communicate the audit findings to the factory management. The audit team highlights good practices as well as areas for improvement. This meeting also gives the factory management an opportunity to react on audit findings, to which they may disagree, and to present proof to support these claims.

It is also during this meeting that the audit team gives suggestions to the factory on the appropriate corrective actions to address the non-conformances. Ideally a corrective action plan is already signed at this stage.

6.6 Corrective Action Plan

The CORRECTIVE ACTION PLAN is used to list and document the issues that need to be improved. A copy of this sheet, which is signed by both the audit team and the factory representative, is given to the factory for the management to formulate its planned corrective actions together with the corresponding timetable for their implementation. The audit team keeps the other copy of the request on file for the subsequent remediation and verification of the corrective actions. Verification of corrective actions, depending on the nature of the findings, can be done remotely via desktop review or via a follow-up visit. Depending on the nature of findings, some immediate corrections maybe taken into account prior to the finalization of the audit report, in accordance with internal issues remediation standards. A factory is given a maximum of 10 working days after the audit to send the corrective action plan (including already implemented action points) to the auditor before the audit report and the factory rating will be finalized.

6.7 Audit Report

The auditor prepares a report after completion of the audit. Non-conformance in Zero Tolerance areas such as child labour, government licenses, minimum wage or presentation of fake documents automatically results in a failure rating, regardless of the factory's total points necessary to pass the audit.

In line with PUMAs principle of transparency, the factory will receive a printed or electronic copy of the audit report including a feedback sheet to comment on the professionalism of the audit team.

The factory is free to share this audit report copy with other brand customers in order to reduce audit fatigue and enable audit sharing among brands.

6.8 Additional Checks for Compliance

As a supplement to the formal audit, PUMA associates who visit any facility that manufactures PUMA products, regardless of their normal assignment, may check for compliance with the Code of Conduct as part of their regular duties.

6.9 The PUMA Audit Rating System

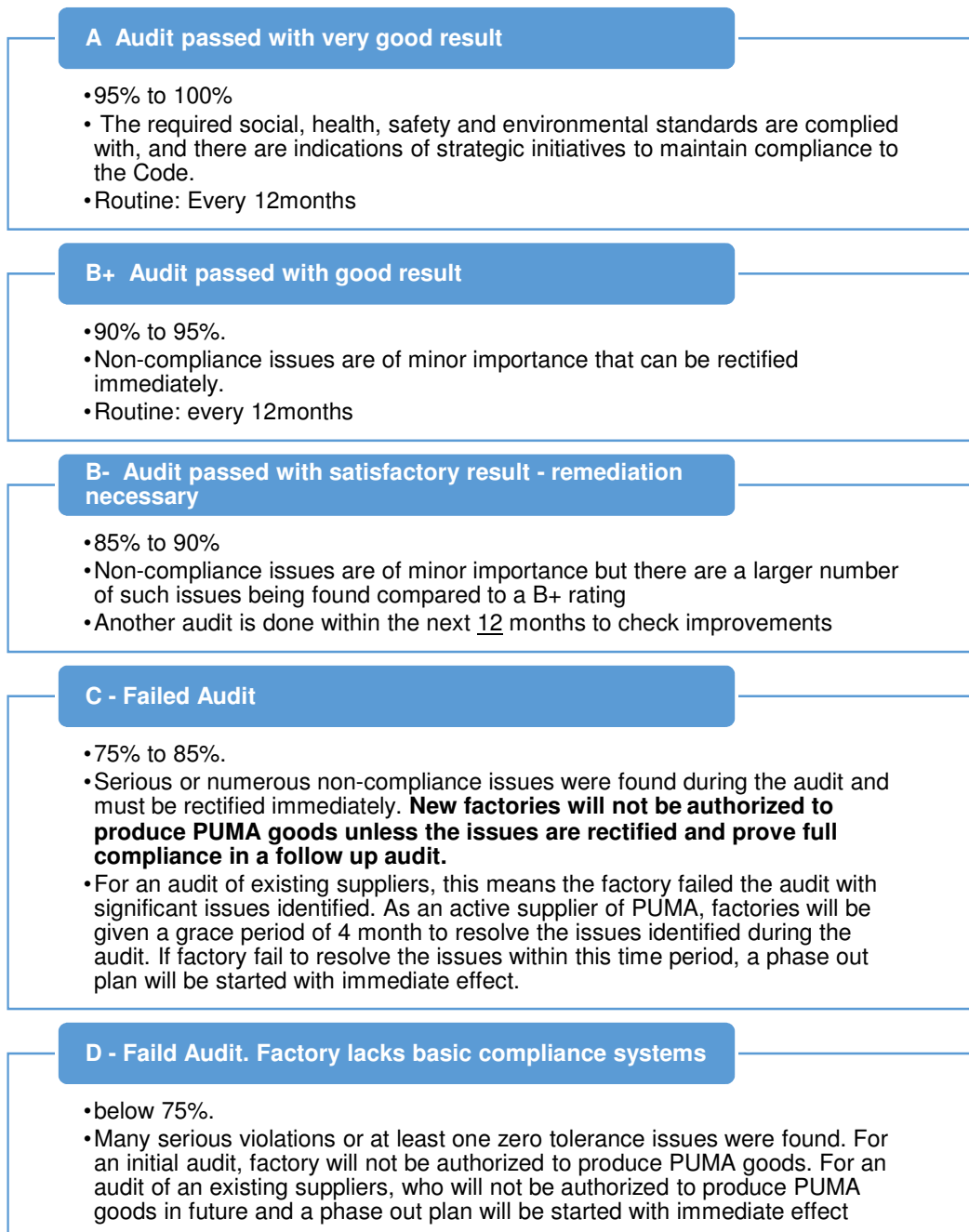


Figure 3: PUMA rating system

PUMA's rating system is based on the ratings **A**, **B+**, **B-**, **C** and **D**. The range between ratings is 5% with the minimum passing grade of 85%. The ratings and the corresponding grades are described in figure 3 above.



6.10 Core Suppliers

Core suppliers are considered key partners and are selected on a regular, periodic basis through the PUMA Vendor Rating System. This supplier decision matrix rates all suppliers against strategic and operational parameters such as:

- Management Commitment to a PUMA partnership as evidenced by investments and improvements in
- Social and environmental compliance and performance
- Quality,
- Price,
- Delivery performance and
- Customer service.

This manual details the minimum standards for all suppliers, Core Suppliers and Candidates are expected to implement the progressive standards related to sustainable compliance and management systems. Examples of this could be:

- Certified Management systems (ISO 14001, ISO 9001, OSHAS 18001, and SA 8000).
- Participation in industry schemes like the Sustainable Apparel Coalition HIGG Index and/or the ILO Better Work Program
- Following best practices as detailed in this handbook as well as the handbooks for chemicals management environmental management and occupational health and safety standards.
- Publishing of own sustainability reports.

Core Suppliers are expected to have medium-term plans and appropriate procedures to implement strategic compliance and improve social performance over time. Core Suppliers must be able to track their performance against these plans using Social Key Performance Indicators. They must also be able to report on these metrics to PUMA or to any other interested party such as the FLA on an annual basis as a pro-active step to mitigate social audit fatigue.



SECTION SEVEN

Zero Tolerance, Critical, Major and Regular Issues

7.1 Zero Tolerance (ZT) Issues

The Zero Tolerance Issues are considered as an unacceptable violation of PUMA’s Code of Conduct which will impose direct failure of the audit and thus there is no possibility for the supplier to produce any PUMA goods as long as the ZT issues prevail. We define ZT issues as follows:

No.	ZT issues	Definition
1	Non-compliance to basic government licensing regulations	Missing/Invalid business or any operation license/permit/certification whichever legally required from the local authorities to operate the business.
2	Payment below Legal Minimum Wage	The supplier does not pay the legal minimum wage or the appropriate prevailing, industry or sectorial minimum wage or the collectively bargained wage, either national or regional for the workers, including sub-contracted workers, whoever works in the factory in any operation or service for the factory.
3	Proven Case of Forced Labor	Any work/service which worker does not voluntarily agree to do under the threat of any kind of penalty. All slavery practices, including human trafficking and bonded labor, prison labor, indentured labor or other form of forced labor.
4	Proven Case of Child Labor	Hiring age policy and/or practice is not in compliance with the legal requirement and/ or the PUMA Code of Conduct whichever is more stringent. The minimum age for employment under international standards and PUMA Code of Conduct is not less than 15 years, or the age at which compulsory schooling is completed, whichever is higher.
5	Imminent Danger to Life	This is a combination of health and safety conditions in the factory that present any imminent risk or danger to workers life, including unsound factory building structures.
6	Illegal Discharge of Waste Water or Hazardous Waste	This means discharging untreated waste water into natural water bodies such as rivers and streams or into the ground as well as illegally disposing hazardous waste such as chemicals or oil.

7.2 Critical Issues (CI)

The Critical Issues are considered a serious/critical violation of PUMA’s Code of Conduct and they will be treated with higher priority than other findings. The finding of one or more CIs may lead to a failure of the PUMA compliance audit or to a significant downgrade of the audit rating result.



We define CI issues as follows:

No.	CI issues	Definition
1	Unauthorized Sub-contracting	Any operation that suppliers carry out in outsourced factories, which have not been declared nor audited by PUMA is considered as unauthorized sub-contracting.
2	Unregistered Workers	Employment contracts must be provided according to local legislation. A working contract or equivalent local document shall be signed with all employees before the start of employment. One copy of this contract shall be filed by the factory and another shall be given to the worker.
3	Social Insurance Provision Deficiency	The factory does not make full contributions to the provident fund / social insurance / medical insurance / unemployment insurance / work injury insurance / maternity insurance / pension scheme(s) or other funds as required by law, taking into account both the employer and employee contributions where applicable. The factory does not keep proper records of payments of contributions to the authorities in relation to social security/medical/pension schemes and funds, with details on the contribution of each employee.
	Falsified records (Statements, Practices & Documentation)	A false representation of matter of fact in all instances, whether by word, conduct or documentation, for example hide records, illegal practices, such as coaching workers, paying bribes or wherein the documentation was found to be inconsistent with other records found within the facility, including verification from workers and other entities such as civil society and government as may be pertinent.
5	Proven Case of Discrimination	Workers are subject to discrimination in employment, including hiring, compensation, advancement, discipline, termination or retirement, on the basis of gender, race, colour, religion, age, health, disability, sexual orientation, nationality, political opinion, social or ethnic origin or position.
6	Proven Case of Harassment & Abuse	The abuse or harassment can be systematic verbal, sexual, physical or psychological, and is part of the management style of the factory. E.g. Physical punishment is used to discipline workers, such as workers are regularly locked inside the factory and unable to leave; there is widespread sexual harassment of workers.
7	Proven Case of no Freedom of Association	Factories are not recognizing or respecting workers right to Freedom of Association and/or Collective Bargaining.
8	Sublicense Missing (Environment Permit, Fire Safety Permit, etc.)	Missing/Invalid fire safety, building safety or environmental license/permit/certification whichever legally required from the local authorities.
9	No RSL testing and/or use of banned Chemicals	There is no procedure for regular testing of incoming materials for restricted substances (RSL) and/or substances banned for manufacturing as per the ZDHC MRSL are in use..



7.3 Major Issues (MI)

Major Issues are considered a crucial violation of PUMA’s Code of Conduct. Suppliers are expected to take action based on the following remediation with immediate action and/or a remediation within a maximum of 3 months’ timeframe. We define MI issues as follows:

No.	MI issues	Definition
1	Overall Special Performance and Management Commitment Violation	Factory does not collaborate with PUMA and implement/complete all of the Zero Tolerance, Critical and Major audit issues from the previous PUMA audit. Factories does not adopt policies/ procedures and conditions of employment that respect workers’ rights during their lifecycle; any violation on overall management commitment, such as rules, policies or practices.
2	Insufficient Overtime Payment	Factory does not pay the correct, legally defined rates for work on overtime, rest day, and holidays.
3	Occurrence of delayed payment	Factory delays to release payments of wages within the last twelve months for more than 2 times.
4	Proven Case of Homeworking	There is evidence of homeworkers or non-declared of subcontracted workers hired by the factory. The use of homework is not authorized by PUMA. Homework should not be confused with micro-enterprises with legitimate commercial identity. Such micro-enterprises must be evaluated for presence of critical issues like child labour (see section on Critical Issues). Where instances or risks of homework maybe found, suppliers will be required to move production processes to legitimate commercial enterprises and compensate the contracted parties either by arranging for legitimate employment within own or other commercial enterprises.
5	Regular Working Hours Violation	Factory does not comply with regular daily/weekly/monthly working hours, and not have incomplete records, contradictory records on working hours.
6	Excessive Overtime Violation	Factory does not follow the relevant local law and PUMA’s Code on overtime limitation
7	Vulnerable Workers Violation	Factory does not meet the basic legal requirements in relation to working hours for pregnant/nursing employees and other special vulnerable workers (young workers, senior workers) such as shortened work hours or special breaks.
8	Grievance Procedure / Worker Communication Violation	Factory does not have an effective grievance process that confidentially gathers and addresses worker allegations in a manner that protects the complainant against any form of retaliation.



9	Missing/Inadequate E-OHS Risk Assessment	There is no documented risk assessment on Health and Safety carried out in the workplace, canteen and dormitory available for review
10	Dormitory and Welfare Amenities Violation	Factory is not in compliance with local legal requirements for provision of other facilities such as dormitory, canteen/kitchen, childcare, lactation area and/or equipment, crèche facilities, etc.
11	Missing MRSL Procedure	There is no procedure for ensuring conformance to the ZDHC Manufacturing Restricted Substances List (MRSL).

7.4 Regular Issues (RI)

Regular Issues (RI) are considered minor violations of PUMA’s Code of Conduct and they will be treated with lower priority than other findings. The time frame of each RI is depending on nature of the issues. The PUMA auditor or External Monitor should provide a conclusion on correction/implementation of each issue with factory management during audit closing meeting.

SECTION EIGHT

Social and Labour Standards

The social and labour compliance standards detailed in the following sections are based on the ILO (International Labour Organisation) Core Conventions, the United Nations Guiding Principles for Business and Human Rights as well as the 10 principles detailed in the United Nations Global Compact of which PUMA is a member.

8.1 Child Labor, Young Workers and Apprenticeship Programs

8.1.1 Policy on Child Labour

The factory shall state a clear written policy against child labour and determine specific working conditions for young workers. All employees at the factory shall have reached the age of 15 or the minimum employable age mandated by the applicable law or the age for completing compulsory education, whichever of the three is higher.

- The factory shall not engage in or support the use of child labour in any way including apprenticeship programs and subcontractors.
- In case a child is found employed by the factory, the factory shall release the worker from production work, undertake appropriate remedial action regarding the child’s education, and provide necessary compensation for the loss of income due to removal from work. PUMA will provide additional guidance on expected corrections as appropriate to the specific cases.
- The factory is required to undertake all necessary correction in their recruitment procedures and human resources information systems.
- The factory shall ensure that all employees’ files contain adequate documentation proving their legal age.
- The use of homework is not allowed by PUMA as no effective control of child labour provisions is feasible for homeworkers.

8.1.2 Young Workers

A young worker is an employee who has reached the minimum age mandated by law for employment but is under the age of adulthood. The factory shall adhere to the applicable local regulations regarding young workers, for instance:

- Registration of the employee to the correspondent government labour agency.
- Obtaining a written permit from the parents.
- The young workers should not perform heavy or dangerous work and should not be in contact with hazardous substances.
- The factory shall adhere to all local regulations, for example with regards to the working hour restrictions for young employees (including regular, night and overtime hours).

8.1.3 Apprenticeship and Traineeship Programs

PUMA supports apprenticeship programs for the development of skills and acquisition of knowledge leading to the exercise of trade or profession. In most countries, apprenticeship or traineeship programs involve young workers, but new developments indicate that such programs include adults and cross international boundaries. As such the apprenticeship program shall in no way be used as a means to undermine the implementation of every country's labour law requirements, nor as a means to legitimize human trafficking activities.

- The factory shall ensure to comply with all specific regulations for employees hired under apprenticeship programs such as number of working hours (time spent for theoretical instructions counts as working hours), duration of the training period (should not exceed the period set by local law), remuneration, working conditions (not working with hazardous substances, not conducting heavy/risky activities), accommodation, etc.
- If at any time the legal regulations of such programs were found to be seriously misaligned with and below the standards of the PUMA's Code of Conduct (e.g. trainees are not covered by local labour law, trainees do not qualify for minimum wage), the factory must comply with the PUMA standard.
- Where such programs are international or requires movement from one distinct area to another, every effort must be taken to ensure that apprentice recruitment bodies are legitimate and fully provides all the requirements set by law (e.g. appropriate language training, initial training, etc.). Where laws or implementation of regulations maybe weak or inadequate in relation to the PUMA Code of Conduct, particularly if recruitment bodies are located overseas or the factory does not have a direct means of engaging with them, the factory will be advised to discontinue the traineeship program.
- The age of the apprentice/trainee should comply with PUMA's Code of Conduct minimum requirements.
- There should be a written apprenticeship agreement between the factory and the apprentice (and parents if needed) stating the start and end date of the apprenticeship. Such agreements should be in the language understandable to the apprentice. Where applicable such agreements should be registered with the appropriate authorities, and the apprentice must be provided a copy.
- The apprenticeship program shall be applicable only to jobs that require skill such as, but not limited to, machine operator, mechanic, electrician, etc. Thus, a job that requires no skill shall not be included in the apprenticeship program.



- The total number of apprentices in a factory shall not exceed percentage allowed by local law compared to the total number of workers at any one time.

8.1.4 Documentation

When recruiting new workers, the age of each one of them has to be proven and documented to ensure that no underage workers are hired and also ensure that the identification (ID) used have not been modified or falsified.

- The age of every applicant should be proven against an original official ID card; a copy of this ID document should be kept on each employee's file.
- For countries which do not issue ID cards other documents might be used to validate the age such as: a birth certificate, a school record, social/health insurance documents or other legal documents stating the applicant's age or date of birth. In case the physical appearance of the applicant leaves doubt about the legal age, a medical certificate shall be requested from a reliable clinic including proof of the legal age.

8.2 Employment Policies and Procedures

8.2.1 Recruitment

- Persons involved in the recruitment process shall be trained in the local laws on child labour and on PUMA's compliance requirements.
- The factory shall follow a recruitment procedure applicable to all employees granting them equal opportunities to fill up the open positions.
- The recruitment procedure shall include the publication of the job description, and required qualifications, carrying out the necessary number of interviews and reviewing employee's appropriate documentation.
- Discriminatory questions should not be asked such as; those related to pregnancy, religious beliefs, marital status, ethnic origin, union membership or others. Where local or international migration laws/regulations require such information to be provided in conflict with labour standards, evidence of procedures must be presented to indicate that such information is not used for discriminatory hiring decisions.
- There should be no unreasonable cost passed on to the applicant such as; recruitment fees, medical examinations, travel or other fees.

8.2.2 Contract Management

A working contract or equivalent local document shall be signed with all employees **before** the start of employment. One copy of this contract shall be filed by the factory and another shall be given to the worker. The contract shall state the nature and type of work, the remuneration, benefits, effective date, working hours and other terms required by the local law. Reference should be made to the local labour law which must be applied. In case of a fixed-term contract, the start and end date should be included and all applicable local legislation on the limits set for such type of contracts must be observed. PUMA encourages the use of indefinite term contracts as required by local legislation to ensure that tenured employees would be able to obtain all mandatory benefits. All workers must be registered with the local labour bureau and relevant mandatory insurance providers before they start work and as applicable by local laws and regulations. The presence of unregistered



workers without proper working contracts will be regarded as a serious violation of the PUMA standards. The factory shall not work with sub-contracting, home-working arrangements or recurrent fixed-term contracts of employment as a means of avoiding its obligations to tenured personnel under applicable laws pertaining to labour and social security legislation and regulations.

8.2.3 Informed Workplaces/Employee Handbooks/HR Information Systems

A transparent communications policy and protocol is the foundation of good industrial relations. As such, the factory must have communication and dialogue systems in place that make use of the following:

- Suggestion boxes
- Information boards
- Regular worker-management dialogues, either through the duly-selected worker representatives such as union officials or shop stewards.

Innovative, best practice forms of communication between workers and management are strongly encouraged to ensure that there is an atmosphere of trust within the workplace. Some sample best practices are:

- Worker Counsellor
- Worker hotlines
- Newsletters

Every worker must be informed of the factory's policies and regulations. As such the following must be provided to all workers:

- Employee handouts which cover policies mentioned in the Code of Conduct, labour law, and other relevant policies and regulations. Each worker must have undergone a new workers' orientation that covers all these topics.
- Updated circulars/announcements of new regulations.

Factories are expected to implement a system of tracking relevant Human Resources information for purposes of effective implementation and internal monitoring.

As a basic requirement the following should be in place:

- Personal Files for each employee covering employment record, contract, copy of ID card, disciplinary actions, registration with social insurance and/or labour office.
- Time records for each employee.
- Tracking system of number of new hires, dismissals, and other leaves.
- Records on provision of annual leave, sick leave, and maternity leave, etc.
- Records on work related accidents and diseases.

8.2.4 Employee Training

All factories are expected to implement an adequate training program that delivers training to every worker. Depending on the size of the company, the training program could cover the following components:

- Training needs analysis that supports production requirements as well as regulatory requirements such as those set by labour law and the Code of Conduct.
- Training Plan that includes the estimated training schedule and curriculum/materials.
- Designated training staff within the HR or Production departments, as the topic requires.
- Testing methods and protocols in order to evaluate learning from employees as well as evaluate effectiveness of training delivery.
- This training program, in order to be relevant to the business and depending on the size of the company, should cover the following topics:
 - Social/Labour training that covers labour law, Code of Conduct and other related policies that explain the worker's rights and responsibilities.
 - Health and safety, including chemicals management training, fire safety training, first aid and other occupational health training.
 - Environment-related training, such as waste management and energy use
 - Production skills training.
 - Workplace skills training, such as industrial relations, worker management for supervisors, disciplinary management, etc.
- The issuing of training certificates to participating workers is recommended.

8.3 Working Hours and Rest Days

8.3.1 General Requirements

- Except in extraordinary business circumstances, employees must not be required to work in excess of 60 hours per week or, alternatively, the normal workweek and maximum overtime allowed by local labour law, including one day off 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. All overtime should be consensual and must not be requested on a regular basis and is compensated at the premium rate even for those countries where such laws do not exist. Employees shall also be entitled to reasonable meal breaks every day and at least one day off after six consecutive days of work. There shall be a system for recording all working hours of every employee such that the start and end time during every working day are properly reflected on the attendance records.
- The swiping or punching of card to record attendance shall be at the control of the employees themselves.
- The factory shall not employ double book-keeping or falsify time records, e.g. two time card systems for whatever purpose it may serve the factory.
- The factory must not randomly swap rest days without securing voluntary agreement in advance with employees and notify PUMA's branch manager, and providing alternative rest days. Further details are expounded in a separate document.

8.3.2 Overtime Regulations

- Every contract factory shall have a clear and written policy which states that all overtime work shall be voluntary. Factory shall educate all employees including managers and supervisors about the policy and guarantee its enforcement.
- Overtime work is purely voluntary and workers shall be made aware that they can refuse to work overtime without any negative consequences. In all instances, all working hours shall be properly compensated according to the requirements of the law.
- The total number of overtime hours shall not normally exceed 12 hours per week or the number specified by local law, whichever number is lower.
- The factory shall make every effort not to exceed the legal limit for overtime. In rare exceptions, the factory may secure necessary overtime permit from the local labour bureau if such permits are available in case the legal limit for overtime is exceeded.
- The factory shall establish an effective method to track the working hours of young workers and those whose working hours are restricted by law or due to health reasons.

8.4. Wages and Benefits

The payment of fair wages shall be assured to every employee in the factory, which shall not be less than the minimum amount prescribed by the law or the prevailing industry wage of the relevant country, whichever is higher. Where there is no national or local minimum wage and no verifiable industry wage, the contracted wage would serve as the basis for “basic” wage including fair compensation work elements and further wage calculations. We expect all employees are timely paid, and that appropriate actions are taken by supplier partners to progressively implement compensation systems that improve employee welfare.

Production targets for piece rate workers must be reasonable and achievable within the regular hours of work during the day or week. In case there is overtime work, the target may be increased proportionately with the extension of working hours. Piece rate workers shall be allowed to have access to their individual piece rate records to be maintained by the factory.

Overtime premium shall be paid in accordance with the law. In the case of a piece wage, and in the absence of any provision of the law on the payment of overtime for piece wage, the overtime bonus shall either be paid based on average piece rate wages of the worker concerned or be paid following the normal legal procedure using as basis the minimum basic hourly wage.

- The wage payment system shall be simple and easy to understand by all employees.
- All employees shall also be informed of their wages and the benefits required by law such as annual leave, maternity leave, update minimum wage, overtime premiums, and pay for public holiday, etc.
- All employees shall also be trained on how their wages and benefits are computed and a sample computation shall be posted at strategic areas in the production floor such as on the notice boards.
- Payroll records on site are archived for at least 12 months or the period required under local law where such period is more than 12 months.
- Wages shall be paid in cash, check or bank transfer not later than the period for payment provided for by the local law.



- There shall be no disciplinary deductions from wages. Deductions allowed by law are those such as social insurance, and income tax.
- There shall be a record duly signed by the employees to acknowledge receipt of their wage (except for bank transfer payments).
- A copy of pay slip, in relevant local language, shall be provided to employees on every payday, indicating the details of regular and overtime hours, earnings and deductions during the payroll period.
- All employees shall be paid for compulsory work-related activities, in or outside of working hours, such as for production meeting, cleaning of production areas, or for work preparation.
- The factory shall pay the employees the legal rate provided by the local law for work during Sunday or any rest day and public holiday, even if a compensating rest day or holiday is provided for work on such days.

8.4.1 Legal Benefits

Employees shall also receive all benefits mandated by law.

- All employees shall be provided with social security insurance including but not limited to pension scheme, medical care, work place injury, unemployment and maternity benefit wherever applicable by law.
- Employees shall be provided with the legal benefits such as national or public holidays, annual leave, marriage leave, maternity leave, sick leave, bereavement leave or other leaves that they may be entitled to.
- In case of resignation or legal termination, the factory shall pay the employee all the benefits required by law for such resignation or termination including the remaining wages, unused leave or other payments still due to the employee.
- If there are factory canteens, regardless of whether required by local law or not, they should provide good quality and clean food at reasonable prices. Local legislation pertaining to the operations of canteens, where such legislation is present, must be fully complied with. Where alternative dining establishments or purveyors are available in the facility location, employees must not be forced to use the factory-contracted food service through mandatory salary deductions or similar schemes.

8.4.2 Mandatory Insurance/Social Protections

- The factory shall make contributions to the provident fund / social insurance / medical insurance / unemployment insurance / work injury insurance / maternity insurance / pension scheme(s) or other funds as required by law, taking into account both the employer and employee contributions where applicable.
- The factory shall keep proper records of payments of contributions to the authorities in relation to social security/medical/pension schemes and funds, with details on the contribution of each employee.

8.4.3 Bonuses & Deductions

- There shall be no fines or financial penalties to be imposed under any circumstances, for absenteeism, mistake in production, or as a form of discipline or for the normal use of company facilities.



- Employees shall not be fined or have their regular wage (this means not considering production bonuses but includes overtime wage) deducted for failure to meet production quotas or targets.
- Uniforms, equipment or special protective gear shall be provided to employees free of charge.
- There shall be no unreasonable deductions for dormitories, water, meals and other services at the dormitory. Such kind of deductions shall first be discussed and agreed with the employees concerned, either by themselves or through workers' representatives if the deductions are applied for a group of workers or everyone inside the factory.
- The factory shall not withdraw or deduct attendance allowance if an employee does not agree to work overtime during the week or on the rest day or when an employee avails him/her of annual, maternity, pregnancy-related, bereavement, marriage or any other mandatorily-legislated leave.
- Factories normally centralize various fees that workers may pay/contribute to through singular deductions from salaries for the sake of efficiency (e.g. union dues, payments for cash advances, recruitment fees, etc.). The aggregate amount of deductions, with the exception of social insurance & similar funds and taxes, should not be more than 25% of the minimum or contracted basic wage or the legal maximum allowable, whichever will result in a higher net wage for the employee. As a simplified measure, the local legally allowed probation wage sets the ceiling for the highest allowable aggregate deduction. Such deductions should only be temporary in nature.

SECTION NINE

Equal Opportunities and Gender Fairness

9.1 Policy

The factory shall have a written policy stating that they provide equal opportunities to all workers. These equal opportunities in the employment include: hiring, training, promotion, granting of social benefits, assignment of work, salary, discipline, termination or retirement. No special considerations are taken on the basis of race, sex, age, pregnancy, religion or belief, marital status, ancestry or ethnic origin, union membership, political or sexual orientation, or other attitudes. Every worker shall have the right to protection from discriminatory treatment. Women and men shall receive equal remuneration for work of equal value, equal evaluation of the quality of their work and equal opportunities to fill all vacant positions.

The written policy should cover at least:

- How investigation and resolution complaints cases are conducted.
- Details about the disciplinary process (could be a combination of counselling, warnings, suspension, demotions, and termination in extreme cases.)
- The offended party has the right to be represented by a senior worker-representative of their choice during the course of the investigation.

9.2 Non-Discrimination

- Workers shall be hired solely on the basis of their skill, ability and training to do the job.
- Wages, benefits, promotions and other incentives shall be applied solely on the basis of workers performance/experience.



- Factory information sheet for applicants shall not include basic information that may be used as basis for discriminative acts, such as age, sex, religion, marital status, health condition, union affiliation.
- Women workers shall not be required to undergo pregnancy testing or to take contraceptives at any point during their application for employment and while under the employment of the factory.
- Pregnant workers shall be allowed to continue working unless it would be detrimental to their pregnancy. They shall also be accorded the benefits provided for by the local law.
- Allocation of hazardous jobs should take into account gender fairness. Though most countries have regulations regarding reproductive health for women, male reproductive health considerations are also important. As reproductive health applies to both male and female labour, factory must have appropriate H&S controls in place for all heavy and dangerous jobs.

9.3 Freedom of Religion

- Workers shall not be required to renounce their religion in lieu of their employment.
- The factory should respect the religious belief of the workers.

SECTION TEN

Women Workers

10.1 Policy

Women workers shall be treated with dignity and respect. They shall be granted with equal opportunities in all matters pertaining to employment in the factory including hiring, promotion, wages, benefits, work assignment and termination. Moreover, the factory shall be aware of women's special needs, particularly during pregnancy and post-natal stages, and provide them with respective guarantees/facilities.

The factory shall not terminate an employee:

- Because she is pregnant
- immediately before taking maternity leave
- while she is on maternity leave

Special Needs

- Female workers should be provided maternity leave as mandated by local laws. Paid time-off for pre-natal medical check-up should be allowed, either credited to remaining paid sick days or prenatal check-up days allowed by law, whichever is available. If no paid sick leaves are available locally, annual leaves should be credited.
- Female labour shall not be used for heavy or dangerous jobs or jobs which require contact with dangerous substances having harmful effects on the reproductive functions of women.
- Workers who are on their seventh month of pregnancy shall be disallowed from working overtime or assigned at night shift, regardless of whether this is allowed by local law. Female workers performing exhausting work or exposed to chemicals shall be transferred to lighter work immediately after pregnancy in keeping with the precautionary principle.



- Factories with more than 50 female workers, or the limit required by local law if it is for less than 50 workers, shall provide lactation facilities and/or equipment and day care/crèche facilities for workers with children younger than one year or the limit set by local law. See Policy on General Welfare Facilities for further information.
- Pregnant women workers who are working in standing position shall be provided with reserve chairs near their work station for occasional resting.

10.2 Sexual Harassment

Sexual Harassment is unwanted conduct of a sexual nature, verbal or physical advances, or sexually derogatory or discriminatory statements or acts such as:

- Sexual assault
- Inappropriate physical contact, touching or patting
- Sexually suggestive and unwelcome comments or derogatory remarks including any regarding the sexual orientation or preference of an individual
- Compromising invitations or presents
- Unwanted and repeated requests or demands for sexual encounters/favours
- Indecent exposure
- Sexual graffiti or displays of pornographic or degrading pictures or objects including computer / phone based resources
- Use of aggressively foul language
- Any comments which imply that gender or sexual orientation impairs the person's ability
- Unwelcome remarks about a person's appearance, dress or attributes
- Incitement to any of the above

Any form of sexual harassment shall be strictly forbidden. Depending on the gravity of the misconduct and in conformance with local law, factory management must support the investigation and ensure no miscarriage of justice against the victim. Disciplinary regulations regarding this matter must be explicit and in compliance with local law.

SECTION ELEVEN

Migrant Workers

11.1 Policy

- The factory shall have clear procedures to ensure compliance with legal standards with regards to employment of migrant workers, from recruitment & selection, compensation & benefits, working environment, manpower development, discipline and performance appraisal, and exit procedures.
- Migrant workers shall be treated fairly and equitably as local workers without discrimination at workplace.
- Withholding of travel documents such as passport or visa shall be strictly prohibited. Such documents shall be returned to workers immediately after processing with government for work permit renewals and similar domestic security/migration requirements. The factory is responsible for providing secure facilities for workers to be able to store such documents.
- Waivers signed by workers allowing the factory management to store such documents will only be temporarily allowed while secure facilities are not yet available, or required to be under factory management safekeeping for visa processing or similar legal requirements. During the interim, factory management must establish a system that migrant workers would have access to their documents within 24 hours of their request. Waivers must be time bound, and as such factories must return all documents back to workers.
- Migrant workers shall not be forced to live in the factory's dormitories or hostels. Outside of working hours, all migrant workers are allowed secure and free exercise of movement between the area of accommodation and the host community and place of employment. Security concerns should not be used as a basis for limiting freedom of movement except where there are clearly unsafe conditions. See section on Dormitories for further notes on responsibility for provision of secure accommodations.
- Recruitment fees, such as those required by agents, and other fees that must be legally borne by the worker as required by either the host or home country, such as levies and government deposits, are often deducted from worker wages and often binds workers for prolonged periods to employers that may not be suitable. Deductions of this nature should not form more than the legal specific percentage of the monthly gross wage, or the worker must at least have 75% of the minimum or contracted basic wage net of all deductions of similar nature, whichever amount will leave the worker a higher net wage. Please refer to the Policy on Bonuses and Deductions.

11.2 Vulnerability and Special Needs

- An orientation program shall be provided to migrant workers about local culture for quick adaptation to factory life and the local environment.
- Contracts, orientation materials, policies and other instructions should be available in the native language of the employee as well as the local language of the recruiting factory. Where no member of the factory management can communicate in the native language of the employee, factory management shall employ all resources to ensure that hired employees understand contracts, factory rules and regulations and other work instructions. Such resources may include the local recruitment agent, local government body responsible for managing migrant worker recruitment, NGOs or other civil institutions.
- On time and direct payment of wages to the workers shall be guaranteed.



- Reasonable compensation shall be provided in case of workplace injury or death in compliance with legal regulations or beyond where applicable.
- Entitlement to pay home leaves and vacations shall be granted in compliance with legal regulations or beyond where applicable.
- Wherever necessary and/or legally required, adequate dormitory and canteen facilities for migrant workers shall be provided. Refer to the section on Dormitories.
- Migrant workers are often not included in collective bargaining either because of conflicts between local immigration and labour laws, or by general practice. Most trade union laws include migrant workers. As such, PUMA requires factory management to include migrant worker in collective bargaining particularly if a significant percentage of the employee population is comprised of migrant workers.

SECTION TWELVE

Voluntary Labour

12.1 Policy

The factory shall have a written policy stating that all employees shall accept their employment voluntarily. No factory shall employ forced or prison labour including labour used as means of punishment or any peaceful political expression / demonstration or as part of any penal regime or other penal system adopted pursuant to the laws or regulations of the relevant country. All employees shall be free to leave the factory premises during non-working hours. They shall be free to terminate their employment after reasonable notice.

- The factory shall not grant the employees large credits/salary advances which may result in any form of bonded labour. Where such salary advances are requested, all deductions must conform to the Policy on Bonuses and Deductions.
- All wages and benefits shall be paid directly to workers and not to any other person.
- Employees shall have unrestricted access to toilet and bathroom facilities, drinking water, canteen, clinic and other basic facilities or other departments in the factory to follow up legitimate concerns.
- Factory shall work only with subcontractors and suppliers which guarantee that no prison labour in any form is being used at their factory.
- Employees shall be provided with a copy of their labour contracts containing all the terms and conditions of employment as required by law.
- No fee of any kind shall be imposed by the factory on anyone applying for employment at the factory. Fees charged by labour recruitment agents or “introduction, referral or management fees” in the host country/community shall be borne by the factory. Where employees are charged recruitment fees in sending countries, factories shall work with local agents to investigate and ensure that fees charged overseas are reasonable and services to employees are fully provided. Deductions for fees should comply with the Policy on Bonuses and Deductions.
- The factory shall keep photocopies of personal ID documents and other qualifications on file, but not the original documents.
- If payment of wages is by bank transfer, employees shall have their own individual accounts to which they have full control and free from any kind of interference by the factory.

12.2 Voluntariness of Overtime

The factory shall ensure that only voluntary overtime is performed and workers who do not agree to work overtime voluntarily can do so without fear of any negative consequences. Please refer to section 8.3.2 on overtime regulations for further specifications.

SECTION THIRTEEN

Dignity and Respect

13.1 Policy

PUMA is committed to the development and maintenance of a congenial work environment, in which all employees are treated with dignity and respect. The same is expected to be maintained at workplaces of all our supply chain partners.

Factory management will take appropriate action, up to and including dismissal for serious offences, against those who contravene this policy. Management should recognize the importance of providing appropriate training to ensure that this policy is understood and implemented by all members of staff and will undertake a series of training initiatives aimed at identification and prevention of harassment and abuse and fostering dignity and respect in the workplace.

13.2 Physical Harassment

None of the staff will indulge in intentional and unwelcome physical contact, physical abuse (including and not restricted to slapping, pushing, making workers to stay on knees, hitting with any object), or threats of abuse to an individual or an individual's property.

Engaging workers in jobs which are typically not suitable to their physical state or characteristic (employing pregnant women in jobs which require long hours of standing, making workers carry loads beyond their capacity etc.).

13.3 Verbal Abuse

- Shouting, public reprimands, instantaneous rages
- Calling names, using demeaning offensive language
- Unwelcome jokes, remarks, threats & insults
- Constant unjustified criticism

13.4 Psychological Harassment

- Exclusionary or isolating behaviour
- Oppressive or unreasonable allocation of duties which may include the manipulation of the nature of someone's work (e.g. overloading, setting meaningless tasks, withholding information)
- Reprisals for initiating grievance / discipline proceedings

13.5 Unfair Work Practices

- Unreasonably blocking someone's progress, advancement or access to development opportunities
- Illegal monetary fines / unjustifiable withholding of wages or benefits (e.g. disciplinary penalty with no justifiable basis, etc.) Gender-inappropriate and intrusive security practices
- Unreasonable and targeted restriction on freedom of movement or speech including access to toilets, water and medical facilities.
- Preferential work assignment or other preferential treatment of any kind in actual or implied exchange for favours

13.6 Racial Harassment

- Racist language and racist jokes or derogatory statements about national origin
- Racist graffiti or the display of racially offensive material
- Racist contents in electronic communications

SECTION FOURTEEN

Disciplinary Practices, Termination and Retrenchment

14.1 Disciplinary Practices

The disciplinary practices shall be aimed primarily at improving the employees' performance or behaviour and not to punish them. Thus, the rules on discipline shall be clear, valid, reasonable and consistently applied to all employees regardless of rank or position and the disciplinary penalties shall be applied progressively in an effort to help correct the employees' behaviour so that they can become productive members of the company.

The factory shall not engage in or support the use of physical punishment, unreasonable wage deductions or abuse in any manner whether physical, mental, sexual or verbal, as a form of punishment for the violation of company regulations.

- The rules on discipline shall be grouped according to the gravity of the offense together with the corresponding penalties in graduated manner based on the number of times of the violation for the same offense.
- These disciplinary rules and the corresponding penalties shall be reasonably drafted, consulted with and communicated to all employees and published inside the factory.
- Employers shall provide training to managers, supervisors and employees on the appropriate disciplinary practices as well as the list and classification of offenses and their corresponding penalties.
- Employers shall utilize consistent written disciplinary practices that are applied fairly among all employees.
- Employers shall use progressive discipline as enumerated below
- Where legal stipulations for disciplinary practices exist, procedures for investigation and warning / penalties should follow those stipulations as a minimum requirement.
- It is recommended to use the following progressive actions to deal with disciplinary issues:



Figure 4: Disciplinary procedures

Based on the nature and gravity of the violation, steps one (1) to three (3) could be sidestepped and the penalty of dismissal can be applied at the first instance after following the necessary disciplinary procedures (figure 4).

Every employee shall be given an opportunity to be heard or challenge a disciplinary action before an action for an offense is finally imposed. If a trade union or workers' council is established in the factory, a member of the workers' organization shall participate in the disciplinary hearing. Employers shall maintain written records of the proceedings in the investigation of disciplinary cases and the corresponding actions taken.

14.2 Termination

When an employer is to terminate an employment contract unilaterally it shall:

- Compensate the employee as required by law.
- Give the trade union or workers council in the absence of a union, advance notice of the planned termination.
- Study the trade union's or workers council's opinion and notify the trade union or workers' representative in writing as to the outcome of its handling of the matter.

14.3 Retrenchment Plan

If the employer reduces the workforce, the factory shall explain the circumstances to its trade union or to all of its employees at least 30 days in advance, and report the workforce reduction plan to the local labour administration department and PUMA. Where there is no local requirement or the local rules exempt the factory from making such reports, the factory must still make the report to PUMA.

When reducing the workforce, the employer shall retain with priority the following persons:

- Those with long service. LI-FO "Last in – First out"
- Those who are the only ones in their families to be employed and whose families have an elderly person or a minor for whom they need to provide.
- Those whose qualification, experience skills or training are needed by the factory
- Those who have concluded with the employer fixed-term employment contracts with a relatively long term;
- Those who have concluded open-ended employment contracts with the employer; or
- Voluntary retrenchment shall also be applied subject to the need to retain necessary skills and qualification

If an Employer, that has reduced its workforce pursuant to the first paragraph hereof, hires again within six months, it shall give notice to the persons dismissed at the time of the reduction and, all things being equal, hire them on a preferential basis.

SECTION FIFTEEN

Suggestions, Complaint and Grievance Procedures

15.1 Employee Suggestion Scheme

The factory shall ensure that the employees are provided with means to make suggestions (e.g. regarding improvement of production procedures, working environment, etc.).

The factory shall recognize employees which make important suggestions/ contributions for example through prizes or board publications as an incentive.

15.2 Complaint Procedures

All complaints shall be dealt with promptly and, in so far as it is possible, in a confidential manner, in accordance with the agreed procedures. It is recognized that there may be situations where the seriousness of the complaint warrants formal proceedings from the outset.

15.2.1 Informal Complaint Procedure

- 1) This stage is appropriate where the employee simply wants the offensive behaviour to stop and it is not of a more serious nature.
- 2) The complainant should, where possible, immediately make it clear to the respondent that the behaviour is unwelcome, unacceptable and offensive. This may, in many instances, be sufficient to resolve the problem.
- 3) The complainant may seek support from a friend, manager, or designated HR personnel. The aim of the support will be to assist the complainant to deal with and raise the issue informally, effectively and constructively at source.
- 4) If this approach does not lead to a resolution of the matter or if the complainant does not wish to seek such support she/he should report the matter to his/her manager.
- 5) If the complainant's manager is the person against whom the complaint is being made, the complaint shall be addressed to the next management level.
- 6) The manager will seek to resolve the matter locally.
- 7) If it is not possible to resolve the matter internally and in an acceptable way for the complainant, the complainant or his/her manager may bring the matter to the attention of the Head of Human Resources. The Head of Human Resources or his/her nominee may seek to resolve the matter informally. This may include arbitration.

15.2.2 Formal Complaint Procedure

The Formal Complaint Procedure is designed to try to resolve formal complaints swiftly and effectively with a minimum amount of distress to all parties. Formal procedures as set forth would be followed:

- If the complainant wants the complaint to be dealt with formally; or
- If the manager considers the complaint to be of sufficient seriousness to warrant the complaint being dealt with under the Formal Procedure in the first instance; or
- If attempts to resolve the matter pursuant to the Informal Procedure have failed; or
- If the conduct complained of has continued after the Informal Procedure was followed.



To invoke the Formal Complaints Procedure, the complainant should submit a formal complaint in writing to his/her manager (or the next level of management) within 30 days of the latest incident occurring, or whichever prescriptive period maybe required by local law in case it is shorter than 30 days. The complaint should be confined to the precise details of the alleged incidents.

The manager will report the complaint to the Head of Human Resources within five (5) working days.

The respondent will be notified in writing by Human Resources that an allegation has been made against him/her. This notification will be provided within 10 working days of the complaint being submitted, or as soon as possible hereafter, in exceptional circumstances. The respondent will be given a copy of the complainant's statement and will be advised that she/he is required to respond to the allegation in writing, within 20 working days. The complainant will be provided with a copy of this response.

The complainant and the respondent will be initially examined by the Head of the HR department or his/her nominee.

The investigation will be carried out with due respect to the rights of both the complainant and the respondent and will, in so far as is reasonably practicable, be carried out with the minimum of delay, consistent with fairness and due process to both parties.

The complainant and the respondent will be interviewed separately and may be accompanied at all investigative interviews by a friend, colleague or designated HR officer / workers representative.

The outcome of the investigations will be documented and communicated to both the parties. The result in terms of award of punitive action or otherwise will be communicated not later than 3 days from the date of completion of investigative interviews.

All prescriptive periods in each step of the process may be shorter than mentioned above as may be required by local law. Factory management should employ the amount of time for each step in the process that requires the shortest amount of time in favour of the complainant.

Additional steps may also be required as formal complaints procedures must be integrated in the overall industrial relations policy and procedures of the factory management. Formal complaints may also be raised through various channels such as suggestion/complaints boxes, or through external third parties such as PUMA. Factory management must develop policies that integrate how complaints raised through these channels would be addressed.

15.3 Reprisal

Every employee needs to understand that they can raise concerns and make reports without fear of reprisal. Making threatening reprisals at any stage will be considered an offence and suitable disciplinary proceedings will be initiated against those who attempt to or indulge in such acts of reprisal.

The workplace grievance procedure should include reprisals management and involves the trade union or workers' council, if such exists. The workers' organization should have the right to bring the case to the workplace management.



In addition, there shall be an easily accessible complaints channel provided for by PUMA (via contact details at our Code of Conduct posters or directly with onsite PUMA employees) for the handling of confidential workers' complaints against the workplace management. Complaints should be investigated and dealt with within a reasonable period of time as stated in the Formal Complaints Procedure. Complaints will be handled by PUMA confidentially, and worker identities will only be revealed upon guarantee of non-retaliation. Retaliation against complainant employees is considered a major non-compliance.

SECTION SIXTEEN

Freedom of Association and Collective Bargaining

PUMA guarantees that all employees in its manufacturing sites shall have the right to freedom of association and the right to organize or join unions or other work or industry related associations as well as the right to collective bargaining. As another element of this right, PUMA also recognizes the right of employees not to join or to refuse to join unions or other employees' associations.

Relevant References regarding freedom of association are:

- Article 20 of the Universal Declaration of Human Rights by United Nations General Assembly on December 10, 1948.
- 1948 ILO Convention 87: Freedom of Association and Protection of the Right to Organize
- 1949 ILO Convention 98: Right to Organize and Collective Bargaining Convention

The factory shall provide training for all employees of different levels, including managers and supervisors, about freedom of association and collective bargaining to educate them about its relevance, purpose and function. New workers must be oriented about freedom of association and collective bargaining while refresher course or retraining shall be periodically provided to old and existing workers. Such orientation should cover the international references and standards on freedom of association and collective bargaining, as well as the relevant local laws. Migrant workers should also be covered by this training, regardless of conflicts or limitations between local immigration and labour regulations.

16.1 Works Councils, Unions and Other Forms of Employee Representation

The factory shall not restrict or limit any employee from organizing or joining a workers organization. The factory shall not restrict any employee from leaving one organization and forming another organization. A workers organization is an association, committee or union of workers independently formed or created by the workers themselves to safeguard their rights and promote their interests.

- The factory shall not restrict workers organizations or unions from joining local, national or international federations or confederations.
- The factory shall facilitate the selection of representatives.

Where an independent employees workers organization does not exist in the factory, the formation of a workers committee is recommended. The employees shall elect the officers of the committee and meetings shall be held with the management as necessary. Management shall initiate a form of labour – management committee with the main goal of promoting good industrial relations in the factory and providing alternative means of solving workers' problems, complaints or grievances.



- The labour-management committee shall be composed of representatives from management and workers.
- Management shall arrange workers to select their own representatives by providing a venue and time slot that will allow for conducting the event.
- Management shall not interfere in any way in the election process of worker representatives.

Where there are multiple workers organizations in the factory, a collective agreement may be made with any one of the organizations provided that its membership comprises at least the required given percentage, indicated by the local law, of the total workers. In case of plurality of membership, the management may collectively agree with more than one organization that will cover at least the required given percentage indicated by the local law of combined membership. Nevertheless, the management shall adequately address the interests of other organizations and individual workers in the factory.

Where there are registration requirements for worker organizations set by local law, the management will not delay nor impede the process of registration of worker organizations with local regulatory bodies.

16.2 Collective Bargaining

Collective bargaining is the process by which management and workers representatives, usually union officers, convene over a certain period and series of meetings, resulting in a mutual agreement about how the company will effectively implement its workplace procedures while observing workers' rights and providing added privileges, at the minimum in accordance with local laws.

This Collective Bargaining Agreement (CBA) is negotiated on behalf of the workers, is applied uniformly to the entire workforce and subject to a periodic process of renewal according to terms under the same agreement itself. The CBA usually covers but is not limited to payments of salaries and benefits, work schedule, disciplinary, grievance procedures and union fees. Such CBAs must be in compliance with the minimums set by law, and any terms that are found to be below the requirements set by law may potentially invalidate the CBA.

In the factories with more than 100 employees it is recommended to have a collective bargaining agreement in place. However, this is subject to the local law, as a CBA may only be validated if a certain percentage of the workforce agrees with it regardless of membership with organization or union.

The management shall provide a written proof with specimen signatures of non-members in such agreement of representation. All terms and agreement of the CBA should be uniformly applied to all workers regardless of membership to the organization or union.

SECTION SEVENTEEN

General Welfare Facilities

17.1 Break Areas and Canteens

- The factory shall provide employees with a break area for general rest and dining purposes. Space allocated for the break area will comply with the legal requirement, or if no law exists depending on the number of employees that will be on break in a single shift.
- Where the factory already employs 20 persons, a suitable dining area that is not within the main production workshops should be provided or arranged within the premises or outside of the premises if common dining facilities such as those located in an industrial zone are nearby. Considerations of safety, convenience and comfort of such facilities should be of primary concern.
- Where the factory chooses to provide food through a private or commercial food contractor/purveyor, food handling facilities and practices shall comply with the requirements of all local sanitation regulations and sound hygiene principles if local sanitation and food safety regulations may be inadequate or missing.
- The break areas and canteens located within the premises shall be kept free of litter
- Enough tables and chairs for all employees shall be provided in the canteen (taking into account the break times)
- The factory shall provide adequate light in the canteen space.
- Adequate ventilation shall be in place, and ventilation filters shall be cleaned regularly.
- No employee shall be required to consume food in a toilet room, working area or in any area exposed to toxic material.

17.2 Changing Rooms

- If the factory activities require employees to change their clothes for working, the factory shall provide a changing room.
- The changing room shall be constructed and kept in a safe, dry and clean manner to avoid any danger
- Appropriate fans or heating shall be provided according to local needs
- Rooms shall be provided with a locker to secure personal belongings against theft.
- Mirrors, wash basins and soap shall be provided at the common areas
- Individual changing areas shall be provided to ensure privacy

17.3 Dormitories

Dormitory rooms shall be designed and maintained in a way that ensures human dignity and at least a minimum of personal privacy. Employees should always have the option, to live outside the dormitories provided (i.e. in private accommodation) on their own expense.

The following shall be understood as an absolute minimum requirement:

17.3.1 General

- All relevant laws and regulations must be followed.



- Occupancy permit shall be secured.
- Dormitories shall be maintained in safe, clean and good condition.
- Buildings with two stories and more shall be provided with at least two stairways with a maximum travel distance of 25 meters from any point
- Buildings shall be provided with a corridor of at least 1 meter width
- Heating and cooling facilities should be available, adequate to local climate conditions.

17.3.2 Rooms

- Minimum room occupancy of 2.5 square meters per person
- Minimum floor area of 6 square meters with shortest dimension of 2 meters
- Minimum floor height of 2.4 meters
- Individual beds up to second deck only
- Maximum of 6 persons per room, lower numbers are highly desirable
- If without artificial ventilation, to be provided with windows with a total free area of openings equal to 10% of the floor area
- Windows shall open directly to a yard, court, public street, alley or open water source
- Rooms with insufficient supply of natural ventilation shall be provided with mechanical or artificial ventilation
- All rooms shall have access to natural light
- All rooms shall have individual lockers for personal belongings
- Beds shall be fitted with curtains to provide privacy

17.3.3 Water Supply

- Potable water shall be provided at all times and tested at least every six months
- There shall be sufficient water supply for personal cleaning, bathing, and other issues; there shall be hot water supply
- At least one sink shall be provided for every 15 persons.
- Shower and toilets shall be sufficient in number and shall ensure privacy (have walls and doors)

13.4 Other Welfare Facilities

As stated in the Policy on Women Workers, depending on local law, factories must comply with all legal requirements to provide lactation facilities and/or equipment, child care/crèche facilities, and others. Such facilities must comply with all regulations and principles regarding sanitation, health & safety, security and proper management. As such these facilities must be located in areas away from dangerous or harmful processes or materials. Appropriate lighting, ventilation, heating/cooling and space requirements must be provided. Staff responsible for such facilities, particularly those taking care of children, must comply with all applicable qualifications and regulations for child care. Such facilities should be included in the factory's safety/emergency response plans.



SECTION EIGHTEEN

Factory Training and Capacity Building Projects

PUMA supports the development of its suppliers amongst others, through capacity building projects that aims to improve social and labour compliance and performance. This can be achieved through trainings with NGOs, labour expert organizations, the PUMA team or related industry initiatives. These projects are considered investments in the improving working conditions and mitigating risk to negative publicity. They are targeted to create positive impact within or even beyond the factory and suppliers may engage in these investments either jointly with PUMA or on their own. If such activities are conducted by the supplier as a form of corrective action arising from an audit, then PUMA should be regularly informed of the progress and results in order for these to properly reflect in the validation of the CAPs.

SECTION NINETEEN

Worker Grievance/Complaints Management

In keeping with FLA obligations, PUMA offers a confidential worker/3rd party complaints management process. Contact numbers and an email address of the PUMA Sustainability Team are displayed in each factory producing for PUMA through the mandatory posting of the PUMA Code of Conduct in local language and accessible to the workers.

The aim of this process is to pick up and help resolving problems or issues already raised by workers in the factory internally without any success for their remediation,

In addition and independent of the PUMA worker hotline, the Fair Labor Association offers a formal third party complaints mechanism, where complaints about violations of the FLA Code of Conduct can be raised by third party institutions like Unions or NGOs.

SECTION TWENTY

Year-end Grade Guidance

Our supplier's earned year end grade had previously been synonymous with their last audit rating. However, any audit rating is always only a snapshot in time. Therefore, we are also taking into consideration the implementation status of corrective action plans, as well as the occurrence of any serious compliance violations after the last audit, irrespective on how those were brought to PUMAs attention. .

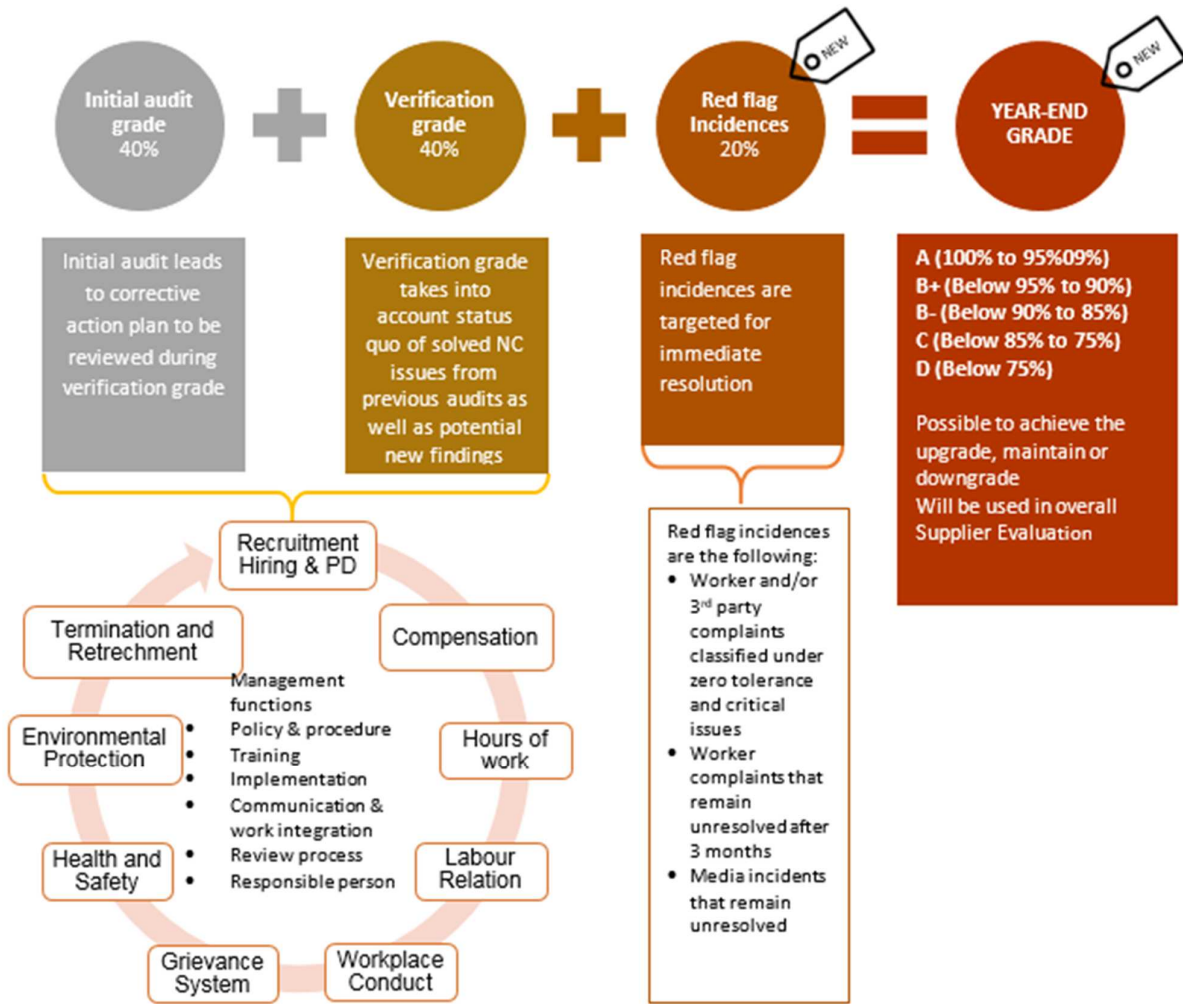


Figure 5: New rating and scoring system structure

As audit scores only reflect the status of compliance at a point in time, the purpose of the yearend grade is to capture annual sustainability performance of factories from a variety of data sources received throughout the operating year. The yearend grade are be used for purposes of supplier evaluation. Those grades are also published within the PUMA Annual Financial and Sustainability Reports on aggregated level.

APPENDIX

A. Code of Conduct

PUMA SE, PUMA WAY 1, D-91074 Herzogenaurach

FOREVER FASTER

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 work week and maximum overtime allowed by local labor law. A regular work week 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 sustaining@puma.com or contact your local PUMA Sustainability Team.

V.06. 2016



B. Contact Person

In case of any questions regarding this manual, please do not hesitate to contact your local PUMA Sustainability Team or other PUMA representatives. Alternatively please contact the PUMA Corporate Sustainability Team:

Mr. Stefan D. Seidel
Head of Corporate Sustainability
PUMA SE
Stefan.seidel@puma.com
Tel: +49 9132 81 0
PUMA-WAY 91074, Herzogenaurach, Germany

C. Glossary of Terms

Declaration of Principles – The declaration letter signed by a factory as a commitment to follow PUMA Code of Conduct

External monitor – A third party auditing firm accredited by PUMA after provided training and evaluation to conduct audit in a factory based on PUMA Code of Conduct

Fair Factory Clearinghouse (FFC) – An audit reporting platform used by PUMA to upload the audit report in the factory. The platform also allowed other parties other than PUMA to access the audit report. Factory is provided with access to FFC to upload their corrective action and sourcing is provided with access to FFC to check on the status of a factory report.

Fair Labor Association (FLA) – Fair Labor Association. FLA is a collaborative effort of universities, civil society organizations and socially responsible companies dedicated to protecting workers' rights around the world. We are an international organization with a dedicated staff and board, headquartered in Washington, DC, with offices in China, Switzerland and Turkey.

Licensee – a company not related to PUMA in a structural way with one of its business to manage production order for PUMA in a specific country. E.g. United Legwear, Dobotex, etc.

Red flag issue - workers or 3rd party complaints related to zero tolerance or critical issue, workers' complaints that remained unsolved after 3 months, media incident that remained unresolved

Restricted Substances List (RSL) --a list of substances subject to a usage ban

RSL tests – The test to determine that a factory does not use restricted substance chemical in the PUMA product

Self-assessment – a part in the FFC platform which contain of a series of questions regarding main information of the factory that the factory should fill in prior to the PUMA audit

Social audits – audit at a factory emphasizing on social aspect of a factory. Social audit consists of audit in the field related to human resource management system, health and safety and environment. The standard used as a tools for audit is both the local laws and regulation in a country and PUMA Standard



Subsidiary - a branch of PUMA located in a country with the main business to manage PUMA production order in a specific country. E.g. PUMA Japan, PUMA Korea, etc.

Swapping of rest days – the act of a company to swap the rest day due to disaster, high working hours, or social upheaval

Worker Complaints – complaints from workers to PUMA sent by the provided grievance channel, e.g, hotline numbers,

Year-end Grading – A grade related to factory performance in one year. The yearend grading taking into account the PUMA latest audit rating, red flag issues, and workers complaints.

TABLE OF FIGURES

Figure 1: Three dimensions of PUMA Sustainability Strategy..... 7

Figure 2: PUMA 10for20 Sustainability Targets 7

Figure 3: PUMA rating system..... 15

Figure 4: Disciplinary procedures 34

Figure 5: New rating and scoring system structure.....**Error! Bookmark not defined.**