



THE PUMA FOREVER FASTER
SUSTAINABILITY HANDBOOKS
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.



Lars Sørensen

Chief Operating Officer



Michael Bennett

Global Director, SourceCo

~~**FOLLOW**~~ **MASTER THE RULES**

TABLE OF CONTENTS

<i>Introduction</i>	7
<i>The PUMA Forever Faster Sustainability Handbooks</i>	7
Sec. 1 – PUMA’s Mission Statement & Sustainability Strategy	8
1.1 PUMA’s Mission Statement	8
1.2 PUMA’s Sustainability Strategy	8
1.3 PUMA’s 10FOR20 Sustainability Targets	8
Sec. 2 – Compliance	9
2.1 Vendor Requirements	9
2.2 Core Supplier Requirements	9
2.3 Monitoring Programs & Audit Instruments	10
2.4 Conflicting Requirements & Conflicts of Interest	10
2.5 Limitations Regarding Antitrust	10
2.6 Anti-Corruption	11
2.7 Factory Training & Capacity Building Projects	11
2.8 New Factory Applications	11
Sec. 3 – PUMA Compliance Audit	12
3.1 Preliminary Briefing	12
3.2 Facility Tour	12
3.3 Document Review	12
3.4 Employee Interviews	13
3.5 Summary Meeting	13
3.6 Corrective Action Plan	14
3.7 Audit Report	14
3.8 Additional Checks for Compliance	14
3.9 The PUMA Audit Rating System	15
3.10 Year-End Grade Guidance	16
Sec. 4 – Issues	17
4.1 Zero Tolerance [“ZT”] Issues	17
4.2 Critical [“CI”] Issues	18
4.3 Major [“MI”] Issues	19
4.4 Regular [“RG”] Issues	20
Sec. 5 – Industry Collaboration	20

Sec. 6 – Programs, Declarations & Commitments	21
6.1 Monitoring Programs & Audit Instruments	21
6.2 Declarations & Commitments	22
6.2.1 PUMA Declaration of Principles	22
6.2.2 ILO Better Work Membership Confirmations	22
Sec. 7 – Social & Labor Standards	22
7.1 Child Labor, Young Workers, & Apprenticeship & Training Programs	22
7.1.1 Policy on Child Labor	22
7.1.2 Policy on Young Workers	23
7.1.3 Apprenticeship & Traineeship Programs	23
7.1.4 Documentation	24
7.2 Employment Policies & Procedures	24
7.2.1 Recruitment	24
7.2.2 Contract Management	25
7.2.3 Informed Workplaces & HR Information Systems	25
7.2.4 Employee Training	26
7.3 Working Hours & Rest Days	27
7.3.1 General Requirements	27
7.3.2 Overtime Regulations	27
7.4 Wages & Benefits	27
7.4.1 Legal Benefits	28
7.4.2 Mandatory Insurance Contributions	29
7.4.3 Deductions	29
Sec. 8 – Equal Opportunity	30
8.1 Non-Discrimination	30
8.2 Gender Fairness	30
8.3 Freedom of Religion	30
8.4 Complaints Procedure	31
Sec. 9 – Women Workers	31
9.1 Policy	31
9.2 Sexual Harassment	32
Sec. 10 – Migrant Workers	32
10.1 Policy	32
10.2 Vulnerability & Special Needs	33
10.3 Additional Policies	33
Sec. 11 – Voluntary Labor	34
11.1 Policy	34
11.2 Voluntary Overtime	34
SEC. 12 – Dignity & Respect	34
12.1 Policy	34
12.2 Physical Harassment	35

12.3 Verbal Abuse	35
12.4 Psychological Harassment	35
12.5 Unfair Work Practices	35
12.6 Racial Harassment	35
Sec. 13 – Disciplinary Practices, Termination, & Retrenchment	36
13.1 Disciplinary Practices	36
13.2 Termination	36
13.3 Retrenchment [Workforce Reduction] Plan	37
Sec. 14 – Suggestions, Complaint/Grievance Procedures	37
14.1 Procedures for Facilitating Employee Suggestions	37
14.2 Procedures for Complaints and Grievances	37
14.2.1 Informal Complaint Procedure	37
14.2.2 Formal Complaint Procedure	38
14.2.3 Third-Party Complaints & Grievance Management Support	39
14.3 Reprisal	39
Sec. 15 – Freedom of Association & Collective Bargaining	39
15.1 Employee Representation [Works Councils, Unions, etc.]	40
15.2 Collective Bargaining	40
Sec. 16 – General Welfare Facilities	41
16.1 Break Areas & Canteens	41
16.2 Changing Rooms	41
16.3 Dormitories	41
16.3.1 General	41
16.3.2 Rooms	42
16.3.3 Water Supply	42
16.4 Other Welfare Facilities	42
APPENDIX	43
A. The PUMA Code of Conduct	43
B. Contact	44
C. Glossary of Terms	44
LIST OF FIGURES	46

Introduction

RUNNING THE WALK

Taking steps to protect 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 a brave example for optimizing our social impact and reducing our environmental footprint.

Our comprehensive and ambitious targets to enhance our sustainability are inspired by the United Nations Sustainable Development Goals and encompassed in the PUMA 10FOR20 Sustainability Targets [see Sec. 1.3].

WORKING AS A TEAM

PUMA's pledge applies to both PUMA entities and Vendors in our supply chain. While we continuously optimize the production process, PUMA also takes measures to mitigate the negative impacts of our supply chain on the global ecosystem.

The PUMA Forever Faster Sustainability Handbooks

PUMA requires all Vendors within our supply chain to fulfill established environmental and social standards. First, all PUMA Vendors must have met all minimum legal requirements. In addition, each must comply with PUMA standards [which may exceed legal requirements] as defined in the four (4) PUMA Forever Faster Sustainability Handbooks: [the "Handbooks"]:

- "Social Standards" elaborates upon PUMA's position on labor rights
- Guidelines for sustainability and environmental protection are contained in "Environmental Standards"
- "Occupational Health & Safety" outlines our standards for and health and safety throughout our supply chain
- Guidelines for Chemicals and Restricted Substances are in "Chemical Management"

These Handbooks are subject to continuous updates. Any feedback or suggestions for improvement is welcome [contact your PUMA Sustainability Team representative or email sustain@puma.com].

GETTING IN THE GAME

PUMA pursues and maintains contractual relationships only with those Factories and Licensees that have agreed to comply with the guidelines and directives set out in the Handbooks.

- All PUMA Factories are contractually bound to pursue business relationships only with Subcontractors that are in compliance with the Handbooks
- Any indication of 1) false documentation or other failures to provide accurate information, or 2) coaching of workers may have serious repercussions on the business relationship with PUMA, e.g. Deactivation

COMMUNICATE, COMMUNICATE, COMMUNICATE

Transparency from all of PUMA's Vendors is paramount to a successful working relationship. PUMA's Sustainability Team is determined to work with Vendors, to help address any root causes of noncompliance [through e.g. training and development projects]. However, this can only be effectively conducted within the context of full transparency.

Legal Disclaimer:

The content of this handbook is not intended to replace local or national regulations, nor will following the guidelines in the Handbooks guarantee compliance with them. At all times, it remains the sole responsibility of our own entities and Vendors, and their Subcontractors, to ensure compliance with all applicable local and national regulations, including those labor, worker health and safety, and environmental and product safety.

Sec. 1 – PUMA’s Mission Statement & Sustainability Strategy

1.1 PUMA’s 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 within the industry and the world.

PUMA achieves this by considering the welfare and best interests of:

- the **consumers** of PUMA products,
- the **workers** who make them, and
- the **environment** that provides the resources for their manufacture.

PUMA aims to do this while striving to make our business profitable, in order to continuously optimize the benefits for all our stakeholders.

1.2 PUMA’s Sustainability Strategy

In line with our “Forever Faster” transformation, PUMA has refined its global sustainability strategy that balances three [3] dimensions—**Economic**, **Social**, and **Environment** [see Fig. 1]—to achieve sustainable business development. The new strategy includes a drive to mainstream sustainability, create impact and ensure industry alignment.

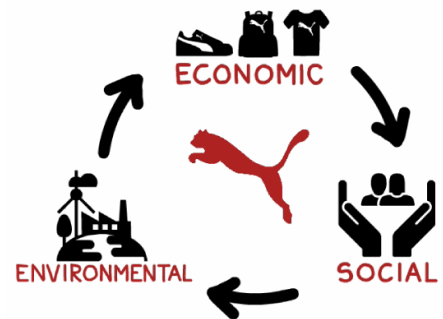


Figure 1: Three dimensions of PUMA’s Sustainability Strategy

1.3 PUMA’s 10FOR20 Sustainability Targets



PUMA’s Sustainability Targets 10FOR20

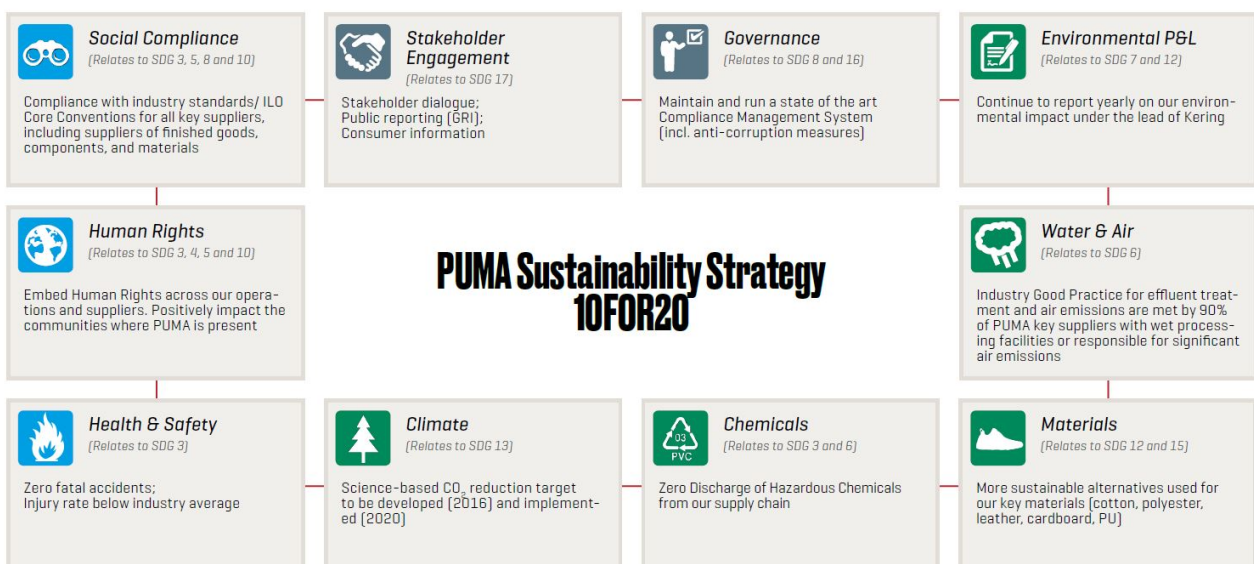


Figure 2: PUMA 10FOR20 Sustainability Targets

The PUMA 10FOR20 Sustainability Targets encompass PUMA's goals for reducing our environmental impact and enhancing our sustainability, which will accelerate positive impact within ten [10] areas of focus [see Figure 2]. From 2010 to 2015, PUMA primarily focused on environmental targets within our own direct sphere of influence. Going forward, our lifecycle approach means we have shifted focus to look deeper into our supply chain and balanced our efforts by adding three [3] new focus areas and related targets for 2020: Health and Safety, Human Rights and Governance.

A lifecycle approach starts from product design, e.g. emphasize sourcing significant volumes of raw materials from more sustainable sources. In addition, PUMA encourages its supply chain to adopt Industry Good Practice in manufacturing processes, with the goal of achieving Zero Discharge of Hazardous Chemicals by 2020.

Leading by example, PUMA's owned and operated entities are required to meet reduction targets that are as ambitious as those established for Suppliers.

In summary, we quantify the impacts of PUMA's business activities. Corporate environmental accounting is used to track progress towards the PUMA 10FOR20 Sustainability Targets; the PUMA Environmental Profit & Loss Account not only puts a price tag on nature's services but also provides a useful tool for identifying where the largest environmental impacts lie and how to minimize them [see Environmental Standards handbook].

Sec. 2 – Compliance

2.1 Vendor Requirements

PUMA pursues and maintains contractual relationships only with those **Factories** and **Licensees** that have agreed to comply with the guidelines and directives set out in the PUMA Forever Faster Sustainability Handbooks. All PUMA **Factories** are contractually bound to pursue business relationships only with **Subcontractors** that are also in compliance with the Handbooks.

To support implementation, **Factories** shall put into effect Vendor Compliance Programs [i.e. internal policies and control mechanisms that find any potential noncompliance at an early stage and work toward remediation wherever needed]. **Suppliers** shall ensure that all activities, contracts, agreements, accounting, etc., are compliant with the Handbooks.

Each **Supplier** shall appoint a Sustainability Compliance Officer ["SCO"]. Ideally, the Officer shall speak English in addition to the relevant national language, as he/she will be the main point of contact between the Factory and the PUMA Sustainability Team. SCOs will promote the internal development of Vendor Compliance Programs and monitor their effectiveness to aid and ensure full compliance with the Handbooks.

The PUMA Sustainability Team is available for support in these matters. PUMA also supports capacity-building projects and conducts regular consultation with Factories to improve the level of compliance within these facilities.

2.2 Core Supplier Requirements

PUMA considers Core Suppliers as key partners. They are selected on a regular, periodic basis through the PUMA Vendor Rating System. This system is a supplier decision matrix that rates all Suppliers against strategic and operational parameters including the demonstration of Vendor management's commitment to a PUMA partnership as evidenced by investments and improvements in:

- Compliance and performance according to the Handbooks
- Quality and price
- Delivery performance
- Customer service

The PUMA Forever Faster Sustainability Handbooks detail the minimum requirements for all Core Suppliers and Core Supplier candidates, that are expected for compliance [including enhancement of workplace dialogue and conflict resolution] and management systems. Examples include:

- Certified Management systems (ISO 14001, ISO 9001, OSHAS 45001, and SA 8000)
- Participation in industry schemes such as the Sustainable Apparel Coalition HIGG Index and/or the ILO Better Work Program
- Following best practices outlined in the Handbooks
- Publishing of Supplier's own sustainability reports

Core Suppliers are expected to have medium-term plans (<12 months) and appropriate procedures in place for implementing strategic compliance and improving social performance in a continuous improvement cycle over time.

Core Suppliers must be able to track their performance against these plans using Social KPIs. 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 proactive step to mitigate social audit fatigue.

2.3 Monitoring Programs & Audit Instruments

The PUMA compliance monitoring program applies not only to manufacturers of finished goods (Tier 1 contract Factories), but also to key manufacturers of components and materials (Tier 2 or 3) within PUMA's supply chain (whether they may be subsidiaries, licensees, or joint ventures).

PUMA therefore regularly audits every Factory that manufactures PUMA products to verify its compliance with PUMA's policies and requirements, as well as with applicable national and local laws. A Compliance Audit is an important tool to ensure that the standards in PUMA's Sustainability Handbooks are observed at facilities in the PUMA supply chain.

Within manufacturing agreements, PUMA reserves the right to conduct a comprehensive audit at Factories.

2.4 Conflicting Requirements & Conflicts of Interest

Vendor compliance programs must guarantee compliance with all relevant local, national, and international legislation. In case of conflicting requirements, the regulation with stricter demands shall be followed.

Factories shall always make company decisions objectively, and free of any bias that could result in a conflict of interest. Examples of potential biases include:

- Business dealings (e.g. having relationships or investment with competitors)
- Social ties (e.g. friends or relatives influencing decisions)
- Other personal considerations (e.g. offering or accepting bribes; receiving gifts from Suppliers, Subcontractors etc.)

2.5 Limitations Regarding Antitrust

PUMA will not willingly violate any antitrust legislation by sharing commercial information or other information considered a violation by government authorities. However, we acknowledge that when Vendor compliance programs converge with other business-related activities (e.g. when Suppliers engage in production planning) the compliance-related data may imply some commercial information.

Thus, **Suppliers** are responsible for maintaining the confidentiality of commercial information; and must inform all relevant customers, including PUMA, of what information the Supplier shares with which parties.

2.6 Anti-Corruption

Around the world, corruption remains a considerable obstacle to sustainable economic and social development. It threatens the reputations of companies as well as those in their supply chains. Furthermore, new, and stringent anti-corruption regulations continue to emerge worldwide. As a signatory of UN Global Compact, PUMA is committed to uphold the ten [10] Global Compact principles in our operations and supply chain. This commitment includes fighting corruption. As part of this commitment, PUMA has added “Ethical Business Practices” to the PUMA Code of Conduct [see Appendix A]. PUMA believes:

corruption impedes business growth, escalates costs and poses serious legal and reputational risks. It also raises transaction costs, undermines fair competition, and distorts sustainable development priorities. **For Factories**, corruption can also negatively impact value. It also poses financial, operational, and reputational risks, both for Factories and their stakeholders.

As part of PUMA’s supply chain, **Factories** must implement robust anti-corruption measures and practices to protect against such risks for all potentially impacted parties, as follows:

- Conduct regular training to raise awareness on anti-corruption within their organizations
- Conduct an Anti-Bribery and Corruption Risk Assessment
- Develop an anti-corruption policy and program
- Implement a whistleblowing mechanism

2.7 Factory Training & Capacity Building Projects

PUMA supports the development of its Suppliers through capacity-building projects, which aim to improve social and labor compliance and performance. This can be achieved through trainings with NGOs, labor expert organizations, the PUMA team, or related industry initiatives.

These projects are considered investments toward improving working conditions and mitigating risk of negative publicity. They are targeted to create positive impact within or even beyond the Factory.

Suppliers may engage in these investments either jointly with PUMA or on their own. In some cases, such activities may be conducted by the Supplier as a form of corrective action arising from an audit. In these circumstances, PUMA shall be given regular updates on the progress and results in keeping with the Corrective Action Plan in place.

2.8 New Factory Applications

Pre-Screening Visits

Before a PUMA audit is conducted at a Factory seeking PUMA Supplier accreditation, 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 an initial compliance report that can be used to prepare the full audit.

Factory Self-Assessments

In addition, 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. It also allows the Factory in question to compare its existing compliance system with PUMA’s requirements and work on potential areas for improvement before the full audit is conducted.

Sec. 3 – PUMA Compliance Audit

A PUMA Compliance Audit verifies that a Factory is following PUMA standards. Only PUMA and other qualified third-parties designated by PUMA [“Auditor(s)”] may conduct verifiable monitoring activities. PUMA conducts audits with all potential Suppliers prior to the start of business relationship; Factories already authorized for production will be assessed at regular intervals [typically once per year].

PUMA reserves the right to conduct
Compliance Audits without advance notice.

PUMA may contact **Core Suppliers** more frequently. However, not all assessments will be in the form of audits. For example, Core Suppliers may be visited to validate social and environmental KPIs and their entries on the SAC HIGG Index.

AUDIT SCORE SUMMARY

- Only Factories with a passing grade of **A**, **B+** or **B-** will be authorized for PUMA production.
- Factories that receive a **C** rating will be given a specific timeframe [4 months] to resolve noncompliance Critical Issues. Based on successful completion, the Factory will be upgraded to a **B** rating and production authorization will be given.
- Factories given a **D** rating are considered unprepared for compliance with the PUMA Standards. No production authorization shall be given to these Factories. **D**-rated Factories may apply for a new PUMA Compliance Audit only if they provide Credible Evidence that a higher compliance status has been permanently achieved [e.g. Factory has passed a Compliance Audit report by other brand and presents an externally verified completion of corrective action plan or similar].

3.1 Preliminary Briefing

The audit starts with a briefing to the **Factory Management** and representatives on the PUMA standards, as well as the audit process and its scope.

3.2 Facility Tour

After the briefing, inspection of all production areas and connected facilities commences. This may include materials storage areas, drinking stations, kitchen, dining room, medical clinic, dormitories, shower and toilet facilities, recreational areas, garbage staging areas and wastewater treatment facility, where applicable. In some cases, areas subject to inspection may be located outside of the Factory premises.

3.3 Document Review

Factory Management must make documents available for review, including but not limited to the following:

- 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
- Those related to health, safety, and environmental practices in the Factory

These documents serve as the primary evidence of the Factory’s compliance performance.

Presentation of fake or manufactured documents during the audit is a serious violation of PUMA's Code of Conduct and is a Critical Issue.

If Factories present forged/falsified documents or practice other forms of non-transparency, the following consequences may result:

- The audit will be discontinued until Credible Evidence of transparency is obtained,
- The **Factory** will receive maximum audit rating penalties, and regardless of the final audit grade obtained,
- The **PUMA Sustainability Team** may recommend against a business relationship with the subject Factory or advise that PUMA discontinue a business relationship that has already been started.

3.4 Employee Interviews

We believe that interviews with worker or union representation are crucial for witnessing and understanding workers' perspectives on workplace standards and Factory atmosphere.

Interview of randomly selected employees is another important audit procedure. PUMA reserves the right to interview employees of Factories at its discretion. Auditors may conduct these in groups or individually, depending on the nature of the topic or information sought. Interviews may take place onsite, offsite, or remotely, depending on the circumstances during the audit. Onsite interviews may occur during actual work proceedings, or separately, as circumstances warrant.

PUMA prohibits the presence of members of the **Factory Management** or any office staff during interviews with workers or supervisors to avoid biased answers and coaching. In addition, Auditors will provide workers with PUMA contact details during their interviews.

Any form of management retaliation against interviewed workers is considered a Critical Issue and serious failure of compliance.

3.5 Summary Meeting

PUMA's Compliance Audits conclude with a summary meeting. Participants include **Factory top management** and other relevant parties, such as the Factory's own:

Sustainability Team
HR
OHS Expert
Environmental Expert
Worker or union representation

The meeting provides the **audit team** with the opportunity to:

- Communicate audit findings to relevant parties
- Highlight good practices
- Note areas that require improvement

This meeting also gives the **Factory Management** an opportunity to:

- React to audit findings
- Contest any they disagree with
- Present relevant proof to support their claims

It is also during the summary meeting that the audit team shall provide the Factory with suggestions for appropriate corrective actions to resolve any noncompliance. At this stage, Factories have ideally signed a corrective action plan [see Sec. 3.6].

3.6 Corrective Action Plan

The Corrective Action Plan documents the issues discovered during the audit, and outline plans for improvement. Both the **audit team** and the **Factory representative** sign the plan, before two (2) copies are made:

- **Factory Management** receives a copy, which it can use to formulate a plan for corrective actions and an implementation timetable.
- The other copy remains with the **Auditor team** and is kept on file for subsequent verification of corrective actions and remediation of identified issues.

Depending on the nature of the findings, Auditors may conduct verification of corrective actions either remotely (via desktop review) or in-person (via a follow-up visit); therewith, some immediate corrections may be taken into account prior to the finalization of the audit report, in accordance with remediation standards for the issue[s].

Factories have a maximum of **ten (10) days** after the audit to send the Corrective Action Plan to the Auditor (including already implemented action points) before the audit report and the Factory rating is finalized.

3.7 Audit Report

The Auditor prepares a report after completion of the audit. In line with PUMA's principle of transparency, the Factory will receive a printed or electronic copy of the audit report including space to provide feedback on the professionalism of the audit team. The Factory is free to share this audit report copy with other brand customers to reduce audit fatigue.

Please note: Noncompliance of Zero Tolerance issues [see Sec. 4.1] automatically results in a **failure rating**, regardless of the Factory's total points. Such Zero Tolerance issues include:

- Proven Case of Child Labor
- Noncompliance with Basic Government Licensing Regulation
- Payment Below Legal Minimum Wage

3.8 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, have permission to check for compliance with the Code of Conduct and the Handbooks as part of their regular duties.

See next page.

3.9 The PUMA Audit Rating System

PUMA's Audit Rating System is based on the ratings: **A**, **B+**, **B-**, **C** and **D**. The minimum passing grade is 86% [i.e. only **A**, **B+** and **B-** ratings are passable] and **C** and **D** are **failure** ratings. The ratings and corresponding grades are:

RATING	DEFINITION
A	<p>95% to 100% PASSED – VERY GOOD RESULT</p> <p>Routine: Every 12 months</p> <ul style="list-style-type: none"> The PUMA Forever Faster Sustainability Handbooks requirements have been met, and there are indications of strategic initiatives to maintain compliance with the PUMA Code of Conduct.
B+	<p>90% to 94.99% PASSED – GOOD RESULT</p> <p>Routine: Every 12 months</p> <ul style="list-style-type: none"> Noncompliance issues are of minor importance and can be rectified immediately.
B-	<p>85% to 89.99% PASSED – SATISFACTORY RESULT – REMEDIATION NECESSARY</p> <p>Routine: Another audit is conducted within the next 12 months to check improvements. If there is still no progress, a warning letter is issued.</p> <ul style="list-style-type: none"> Noncompliance issues are of minor importance, but there are a larger number of such issues found compared to a B+ rating.
C	<p>75% to 84.99% FAILED</p> <p>Routine: Every 4 months</p> <ul style="list-style-type: none"> Serious or numerous noncompliance issues found during the audit that must be rectified immediately. For existing Factories, a follow up audit is conducted within four [4] months to check the remediation status of identified issues. For Better Work ["BW"] Factories, PUMA will collaborate with both BW and Factories suggesting a specific timeframe to improve the issues based on the BW Improvement Plans. In the event a Zero Tolerance ["ZT"] issue is identified, all Factories including BW Factories will follow PUMA's standard CAP timeframe [Depending on the issues found, between 8 weeks to 6 months] to improve the potential ZT issue [see Sec. 4.1]. New Factories will not be provided with manufacturing authorization until the issues identified are rectified and an A or B rating is achieved.
D	<p>74.99% and below FAILED – FACTORY LACKS BASIC COMPLIANCE SYSTEMS</p> <ul style="list-style-type: none"> Many serious violations or at least one [1] Zero Tolerance issue found [see Sec. 4.1]. For an initial audit of potentially a new Factory, a business relationship will not be started. For an audit of an existing Factory, a phase-out plan will be started, leading to the eventual termination of the business relationship, i.e. Deactivation. For Better Work ["BW"] Factories, PUMA will collaborate with both BW and Factories suggesting a specific timeframe to improve the issues based on the BW Improvement Plans. In the event a Zero Tolerance issue is identified, all Factories including BW Factories will follow PUMA's standard CAP timeframe [Depending on the issues found, between 8 weeks to 6 months] to improve the potential ZT issue [see Sec. 4.1].

Figure 3: PUMA rating system

3.10 Year-End Grade Guidance

In the past, the Year-End Grade that our Suppliers earned was synonymous with their last audit rating. However, any audit rating is always only a snapshot in time. Therefore, going forward, we have decided to consider the implementation status of Corrective Action Plans (Verification Grade), as well as the occurrence of any serious compliance violations after the last audit, irrespective on how those were brought to PUMA's attention [Red Flag Incidences].

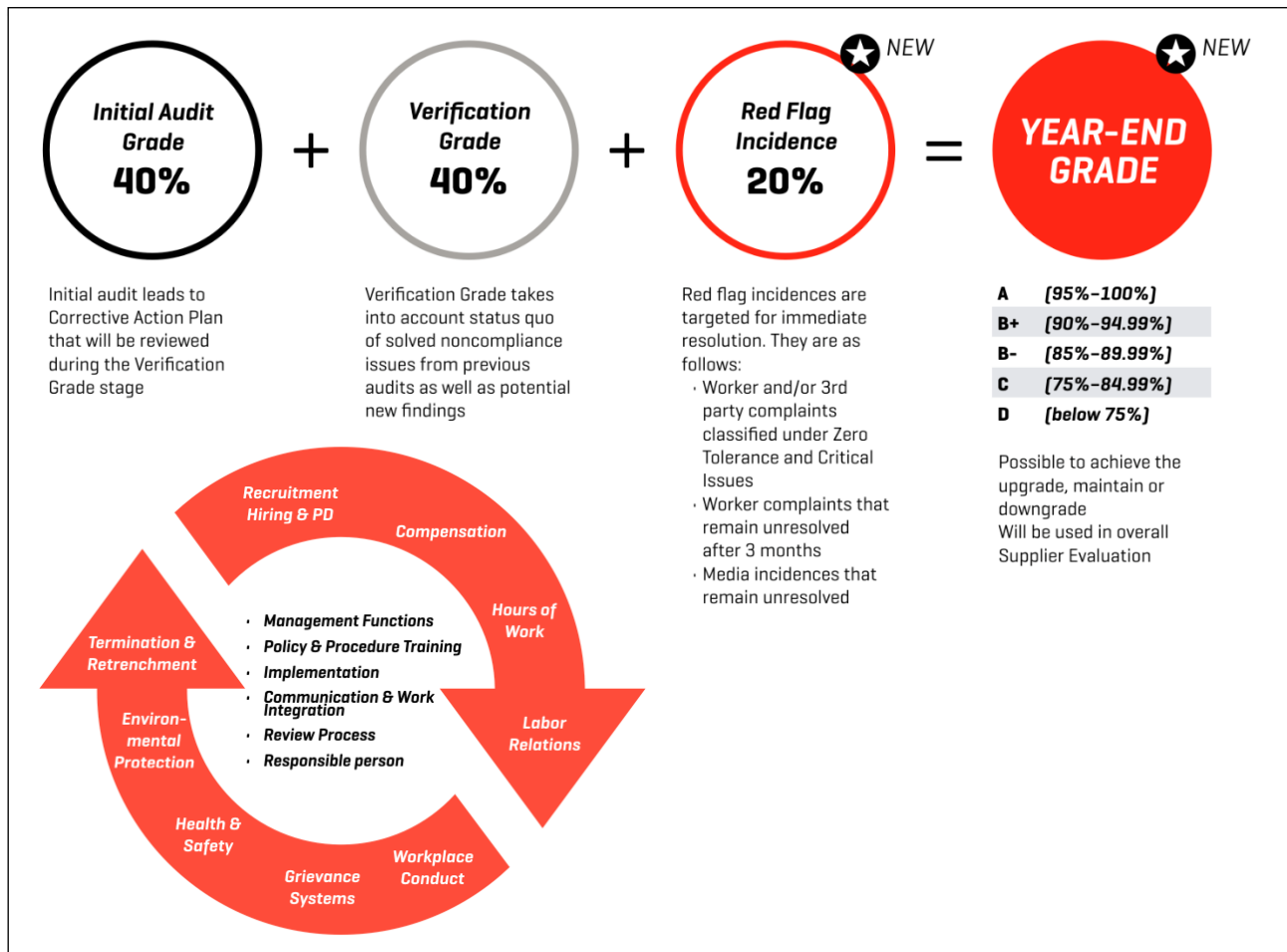


Figure 4: New rating and scoring system structure

As audit scores only reflect the status of compliance at a point in time, the purpose of the year-end grade is to capture annual sustainability performance of Factories from a variety of data sources received throughout the operating year. The year-end grade is used to evaluate our Suppliers and will be published in the PUMA Annual Financial and Sustainability Reports on an aggregate level.

Sec. 4 – Issues

PUMA's system for rating Code of Conduct compliance organizes instances of noncompliance into four categories: Zero Tolerance ["ZT"] Issues; Critical ["CI"] Issues, Major ["MI"] Issues, and Regular ["RG"] Issues. When an instance of noncompliance is found, the result is a reduction of the Factory's audit score according to the following schedule:

- A ZTI results in a 30-point reduction and automatic failure of the audit;
- A CI issue results in a 10-point reduction and a requirement that the Factory take immediate actions to remediate in order to maintain an opportunity to pass the audit;
- A MI issue results in a five-point reduction, where the Factory may still achieve a passing grade but must nonetheless take action to remediate; and
- An RG issue results in a one-point deduction. RG issues are considered non-urgent, and Factories are given reasonable timeframes in which to address them.

4.1 Zero Tolerance ["ZT"] Issues

Zero Tolerance Issues are unacceptable violation of PUMA's Code of Conduct. If a ZT issue is discovered, the Factory will automatically **fail** its audit.

There is no possibility for the Supplier to produce any PUMA goods if ZT issues are present.

ZT issues are defined as follows:

NO.	ZT ISSUE	DEFINITION
1	Noncompliance with Basic Government Licensing Regulation	Missing or invalid business permit, or any missing operation/license/certification that is legally required from local authorities to operate the business.
2	Payment Below Legal Minimum Wage [see Sec. 7.4]	Failure of the Supplier to meet any of the following wage requirements: <ul style="list-style-type: none"> • the legal minimum wage • the appropriate prevailing, industry, or sectorial minimum wage • the collectively bargained wage, either national or regional for the workers [including sub-contracted workers or whoever works in the Factory in any operation or service for the Factory]
3	Proven Case of Forced Labor [see Sec. 11]	Any work or service performed by a worker which worker does not voluntarily agree to, and 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 [see Sec. 7.1.1]	A hiring age policy and/or practice that 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 no less than 15 years, or the age at which compulsory schooling is completed, whichever is higher.

5	Imminent Danger to Life	Any combination of health and safety conditions in the Factory that present an imminent risk or danger to a worker's life, including unsound Factory building structures.
6	Illegal Discharge of Waste Water or Hazardous Waste [see Environmental Standards handbook]	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].

4.2 Critical ["CI"] Issues

Critical Issues constitute a serious violation of PUMA's Code of Conduct. They will be treated with higher priority than other findings. Discovery of one [1] or more CIs may lead to a **failure** of the PUMA Compliance Audit or to a significant downgrade of the final audit grade. CI issues are defined as follows:

NO.	CI ISSUE	DEFINITION
1	Unauthorized Sub-Contracting	Any operation that Suppliers carry out in outsourced Factories, that has not been approved or audited by PUMA.
2	Unregistered Workers [see Sec. 7.2.2]	Employment contracts must be provided according to local legislation requirements. A working contract or equivalent local document shall be signed with all employees before the start of employment. One [1] copy of this contract shall be filed by the Factory and another shall be given to the worker.
3	Social Insurance, Provision Deficiency [see Sec. 7.4.2]	Any instance where 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. Any instance where 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 for each employee.
4	Falsified Records [Statements, Practices & Documentation]	In all instances, a false representation of a matter of fact, whether by word, conduct or documentation. Examples include hiding records, illegal practices, [such as coaching workers for falsified answers in interviews, paying bribes or wherein documentation is found to be inconsistent with other records found at the facility, including verification from workers and other entities, such as civil society and government, as may be pertinent].
5	Proven Case of Discrimination [see Sec. 8]	Any instance where workers are subject to discrimination in employment, including: hiring, compensation, advancement, discipline, termination or retirement, on the basis of gender, race, color, religion, age, health, disability, sexual orientation, nationality, political opinion, social or ethnic origin, or position.
6	Proven Case of Harassment or Abuse [see Sec. 12]	Any systematic verbal, sexual, physical, or psychological abuse or harassment that may also be part of the Factory's management style e.g. physical punishment used to discipline workers [such as workers are regularly locked inside the Factory and unable to leave], widespread sexual harassment.

7	Proven Case of Reprisal or Retaliation Against Workers	Penalizing workers without just cause, negative consequences or other inappropriate behavior by the Factory towards workers, such as threatening of the same e.g. employee is threatened to be penalized after he/she elects to not perform overtime or hazardous work.
8	Proven Case of No Freedom of Association [see Sec. 15]	Factories that do not recognize or respect workers' rights to Freedom of Association and/or Collective Bargaining.
9	Sub-license Mission [Environment Permit, Fire Safety Permit, etc.]	Missing or invalid fire safety, building safety or environmental license/permit/certification, as legally required by local authorities.
10	No testing for Restricted Substances	Lack of a procedure to regularly test incoming materials for restricted substances [as per the Restricted Substances List; "RSL"].
11	Missing/Inadequate Professional Risk Assessment [see Occupational Health & Safety Handbook]	This risk assessment should include: general health and safety issues in production processes and devices; fire and electrical safety; mechanical safety; chemical hazards; emissions hazards [including for radiation]; confined space hazards; tripping hazards; health risks to vulnerable employees; requirements for frequency of exposure; structure safety; monitoring and prevention; safety control procedures where extreme temperatures may affect workers; fall protection hazards, and other relevant factors.

4.3 Major ["MI"] Issues

Major Issues are crucial violations of PUMA's Code of Conduct. **Suppliers** are expected to remediate issues with immediate action or within a reasonable timeframe. We define MI issues as follows:

NO.	MI ISSUE	DEFINITION
1	Overall Special Performance and Management Commitment Violation	The Factory does not collaborate with PUMA or does not implement/complete/clear all ZT, CI, and MI issues from earlier PUMA audits. Factory does not adopt policies/procedures and conditions of employment that respect workers' rights, during the tenure of their employment. Any violation of management's overall commitment, such as rules, policies, or practices.
2	Insufficient Overtime Payment [see Sec. 7.3.2]	The Factory does not pay the correct, legally defined rates for overtime, rest days, and holidays.
3	Occurrence of Delayed Payment	The Factory has delayed the release payments of wages within the last twelve months in more than two [2] instances.
4	Proven Case of Homeworking	Evidence of homeworkers or failure to declare subcontracted workers hired by the Factory. The use of homework is not authorized by PUMA. Homework shall not be confused with micro-enterprises with a legitimate commercial identity. Such micro-enterprises must be evaluated for presence of Critical Issues like child labor [see CI issues]. In proven cases of homework, Suppliers will be required to move production processes to legitimate commercial enterprises and compensate the contracted parties either by arranging legitimate employment within their own or other commercial enterprises.
5	Regular Working Hours Violation [see Sec. 7.3]	The Factory does not comply with regular daily/weekly/monthly working hours or has incomplete or contradictory records on working hours.

6	Excessive Overtime Violation [see Sec. 7.3.2]	The Factory does not follow the relevant local law and PUMA's policy regarding overtime work.
7	Vulnerable Workers Violation [see Sec. 8.1, 8.2, 10, 11]	The Factory does not meet the basic legal requirements regarding working hours, for pregnant/nursing employees and other special vulnerable workers [e.g. young and senior workers], such as shortened work hours or special breaks.
8	Complaints/Grievance Procedure – Worker Communication Violation [see Sec. 14.3]	The Factory lacks an effective complaints/grievance process to confidentially gather and address worker allegations, in a manner that protects the complainant against any form of reprisal/retaliation.
9	Failure to Complete Emergency Reporting to PUMA	Factories shall record accidents that result in work stoppage properly and follow PUMA's "Emergency Reporting Protocol" when reporting accidents, and ensure that reports are submitted in a timely manner.
10	Welfare Facilities & Amenities Violation [see Sec. 16]	The Factory is not in compliance with local legal requirements for the provision of facilities such as dormitories, canteens/kitchens, childcare/crèche, lactation area and/or equipment, etc.
11	Missing MRSL Procedure / Using Banned Chemicals	There is no procedure in place for ensuring compliance with the ZDHC Manufacturing Restricted Substances List [MRSL] for eliminating banned chemicals

4.4 Regular ["RG"] Issues

Regular Issues are considered minor violations of PUMA's Code of Conduct. They are treated with lower priority than other issues discovered during the audit. The timeframe for resolving each RI depends on nature of the issues. The PUMA auditor or External Monitor shall provide guidance on the correction and implementation of each issue with Factory Management during the audit summary meeting [see Sec. 3.5].

Sec. 5 – Industry Collaboration

PUMA has placed a large emphasis on industry collaboration and, where possible, supporting existing industry initiatives. Collaboration with our peers is paramount to streamline the sustainability efforts of our industry. We believe that encouraging alignment of individual industry organizations, e.g. converging use of tools and processes, makes the overall system more efficient. Examples of actions PUMA has taken are:

- Harmonized the PUMA Compliance Audit tool with the methodology of the Fair Labor Association and Better Work;
- Supported a convergence of various existing supplier social compliance assessments

under the umbrella of the Social and Labor Convergence Project ["SLCP"], and

- Introduced relevant social key performance indicators ["KPIs"] as part of an industrywide framework on social standards that measure performance in addition to compliance

The results of these and similar coordinated efforts potentially free up resources currently spent by brands and Suppliers alike. Examples of what we believe are redundant processes include:

- Multiple audits for the same Factory
- Multiple test reports for hazardous chemicals on the same materials and effluents

- Multiple capacity-building and training projects focusing on similar subjects and Suppliers

By de-duplicating efforts across the industry, through Brand Collaboration we aim to use our own resources

more effectively. This, in turn, achieves stable, long-term positive impact on our direct and indirect employees, as well as the Factories, communities and environment in which we operate. Our new “10FOR20” targets will guide our work in this respect.

Further information on the global initiatives and programs PUMA supports are found on the websites of the following organizations and initiatives:

- [Fair Labor Association](#)
- [Better Work](#)
- [Social & Labor Convergence Project](#)
- [Sustainable Apparel Coalition](#)
- [International Labor Organization](#)
- [United Nations Global Compact](#)
- [United Nations Sustainable Development Goals](#)
- [Global Reporting Initiative](#)

Sec. 6 – Programs, Declarations & Commitments

6.1 Monitoring Programs & Audit Instruments

To avoid audit fatigue, e.g. 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], in lieu of conducting our own.

Please note: Factories must share full audit or assessment reports with PUMA, and these reports may not be older than one [1] year.

For areas or countries with strong national labor compliance and a low risk of noncompliance, the PUMA Sustainability Team may decide that a full Factory audit is not necessary. In these cases, the Sustainability Team will instead require the **Factory** to complete a self-assessment similar to the PUMA Compliance Audit.

PUMA supports the efforts of the Social and Labor Convergence Project (“SLCP”) to converge the various social and labor standards within the Apparel and Footwear industry.

Therefore, PUMA asks all Suppliers [as well as select Suppliers of components and materials] to complete the SAC HIGG Index Social Facilities Module or another version of the SLCP assessment on an annual basis [in countries where the tool is available].

6.2 Declarations & Commitments

PUMA is an active member of both the Fair Labor Association [“FLA”], ILO Better Work Program, as well as the Fair Factories Clearing House [FFC], a compliance information platform used to store, manage, and share our compliance-related data.

6.2.1 PUMA Declaration of Principles

All **Suppliers** must sign the PUMA Declaration of Principles declaring their intention and conviction to comply with all relevant national and local laws, as well as with the policies set forth in the PUMA Forever Faster Sustainability Handbooks. The Declaration also affirms Suppliers’ commitment to only choose such Subcontractors, for the manufacture of PUMA products, that comply with the same.

6.2.2 ILO Better Work Membership Confirmations

Since 2013, PUMA has been 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 subject to the ILO Better Work Program must submit their proof of membership to PUMA on an annual basis. Upon receipt, PUMA will refrain from conducting its own audits at these facilities. Instead, PUMA will use the Better Work Assessment reports and work with Factories on performance improvement based on Better Work Improvement Plans.

Sec. 7 – Social & Labor Standards

The social and labor compliance standards detailed in the following sections are based on the ILO [International Labor Organization] Core Conventions, the United Nations Guiding Principles for Business and Human Rights, as well as the ten [10] principles detailed in the United Nations Global Compact of which PUMA is a member.

7.1 Child Labor, Young Workers, & Apprenticeship & Training Programs

7.1.1 Policy on Child Labor

Child labor is a Zero-Tolerance issue [see Sec. 4.1] and results in an immediate failure of the PUMA Compliance Audit.

All employees at the Factory shall have reached either: the age of 15; 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 labor in any way, including apprenticeship programs and Subcontractors.
- The use of homework is not allowed by PUMA as no effective control of child labor provisions is feasible for homeworkers.
- The Factory shall state a clear written policy against child labor and determine specific working conditions for young workers.
- The Factory shall ensure that all employees’ files contain adequate documentation proving their legal age.

If a child is found to be employed by the Factory:

- The Factory shall release the worker from production work.
- The Factory shall 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 must undertake all necessary corrections in their recruitment procedures and human resources information systems.

7.1.2 Policy on Young Workers

A young worker is defined as 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 for young workers, such as the following:

- Registering the employee to the correspondent government labor agency
- Obtaining a written permit from the parents
- Protecting young workers from performing heavy or dangerous work and/or contact with hazardous substances
- Adhering to all local regulations, for example, working hour restrictions for young employees, including regular, night, and overtime hours

7.1.3 Apprenticeship & Traineeship Programs

PUMA supports Apprenticeship and Traineeship Programs ["Program(s)"] 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 more recently, such Programs have begun to include adults and cross-international boundaries. As such, a Program shall in no way be used to undermine the implementation of every country's labor law requirements, nor legitimize modern slavery and human trafficking activities.

The **Factory** shall ensure compliance with all specific regulations for employees hired under Programs, such as the following:

- Remuneration
- Number of working hours [time spent for theoretical instructions count as working hours]
- Duration of the training period [shall not exceed the period set by local law]
- Working conditions [free from hazardous substances and heavy/risky activities]
- Accommodation

If, at any time, the legal regulations of Programs are found to be seriously misaligned with, and below, the standards of the PUMA Code of Conduct or the Handbooks [e.g. trainees are not covered by local labor law; trainees do not qualify for minimum wage], the **Factory** must instead comply with the PUMA standard.

Where such Programs are international or require movement from one distinct area to another, the **Factory** must ensure that apprentice recruitment bodies are legitimate and follow all legal requirements [e.g. appropriate language training, initial training, etc.]. Where laws or implementation of regulations may be weak or inadequate in relation to the PUMA Code of Conduct [particularly if recruitment bodies are located overseas or if the Factory does not have a direct means of engaging with them], the Factory will be advised to discontinue the Program.

The following are additional guidelines for implementing Programs:

- The age of the apprentice/trainee must comply with the minimum age requirements outlined in PUMA's Code of Conduct and the Handbooks.
- There shall be a written apprenticeship agreement between the Factory and the apprentice [and parents of the apprentice, where applicable]. The agreement shall state the start and end date of the apprenticeship. Such agreements shall be written in a language the apprentice is able to read and understand. Where applicable, such agreements shall be registered with the appropriate authorities, and the apprentice must be provided a copy of the agreement.
- The Program shall be available only for jobs that require skills, such as machine operator, mechanic, electrician, etc. A job that requires no skills is not eligible for inclusion in the apprenticeship program.
- The total number of apprentices and/or trainees in a Factory shall not, at any given time, exceed the percentage compared to the total number of workers, allowable by local law.

7.1.4 Documentation

When recruiting new workers, the age of each must be verified and documented to ensure that no underage workers are hired. The Factory must also ensure that the identification ["ID"] used by new workers have not been modified or falsified.

The age of every applicant must be proven against an original official ID card. A copy of this ID document shall be saved in each employee's file. For countries which do not issue ID cards, other documents might be used to validate the age of the worker. Examples of such documents include a birth certificate, a school record, social/health insurance documents, or other legal documents stating the applicant's age and/or date of birth. In cases where the physical appearance of the applicant leaves doubt about the legal age, **Factories** shall request a medical certificate, that includes proof of the worker's legal age, from a reliable medical clinic.

7.2 Employment Policies & Procedures

7.2.1 Recruitment

Factory Management shall train any individuals involved in the recruitment process in the local laws on child labor and on PUMA's compliance requirements. The **Factory** shall also follow a procedure that grants all employees equal opportunity to fill open positions [see Sec. 8].

The recruitment process shall include the following steps:

1. publish the job description [including required qualifications];
2. carry out the necessary number of interviews; and
3. review the appropriate documentation for those selected to fill the position.

Discriminatory questions are not to be asked during the recruitment process. These include but are not limited to questions related to: pregnancy, religious beliefs, marital status, ethnic origin, and union membership.

Where local or international migration laws and regulations require such information to be provided in conflict with labor standards, evidence of procedures must be presented to indicate that such information is not used for discriminatory hiring decisions.

Factories shall engage and work with legally and universally authorized and acceptable agencies only. Costs related to recruitment shall not pass on to applicants; Factories shall pay them, not workers. Potential recruitment fees or expenses include, but are not limited to the following:

- Initial application/recruitment/placement/processing fees
- Document fees (e.g. passport, visa, work/residence permit, certificate, stamping)
- Foreign worker levy (where applicable)
- Skills tests
- Medical tests
- Training
- Reoccurring operating/administrative fees (e.g. management/service fees, bank fees, etc.)
- Travel from home country to country of work
- Repatriation to home country at end of employment

7.2.2 Contract Management

All employees shall sign a working contract or equivalent local document before the start of employment. The **Factory** shall keep a copy of the contract on file and give another copy to the worker.

PUMA encourages the use of indefinite term contracts without stipulated end dates as required by local legislation to ensure tenured employees obtain all mandatory benefits.

- The **contract** shall state the nature and type of work, remuneration, benefits, effective start date, working hours, and any other terms required by local law. Reference shall be made to the local labor law, which must be applied to the contract. In case of a fixed-term contract, the start and end date shall be included. All applicable local legislation regarding the limits set for such contract type must be observed.
- **All workers** must be registered with the local labor bureau and relevant mandatory insurance providers before starting work, and as applicable by local laws and regulations.
- The presence of **unregistered workers** or **workers without proper working contracts** connotes a serious violation of PUMA standards.
- The **Factory** shall not work with sub-contracting, homeworking arrangements, or recurrent fixed-term contracts as a means of avoiding its obligations to tenured personnel under applicable and social security laws, legislation, and regulations.

7.2.3 Informed Workplaces & HR Information Systems

PUMA strongly encourages the use of innovative, best practice forms of communication between workers and management to ensure an atmosphere of trust exists in the workplace.

Examples include: worker counselors, worker hotlines, and newsletters.

See next page

A transparent communications policy is the foundation of good industrial relationships. The **Factory must have communication and dialogue systems in place** that make use of the following:

- Worker/union representation
- Suggestion boxes
- Information boards
- Regular worker-management dialogues either through freely-elected worker representatives, such as union officials or shop stewards

Every **worker must be informed of Factory policies and regulations**. As such, the following must be provided to all workers:

- Employee handouts covering all policies in: the PUMA Code of Conduct, local labor laws, and other relevant regulations
- A new workers' orientation that covers all the above-mentioned topics
- Updated newsletters/circulars/announcements of new policies

PUMA expects **Factories** to implement a system that tracks relevant human resources information for effective implementation and internal monitoring of policy management. As a basic requirement, the following information shall be collected and filed:

- Personal files for each employee covering: employment record, contract, copy of ID card, disciplinary actions, and registration with the social insurance and/or labor office
- Time records for each employee
- Transparent compensation and benefits records [payroll, pay-slips]
- Records of the number of new hires, dismissals, and other leaves
- Records on the provision of leave [including annual leave, sick leave, parental leave, etc.]
- Records on work-related accidents and Diseases

7.2.4 Employee Training

All Factories are expected to implement an adequate training program for every worker. Depending on the size of the company, the training program shall cover some, or all, of the following components:

- Training needs analysis that supports both production requirements as well as regulatory requirements such as those set by labor law and the PUMA Code of Conduct
- Training plan that includes the estimated training schedule and curriculum/materials
- Retention of designated training staff within the HR or Production departments, depending on the required content for the training
- Testing methods and protocols to evaluate employee learning, as well as effectiveness of training delivery

In order to be relevant to the business and depending on the size of the company, the training program shall cover the following topics:

- Social/labor rights, covering labor law, PUMA's 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.
- Environmental requirements, such as waste management and energy use Production skills training.
- Workplace skills required, such as industrial relations, worker management for supervisors, disciplinary management, etc.

PUMA recommends issuing certificates of completion to all workers who participate in employee training.

7.3 Working Hours & Rest Days

7.3.1 General Requirements

- Except in extraordinary business circumstances, Factories must not require employees to work Excessive Working Hours, i.e. more than 60 hours per week (including both regular and overtime hours) or the normal workweek plus the maximum overtime allowed by local labor law (including one [1] day off for every seven-day period).
- Employees shall be entitled to reasonable meal breaks every day and at least one [1] day off after six [6] consecutive days of work.
- In all instances, working hours of all types shall be properly compensated according to the requirements of the law.

The **Factory** shall establish an effective method/system for recording and tracking all working hours of every employee, including young workers and others whose working hours are restricted due to the law or health reasons.

- The start and end time during every working day must be properly reflected on all attendance records.
- The swiping or punching of cards 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 a voluntary agreement in advance with employees,
- notifying PUMA's branch manager, and
- providing alternative rest days.

7.3.2 Overtime Regulations

Every Factory PUMA works with shall have a clear and written policy stating that all overtime work shall be voluntary. The Factory shall educate all employees, including managers and supervisors, about the policy and guarantee its enforcement.

- All overtime work must be voluntary and must not be requested on a regular basis.
- The total number of overtime hours worked shall not normally exceed either 12 hours per week or the number specified by local law, whichever is lower.
- Overtime premiums shall be paid in accordance with the law. Overtime work shall be compensated at the premium rate even for those countries where such laws do not exist.
- Workers shall be made aware of their right to refuse overtime work and must be able to refuse without any negative consequences.
- The Factory shall make every effort not to exceed the legal limit for overtime. In rare exceptions, when the legal limit for overtime is exceeded, the Factory may secure an overtime permit from the local labor bureau, if such permits are available.

7.4 Wages & Benefits

The payment of fair wages shall be assured for every employee in the Factory.

- Wages shall not be less than either the legal minimum 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 serves as the basis for "basic" wage including fair compensation work elements, and further wage calculations.

PUMA expects all employees to be paid in a timely manner, and that appropriate actions are taken by Supplier partners to progressively implement compensation systems that improve employee welfare.

PIECE-RATE WORKERS

Production targets for piece-rate workers must be reasonable and achievable within the hours of the regular work day or work week. In the event there is overtime work, the Factory may increase the product target proportionately with the extension of working hours. Piece-rate workers shall have access to their individual piece-rate records kept by the Factory.

In the absence of any legal provision on overtime payment for piece wage workers, the overtime bonus shall be calculated and paid based on either, the average piece rate wages of the worker or the normal legal procedure [using the minimum basic hourly wage as basis].

STRUCTURE & COMMUNICATION

- The wage payment system must be communicated in a manner that is easy to understand for all employees.
- All employees shall be informed of their wages and the benefits as required by law, such as annual leave, maternity leave, update minimum wage, overtime premiums, and pay for public holidays.
- All employees shall be informed of how their wages and benefits are calculated. A sample calculation shall be posted in strategically visible and trafficked areas on the production floor, such as on noticeboards.

DOCUMENTATION & RECORDS

- Payroll records on site are to be 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 the form of cash, check, or bank transfer within the period for payment stipulated by the local law.
- There shall be a record duly signed by all employees to acknowledge receipt of wages [except for bank transfer payments].
- A copy of each pay slip, written in the relevant local language, shall be provided to employees on every payday, indicating the details of regular and overtime hours, earnings, and deductions during that period.

PAYMENTS

- All employees shall be paid for compulsory work-related activities, in or outside of working hours. These can include activities such as production meetings, cleaning of production areas, or work preparation.
- The Factory shall pay employees the legal rate according to the local law for work on a Sunday or any rest day and public holiday, even if a compensating rest day or holiday is provided in exchange for work on such days.
- There shall be no disciplinary deductions from wages. Any deductions from wages must be those allowed by law, such as social insurance and income tax.

7.4.1 Legal Benefits

All employees shall also receive and be provided with all work-related benefits mandated by law. These include, but are not limited to:

- Social security insurance, including: pension scheme, medical care, workplace injury, unemployment, and maternity benefits.
- Leave-related legal benefits, such as: national or public holidays, annual, marriage, maternity, sick, bereavement, and any other leave.
- In the event of an employee's resignation or termination, the Factory shall pay the employee all benefits required by law, including remaining wages, unused leave, or other outstanding payments owed to the employee.

If there are Factory canteens, regardless of whether required by local law or not, they shall provide good quality and clean food at reasonable prices. Operations of canteens must fully comply with local legislation, where present. 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.

7.4.2 Mandatory Insurance Contributions

The **Factory** shall make contributions to the required insurance body or fund as required by law, taking into account both the employer and employee contributions where applicable. These may include provident funds, social insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance, and pension schemes.

The **Factory** shall keep records of all contribution payments to the authorities in relation to social security/medical/pension schemes and funds, with details on the contribution from each employee.

7.4.3 Deductions

Any deductions to be imposed shall first be discussed with, and agreed to, by the employee[s] concerned. If the deductions applied to a group of workers or all workers at the Factory these agreements can be made directly or through workers' representatives.

There shall be no fines or financial penalties imposed on employees under any circumstances, for the following:

- Absenteeism
- Mistakes in production
- As a form of discipline
- For the normal use of company facilities

The Factory shall not withdraw or deduct attendance allowance, if/when:

- An employee does not agree to work overtime during the week
- It is a designated rest day
- An employee exercises mandatorily-legislated/legally allowed leave (including annual, maternity, pregnancy-related, bereavement, marriage, etc.)

Employees shall not be fined or have their regular or overtime wage deducted for failure to meet production quotas or targets [This does not apply to production bonuses].

Uniforms, equipment, and special protective gear shall be provided to employees free of charge. There shall be no unreasonable deductions from employees for the use of dormitories or for consuming water, meals, and other services at the dormitory.

Factories often centralize various fees [e.g. union dues, cash advances, etc.] that workers legally may pay through singular deductions from wages/salaries for the sake of efficiency. The aggregate amount of such deductions by the Factory [except for social insurance and similar funds and taxes]:

shall not exceed 25% of the minimum contracted basic wage or the maximum allowable by law, whichever results in a higher net wage for the employee.

As a simplified measure, the local, legally allowed probation wage establishes the ceiling for the highest allowable aggregate deduction.

Such deductions should only be temporary in nature.

Sec. 8 – Equal Opportunity

The **Factory** shall have a written policy stating their commitment to provide equal opportunities to all workers. Equal opportunities in employee management include: hiring, training, promotion, granting of social benefits, assignment of work, salary, discipline, termination, and retirement.

8.1 Non-Discrimination

Every worker shall have the right to
protection from discriminatory treatment.

No special considerations are to be 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.

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 and experience.

The Factory information sheet on applicants shall not include any basic information [such as age, sex, religion, marital status, health condition, or union affiliation] that may be used as a basis for discriminative acts.

8.2 Gender Fairness

Women workers shall not be required to undergo pregnancy testing or 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 the work is found to be detrimental to their pregnancy. They shall also be accorded all benefits provided by local law.

Allocation of hazardous jobs shall 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 labor, the Factory must have appropriate health and safety controls in place for all heavy and dangerous jobs.

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.

8.3 Freedom of Religion

Workers shall not be required to renounce their religion as part of their employment. The Factory shall respect the religious belief of the workers.

See next page

8.4 Complaints Procedure

The written policy shall also cover, at minimum:

- Details about the disciplinary process for related incidents [e.g. a combination of counselling, warnings, suspension, demotions, and, in extreme cases, termination] [see Sec. 13.1]
- An overview of how investigations and resolutions of complaints cases are conducted [see Sec. 14.2]
- An explanation of the offended party's right to be represented by a senior worker-representative of their choice during the investigation [see Sec. 14.2.1]

Sec. 9 – Women Workers

9.1 Policy

Women workers, like all workers,
shall be treated with dignity and respect.

Women workers shall be granted equal opportunities in all matters pertaining to employment in the Factory including hiring, promotion, wages, benefits, work assignment and termination [see Sec. 7]. Moreover, the **Factory** shall be aware of women's special needs, particularly during pregnancy and after childbirth, and provide them with respective guarantees and facilities for meeting those needs [see Sec. 16.4].

The Factory shall not terminate an employee because she is pregnant, immediately about to take maternity leave, or on maternity leave. Pregnant women workers who work while standing shall be provided with reserve chairs near their work station for occasional resting.

SPECIAL NEEDS

Female labor shall not be used for heavy or dangerous jobs, or for jobs which require contact with dangerous substances or those that could have harmful reproductive effects.

Female workers who perform exhausting work or are exposed to chemicals shall be transferred to lighter work immediately upon pregnancy in keeping with a precautionary principle.

Female workers must be provided maternity leave as mandated by local laws. Paid time-off for pre-natal medical check-up shall 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 shall be credited.

Once a worker reaches her seventh month of pregnancy, she shall be disallowed from working overtime or assigned a night shift, regardless of whether allowed by local law.

If **Factories** have more than 50 female workers or (if less than 50 workers) the number as defined by local law for providing certain facilities for women, Factories shall provide the following:

- lactation facilities and/or equipment, and
- daycare/crèche facilities for workers with children, younger than one [1] year or the limit set by local law.

[see Sec. 16.4]

9.2 Sexual Harassment

Sexual harassment is defined as unwanted conduct of a sexual nature, verbal or physical advances, or sexually derogatory/ discriminatory statements or acts. Examples of sexual harassment include, but are not limited to:

- 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 or favors
- Indecent exposure
- Sexual graffiti or displays of pornographic or degrading pictures or objects, including computer or phone-based resources
- The 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 is forbidden. Depending on the gravity of the misconduct, **Factory Management** must support the investigation in conformance with local law and ensure no miscarriage of justice against the victim. Disciplinary regulations regarding this matter must be explicit and in compliance with local law.

Sec. 10 – Migrant Workers

10.1 Policy

Migrant workers shall be treated fairly and equitably as local workers without discrimination at workplace (see Sec. 8). The Factory shall have clear procedures in place to ensure compliance with legal standards regarding the employment of migrant workers. These procedures shall cover the processes for the following areas:

- Recruitment and selection
- Compensation and benefits
- Working environment
- Manpower development
- Discipline and performance appraisal
- Exit procedures

TRAVEL DOCUMENTS

Workers must be granted access to their travel documents. Withholding of migrant workers' travel documents (such as passport or visa) is prohibited. In cases where such documents must be collected for government processing (such as for work permit renewals and similar domestic security/migration requirements), they shall be returned to workers as soon as possible. The Factory is responsible for providing workers with secure facilities for safekeeping of these documents.

The Factory must obtain waivers signed by workers allowing the Factory Management to store such documents in cases where secure facilities are not yet available, or when documents must be collected by management for visa processing or similar legal requirements. During these periods, Factory Management must establish a system for workers to request access to their documents and are required to grant access within 24 hours. Signed waivers shall be time bound and Factories must return all documents back to workers.

ACCOMMODATIONS

Migrant workers shall not be forced to live in the Factory's dormitories or hostels. Outside of working hours, all [migrant] workers shall be allowed secure and free exercise of movement between the area of accommodation, the host community, and the place of employment. Security concerns shall not be used as a basis for limiting freedom of movement unless clearly unsafe conditions are present. [See Sec. 16.3]

RECRUITMENT FEES AND COMPENSATION

Factories shall not use employment agencies that utilize recruitment and/or employment fees for workers. Any fees paid in association with the employment of workers shall be paid solely by Factories. Factories shall ensure that all workers, whether migrant, contract, or temporary, are compensated directly and in full. Deduction for recruitment fees or any other agency charge for services, such as obtaining residency permits or work visas on behalf of workers, is prohibited. [see Sec. 7.2]

10.2 Vulnerability & Special Needs

The Factory shall provide migrant workers with an orientation program to familiarize them with local culture, as well as recommendations for adapting to Factory life and the local environment.

Contracts, orientation materials, policies and any other written instructions shall be made available in the native language of the employee in question, 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 available resources to ensure that hired employees understand contracts, Factory rules, regulations, and other work instructions. Such resources to assist in this process may include the local recruitment agent, local government body responsible for managing migrant worker recruitment, NGOs, or other civil institutions.

10.3 Additional Policies

- Timely and direct payment of wages to the workers shall be guaranteed. In case of workplace injury or death, reasonable compensation shall be provided in compliance with legal regulations, or beyond, where applicable.
- Entitlement to pay for 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 [see Sec. 16.3].
- Migrant workers are often not included in collective bargaining either because of conflicts between local immigration and labor laws, or by general practice. However, most trade union laws require that migrant workers be included. As such, PUMA requires **Factory Management to include migrant workers in collective bargaining.** This is always required, but is considered particularly important when a significant percentage of the employee population is comprised of migrant workers.

See next page

Sec. 11 – Voluntary Labor

11.1 Policy

The Factory shall have a written policy stating that all employees must accept their employment voluntarily and comply with all laws, regulations, and procedures concerning the prohibition of forced labor, modern slavery, and human trafficking. All employees shall be free to leave the Factory premises during non-working hours. They shall also be free to terminate their employment after reasonable notice.

The Factory shall not grant its employees any large credits or salary advances which may result in any form of bonded labor. Where such salary advances are requested, all deductions must conform to the policy on Bonuses and Deductions [see Sec. 7.4].

To ensure voluntary labor, all wages and benefits shall be paid directly to workers and not to any other person on their behalf.

Employees shall have unrestricted access to basic needs, including toilet and bathroom facilities, drinking water, canteen, and medical clinic. Employees shall also have access to other departments in the Factory to address legitimate concerns.

Factory shall work only with Subcontractors and suppliers which guarantee that no prison labor, in any form, is in use at their Factory.

Factory shall provide Employees with a copy of their labor contracts containing all the terms and conditions of employment as required by law [See Sec. 7.2.2].

Factory shall not impose fees of any kind on any person applying for employment at the Factory. Fees charged by labor recruitment agents or “introduction, referral or management fees” in the host country or community shall be borne by the Factory. In cases where employees were previously charged recruitment fees in their sending countries, Factories shall work with local contact agents to ensure that those fees are fully compensated back to the relevant migrant workers by the Factories. [see Sec. 7.2.1]

The Factory shall keep photocopies of personal ID documents and other qualifications on file for every employee [see Sec. 7.2.3]. Employees shall retain the original copies of their own documents. If payment of wages is by bank transfer, employees shall have their own individual accounts of which they have full control and are free from any kind of interference by the Factory.

11.2 Voluntary Overtime

The Factory shall ensure that only voluntary overtime is performed [see Sec. 7.3.2]. Workers who do not agree to work overtime voluntarily shall be able to decline the request without fear of any negative consequences or retaliation/retribution [see Sec. 14.3].

SEC. 12 – Dignity & Respect

12.1 Policy

PUMA is committed to the development and maintenance of a congenial work environment where all employees are treated with dignity and respect. These same standards are expected at the workplaces of all PUMA supply chain partners.

Factory Management shall take appropriate action against those who violate this policy, up to and including dismissal for serious offenses. Management shall recognize the importance of providing appropriate training that ensures this policy is understood and implemented by all members of its staff. Management shall also undertake a series of training initiatives aimed at identifying and preventing harassment and abuse, while also fostering dignity and respect in the workplace.

12.2 Physical Harassment

Factory staff are prohibited from engaging in intentional and unwelcome physical contact, physical abuse, or threats of abuse to an individual or an individual's property. Examples of this include, but are not limited to: slapping, pushing, forcing workers to kneel, or hitting workers with an object of any kind.

Factories shall not engage workers in tasks which are typically not suitable to their physical state or characteristic. Examples of this include employing pregnant women in jobs which require long hours of standing and making workers carry loads beyond their capacity.

12.3 Verbal Abuse

Factory staff are prohibited from engaging in verbal abuse of any employees. Examples of this include, but are not limited to:

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

12.4 Psychological Harassment

The psychological harassment of employees is prohibited in all circumstances. Examples of psychological harassment include:

- Exclusionary or isolating behavior
- Oppressive or unreasonable allocation of duties, including the manipulation of the nature of someone's work [e.g. overloading, setting meaningless tasks, withholding information]
- Reprisals for an employee's initiation of complaint/grievance or discipline proceedings

12.5 Unfair Work Practices

Factory Management shall always promote fair work practices, and any intentional efforts to the contrary are prohibited. Examples of unfair work practices include:

- Unreasonably blocking an employee's progress, advancement, or access to development opportunities
- Imposing illegal monetary fines or the unjustifiable withholding of wages or benefits [e.g. disciplinary penalty with no justifiable basis, etc.]
- Engaging in gender-inappropriate or intrusive security practices
- Unreasonable and targeted restriction on freedom of movement or speech, including that related to access to toilets, water, or medical facilities
- The preferential assignment of work or other preferential treatment of any kind exchange for favors, whether actual or implied

12.6 Racial Harassment

Racial harassment of any kind is prohibited in all circumstances. Examples of racial harassment may include:

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

Sec. 13 – Disciplinary Practices, Termination, & Retrenchment

13.1 Disciplinary Practices

Any disciplinary practices imposed by the Factory shall be implemented with the primary aim of improving the employees' performance or behavior, rather than as punishment. The Factory shall not engage in or support the use of the following as a form of discipline: physical punishment, unreasonable wage deductions or abuse in any manner, whether physical, mental, sexual, or verbal. Any instance of these practices is a violation of company regulations. [see Sec. 7.2, 12]

Disciplinary practices shall be fairly and consistently applied to all employees, regardless of rank or position.

Factory Management shall utilize consistently written disciplinary practices. Rules regarding the use of discipline shall be clear, valid, and reasonable. The Factory shall group forms of discipline in a graduated manner, according to the gravity of the offense, the corresponding penalties, and the number of violations of same offense. Where legal stipulations for disciplinary practices exist, procedures for investigation, warning, and implementation of penalties shall follow those stipulations as a minimum requirement. **Factory Management** shall reasonably consult with employees or worker representatives in the drafting of the disciplinary practices.

A published version [including the list and classification of offenses and their corresponding penalties] shall be made available inside the Factory and communicated to all employees. In addition, the **Factory** shall train managers, supervisors, and employees on the appropriate disciplinary practices to implement when necessary.

Factory Management shall use progressive discipline, i.e. in a graduated manner, to correct the employee's behavior toward becoming a productive member of the company. The disciplinary procedure* is described below:

1. Verbal warning
2. First written warning
3. Second written warning
4. Dismissal

**Depending on the nature and gravity of the violation, dismissal may be immediately applied.*

Every employee shall be given the opportunity to challenge a disciplinary action for an offense before the action is imposed. If a trade union or workers' council exists at the Factory, a member of the workers' organization shall participate in the disciplinary hearing. Factories shall maintain written records of all proceedings regarding the investigation of disciplinary cases and corresponding actions taken by the Factory.

13.2 Termination

When an employer decides to terminate an employment contract, the following steps must be taken:

- Compensate the employee as required by law
- Give the trade union [or workers' council, in cases where no union is in place] sufficient advance notice of the planned termination
- Take into account the opinion of the trade union or works council on the matter, and notify its representative of the outcome, in writing

13.3 Retrenchment [Workforce Reduction] Plan

If the Employer chooses to reduce its workforce, i.e. engage in retrenchment, they shall explain the circumstances to its trade union or to all its employees at least 30 days in advance. The Factory shall also report the workforce reduction plan to the local labor administration department and PUMA. In cases where no local requirement is in place, or the local rules exempt the Factory from making such reports, PUMA still requires the Factory to report its plans for retrenchment.

When reducing the workforce, the employer shall prioritize retaining employees with the following characteristics:

- Those with the longest tenure [i.e. LI-FO or “last in, first out”]
- Those who are the sole providers for their families, or those 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 fixed- and relatively long-term employment contracts with the employer
- Those who have concluded open-ended employment contracts with the employer

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 above specifications hires again within six [6] months, it shall give notice to the employees dismissed during the reduction and, all things being equal, give them priority for rehire.

Sec. 14 – Suggestions, Complaint/Grievance Procedures

14.1 Procedures for Facilitating Employee Suggestions

The Factory shall ensure that employees are provided with means to provide feedback and make suggestions relevant to their experience at work, such as regarding the improvement of production procedures, their working environment, etc.

The Factory shall encourage the providing of suggestions by recognizing employees who make such contributions. Examples of recognition include prizes, board publications, and other incentives.

14.2 Procedures for Complaints and Grievances

All complaints and/or grievances shall be dealt with promptly and, whenever possible, in a confidential manner that follows procedures in place. PUMA recognizes that there may be situations where the seriousness of the complaint warrants formal proceedings from the outset, and that confidentiality is not possible in those circumstances.

14.2.1 Informal Complaint Procedure

The Informal Complaint Procedure is designed for resolving issues where the employee wishes to respond to behavior deemed offensive in order to end it. For complaints of a more serious nature, the Formal Complaint Procedure described below [see Sec. 14.2.2] shall be used instead. The Informal Complaint Procedure shall include the following:

1. The **complainant** shall, where possible, make it immediately clear to the respondent that the behavior in question is unwelcome, unacceptable, and offensive. In many instances, this may be enough to resolve the problem.
2. The **complainant** may seek support from a friend, manager, or designated HR personnel—made available to all employees. This supporter may assist the complainant with raising the issue effectively and constructively to the individual [or individuals] causing it.
3. If the above approach does not resolve the matter, or if the **complainant** does not wish to seek such support, then she/he shall be encouraged to report the matter to his/her **manager**. [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.]

4. At this stage, the **manager** will seek to resolve the matter locally.
5. If the matter is not internally resolved in a manner that is acceptable to the complainant, he/she or his/her manager may then bring the matter to the attention of the **Head of Human Resources**. The Head of Human Resources [or his/her nominee] will seek to resolve the matter. This process may or may not include arbitration.

14.2.2 Formal Complaint Procedure

The Formal Complaint Procedure is designed to resolve formal complaints swiftly and effectively in a manner that minimizes distress for all involved parties. This Procedure is used in the following instances:

- When the **complainant** prefers the complaint be dealt with formally
- When the **manager** considers the complaint to be sufficiently serious to warrant addressing under the Formal Procedure in the first instance
- If attempts to resolve the matter pursuant to the Informal Procedure have failed
- If the conduct in question has continued after the Informal Procedure was followed

Complainants or **managers** planning to use the Formal Complaints Procedure shall follow the following steps:

First, the **complainant** shall submit a formal complaint in writing to his/her manager [or the next level of management] within 30 days of the latest incident occurring. If another prescriptive period is shorter than 30 days and required by local law, then the complaint shall instead be filed within that period. The complaint shall be confined to the precise details of the alleged incidents.

1. The **manager** will report the complaint to the **Head of Human Resources** within five [5] working days.
2. 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 ten [10] working days of the complaint submission [or, in exceptional circumstances, as soon as possible thereafter].
3. The **respondent** will be given a copy of the complainant's statement and will be advised that a written response to the allegation is due within 20 working days. The **complainant** will be provided with a copy of this response.
4. The **complainant** and the **respondent** will both meet with the **Head of the HR department** or his/her nominee.
5. The investigation will be carried out with due respect to the rights of both the **complainant** and the **respondent**. Whenever feasible, the investigation will be carried out with minimum delays, and in a manner consistent with fairness and due process to both parties.
6. The **complainant** and the **respondent** will be interviewed separately. Both individuals may be accompanied at all investigative interviews by a friend, colleague, or designated HR officer [or workers'] representative.
7. The outcome of the investigations will be documented and communicated to both parties. The result [whether punitive action or otherwise] will be communicated no later than three [3] days from the date of completion of investigative interviews.
8. All prescriptive periods in each step of the process may be shorter than mentioned above whenever required by local law. **Factory Management** shall employ the shortest amount of time possible for each step in the process in favor of the **complainant**.

Additional steps may also be required to integrate the Formal Complaints Procedure into the overall industrial relations policy and the procedures of Factory Management. This Procedure 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 detail how complaints raised through these channels will be addressed.

14.2.3 Third-Party Complaints & Grievance Management Support

In keeping with Fair Labor Association obligations, PUMA offers a confidential, third-party complaints/grievance management process for workers to voice concerns. The aim of this process is to expedite the resolution of problems or issues that workers have already raised that have failed to be resolved. The 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. This information must be provided in the local language and be readily accessible to the workers.

Independent of the PUMA worker hotline, the Fair Labor Association also offers a formal third-party complaints mechanism, where complaints about violations of the FLA Code of Conduct can be raised by third-party institutions, such as unions or NGOs.

14.3 Reprisal

Every employee has the right to raise concerns and make reports without fear of reprisal. Threatening reprisals at any stage of a complaints process will be considered, a violation of PUMA's CoC and a Critical Issue [see Sec. 4.2]. In the event of any threat of reprisal, appropriate disciplinary proceedings will be initiated against those who attempt or implement such behaviors.

The workplace complaints/grievance procedure shall include a plan for reprisals management and shall involve the trade union or workers' council, if such exists at the Factory. The workers' organization shall have the right to raise the case to the workplace management in situations that warrant it.

Sec. 15 – Freedom of Association & Collective Bargaining

PUMA guarantees that all employees in its manufacturing sites shall be free to have the following:

- The right to freedom of association
- The right to organize or join unions or other work or industry related associations
- The right to collective bargaining

Relevant references regarding the right to freedom of association are:

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

Embedded in this recognition is PUMA's awareness of the right of employees not to join, or to refuse to join, unions or other employees' associations.

All employees shall be educated about their
relevance, purpose, and function.

The **Factory** shall provide training for all employees of various levels, including managers and supervisors, about freedom of association and collective bargaining. New workers must receive orientation training on the same, while refresher courses or retraining shall be periodically provided to current and longer-term workers. These orientations and trainings shall cover the international references and standards on freedom of association and collective bargaining, as well as the significance of relevant local laws. Migrant workers shall also have access to this training, regardless of conflicts or limitations between local immigration and labor regulations.

15.1 Employee Representation (Works Councils, Unions, etc.)

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. PUMA imposes the following policies to protect workers' organizations within Factories:

- 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
- 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 employee's workers organization does not exist within the Factory, the formation of a workers' committee is recommended.

- **Factory Management** shall initiate a form of labor-management committee to promote good industrial relations in the Factory and provide alternative means of solving workers' problems, complaints, or grievances.
- The labor-management committee shall be composed of representatives from Factory Management and workers.
- **Employees** shall elect officers to the committee and meetings shall be held with the **Factory Management** as necessary.
- Factory Management shall facilitate workers' selection of representatives by providing a venue and time that will allow for it. **Factory 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.
- more than one (1) organization, provided that the required percentage of combined membership indicated by local law is covered. Nevertheless, **Factory 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 shall not delay nor impede the process of registering worker organizations with local regulatory bodies.

15.2 Collective Bargaining

Collective bargaining is defined as the process by which **Factory Management** and **workers' representatives**, usually union officers, convene over a certain period and series of meetings to agree on effective implementation of workplace procedures that observe workers' rights and provide added privileges that, at minimum, comply with local laws.

A Collective Bargaining Agreement ("CBA") is negotiated on behalf of the workers, applied uniformly to the entire workforce, and subject to a periodic process of renewal according to terms crafted under the same agreement. Items usually addressed within CBA may include, but are not limited to, payments of salaries and benefits; work schedule; disciplinary procedures; complaints/grievances procedures; and union fees. CBAs comply with the minimums set by law for these items, and any terms that are found to be below the requirements set by law may invalidate the CBA.

In **Factories** with more than 100 employees, a CBA is recommended. 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 employee membership with organization or union. The **Factory Management** shall provide written proof [including signatures of non-members] in such agreement of representation. All terms of the CBA shall be uniformly applied to all workers, regardless of membership to the organization or union facilitating the agreement.

Sec. 16 – General Welfare Facilities

16.1 Break Areas & 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. If no law exists, then the space shall be appropriate for the number of employees that will be on break during a single shift.

Where the **Factory** employs 20 or more persons, a suitable dining area that is not within the main production workshops shall be provided or arranged, either within the premises or, if common dining facilities [such as those located in an industrial zone are] nearby, then outside of the premises. Considerations of safety, convenience and comfort shall be of primary concern when designing break areas and canteens.

In some cases, the Factory may choose to provide food through a separate contractor or purveyor. In these cases, food handling facilities and practices shall comply with the requirements of all local sanitation regulations. If local sanitation and food safety regulations are inadequate or missing, then and sound hygiene principles shall be followed.

Break areas and canteens located within the premises shall be kept free of litter and shall contain enough tables and chairs for all employees in need of space given break times. The **Factory** shall provide adequate light and ventilation in the canteen space, 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.

16.2 Changing Rooms

If worker activities require employees to change their clothes at any point, the **Factory** shall provide a changing room. In these cases, the changing rooms provided shall be constructed and maintained so that they are safe, dry, and clean, and free of any danger, and individual changing areas shall be provided to ensure access to privacy.

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, and appropriate fans or heating shall be provided according to local needs.

16.3 Dormitories

Dormitory rooms shall be designed and maintained in a manner that promotes human dignity and at least a minimum of personal privacy. At their own expense, employees shall always have the option to live outside the dormitories provided by the Factory [i.e. in private accommodation]. The following guidelines for dormitories outline the absolute minimum requirement for accommodations provided by the Factory.

16.3.1 General

All relevant laws and regulations must be followed. An occupancy permit shall be secured by the Factory ahead of any occupation of the dormitories.

Dormitories shall be maintained in safe, clean, and good condition. Buildings shall be provided with corridors at least one (1) meter wide, and those comprised of two (2) or more stories shall include at least two (2) stairways accessible with a maximum travel distance of 25 meters from any point. Heating and cooling facilities shall be available in a manner appropriate to local climate conditions.

16.3.2 Rooms

Dormitories must be designed with the following specifications:

- A minimum room occupancy of 2.5 square meters per person
- A minimum floor area of six (6) square meters with shortest dimension of two (2) meters
- A minimum floor height of 2.4 meters
- The presence of individual beds up to second deck only
- A maximum of eight (8) persons per room (lower numbers are highly desirable)

In addition, the following guidelines must be adhered to in all dormitory spaces:

- Windows with a total free area of openings equal to 10% of the floor area for rooms with no artificial ventilation
- Windows that open directly to a yard, court, public street, alley, or open water source
- Mechanical or artificial ventilation for rooms with insufficient supply of natural ventilation
- Rooms with access to natural light
- Rooms with individual lockers for personal belongings
- Beds fitted with curtains that provide privacy

16.3.3 Water Supply

Potable water shall always be provided and tested at least every six (6) months. There shall be sufficient water supplied to all residents for personal cleaning, bathing, and other needs, and hot water shall be supplied as well. At least one (1) sink shall be provided for every 15 persons.

Shower and toilets shall be sufficient in number and walls and doors shall be in place to ensure adequate privacy.

16.4 Other Welfare Facilities

As stated in the policy on Women Workers (see Sec. 9) and depending on local law, Factories must comply with all legal requirements to provide lactation facilities and/or equipment, child care/crèche facilities, and others that may be required. Such facilities must comply with all regulations and principles regarding sanitation, health and safety, and security and proper management.


These facilities must be located in areas away from dangerous or harmful processes or materials. Appropriate lighting, ventilation, heating and cooling, and space requirements must be provided. The staff responsible for such facilities, particularly those taking care of children, must comply with all applicable qualifications and regulations for child care.

Such facilities shall be included in the Factory's safety and emergency response plans.

APPENDIX

A. The PUMA Code of Conduct

PUMA SE, PUMA WAY 1, D-91074 Herzogenaurach

FOREVER FASTER PUMA 

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 publically 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 workweek and maximum overtime allowed by local labor law. A regular workweek 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 989385612 +628 11 227 2143	
South Asia	+880 1708469256	
East Asia	+86 13622884924	
Americas	+503 77871132	
Europe, Middle East & Africa	+49 15114743876 +90 532 483 6685	

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 sustain@puma.com or contact your local PUMA Sustainability Team.

V. 06. 2016

B. Contact

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

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C. Glossary of Terms

Anti-Bribery and Corruption Risk Assessment – A process undertaken by Factories to measure and address risk factors that increase the chances of bribery or corruption in any dealings related to the production of PUMA products. This can include establishing policies, measuring the risk of current circumstances, and implementing corrective actions in cases where issues are illuminated.

Brand Collaboration – A collaboration between PUMA and another brand on the execution of an audit. In the case there is a brand collaboration, PUMA will accept the other brand's audit report and convert it to PUMA's audit reporting system, and vice versa.

Core Suppliers – Key partners to PUMA and are selected on a regular, periodic basis through the PUMA Vendor Rating System. Core Suppliers comprise approximately 20% of PUMA's Suppliers and produce approximately 80% of PUMA's products.

Credible Evidence – e.g. presentation of Compliance Audit report by other brands, externally verified completion of corrective action plan, or similar.

Deactivation – The decision by PUMA to remove a Factory from its system, either because the Factory is no longer running the order from PUMA, or because the Factory is not authorized to produce for PUMA after a failed audit grade.

Declaration of Principles – The declaration letter signed by a Factory demonstrating its commitment to follow PUMA's Code of Conduct [CoC].

Desktop Verification – A verification of audit findings based on corrective action uploaded to FFC by a Factory after the completion of an audit. The verification is remotely conducted or no physical visit conducted.

Diseases – A case of the spreading of infectious disease in the area.

Due Diligence – The investigation of a business or person prior to signing a contract, or an act with a certain standard of care. This investigation can be a legal obligation, but the term will more commonly apply to voluntary investigations.

Employer – Equivalent and interchangeable with "Supplier", "Factory", "Factory Management", and "Vendor"; and shall mean any Factory in Tier 1-3.

Excessive Working Hours – Working hours that exceed 60 hours per week, and/or no one-day rest in seven [7] days.

Excessive Working Hours Reporting Procedure – A set of procedures for reporting to PUMA Branch Managers and PUMA's Sustainability Team complaints when working hours exceed 60 per week or lack a one-day rest in seven [7] days.

External Monitor – A third party auditing firm accredited by PUMA [once it completes training and evaluation] to conduct audits in a Factory according to PUMA's Code of Conduct.

Factory – [See "Employer"]

Factory Designation – The status of a Factory in the FFC reporting platform. The final designation will be a year-end grading.

Factory Management – [See "Employer"]

Fair Factory Clearinghouse (FFC) – An audit reporting platform used by PUMA to upload the audit report in the Factory. The platform also allows parties other than PUMA to access the audit report. The Factory is provided with access to FFC to upload their Corrective Action Plans. 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. FLA is an international organization with a dedicated staff and board, headquartered in Washington, DC, with offices in China, Switzerland, and Turkey.

Interim Rating – A temporary audit rating provided after an audit and before a Factory uploads its Corrective Action Plan.

Joint Venture – A joint commercial enterprise within PUMA's supply chain where all parties retain their distinct identities.

Licensee – A company, not related to PUMA in a structural way with one of its business, that manages production orders for PUMA in a specific country. e.g. United Legwear, Dobotex, etc.

LOA – Letter of Authorization. A letter issued by PUMA to a Factory as a confirmation that a Factory is authorized to manufacture a PUMA product.

Lower Tier – Lower Tier consists of Tier 2 and Tier 3.

PUMA Vendor Rating System – A supplier decision matrix to evaluate potential Core Suppliers. The system rates all Suppliers against strategic and operational parameters including the commitment of Vendor management to a PUMA partnership as evidenced by various investments and improvements.

Re-audit Timeline – A timeline for re-audit determined by the audit grade and/or year-end grade. The timeline is one (1) year for a Factory with an A, B+, or B-rating, and 4 months for a Factory with a C rating.

Red Flag Incidence – Workers or 3rd party complaints related to a Zero Tolerance or Critical Issue; workers' complaints that remained unsolved after 3 months; or a media incident that remains unresolved.

Risk Framework – A framework to determine risk in a country based on several factors, such as audit grade, political situation, and the interval of minimum wage changes.

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 chemicals in any PUMA product.

Self-Assessment – A part in the FFC platform containing a series of questions regarding general information about the Factory that Factories must complete prior to the PUMA audit.

Social Audits – An audit at a Factory that emphasizes the social aspects of a Factory. A social audit consists of auditing aspects of the work environment related to human resource management systems, health and safety, and the environment. Local laws and regulations, as well as PUMA's own standards, inform the metrics developed for social audits.

Social Upheavals – A major political change in a country that results in unrest. A social upheaval is one factor that may hinder or interrupt a production activity in a Factory, due to circumstances such as riots or injuries.

Subcontractor – A separate company contracted by a Factory for work or that has a business relationship with a Factory.

Subsidiary – A branch of PUMA located in a country tasked with managing PUMA production order in that country. Examples include PUMA Japan, PUMA Korea, etc.

Supplier – [See "Employer"]

Supplier Audit Feedback Form – A form that must be voluntarily submitted by a Factory to the Assistant of PUMA Sustainability after a PUMA audit has been completed.

Swapping of Rest Days – The decision by a company to swap the rest day of an employee due to disaster, Excessive Working Hours, or social upheaval.

Tier 1 – A Factory performing all production processes in manufacturing PUMA merchandise.

Tier 2 – A Factory manufacturing components or performing one or more supporting processes for Tier 1 such as embroidery or printing etc.

Tier 3 – A Factory that does not directly produce goods but instead supplies raw material for Tier 1.

Vendor – [See "Employer"]

Vendor Compliance Programs – Internal policies and control mechanisms that identify any potential noncompliance at an early stage and work toward remediation wherever required.

Worker Complaints – Complaints from workers made to PUMA via one of the provided complaints/grievance channels, e.g., hotline numbers.

Year-End Grading – A grade related to Factory performance in one year. The year-end grade is given after PUMA considers the latest audit rating, any Red Flag Incidences, and workers complaints.

LIST OF FIGURES

Figure 1: Three dimensions of PUMA's Sustainability Strategy	8
Figure 2: PUMA 10FOR20 Sustainability Targets	8
Figure 3: PUMA rating system	15
Figure 4: New rating and scoring system structure	16