



Herzogenaurach – June 2022

# Modern Slavery and Human Trafficking Statement 2021

**This statement has been published in accordance with the UK Modern Slavery Act (2015), the California Transparency in Supply Chains Act of 2010 (SB 657) and the Australian Modern Slavery Act 2018 (Cth). It sets out the steps that PUMA SE and all its subsidiaries' (herein after referred to as PUMA) have taken during the financial year 2021 to identify the risks of and prevent modern slavery and human trafficking occurring in its own business operations and supply chains.**

## Structure, Business and Supply Chain

PUMA is one of the world's leading sports brands, designing, developing, selling and marketing footwear, apparel and accessories. For 70 years, PUMA has been producing the most innovative products for the fastest athletes on the planet. PUMA offers performance and sport style footwear, apparel and accessories products in categories such as Football, Running and Training, Golf, Motorsports and Basketball. PUMA engages in exciting collaborations with renowned designers to bring innovative and fast designs to the sports world. The PUMA Group owns the brands PUMA and COBRA Golf as well as the subsidiary Stichd. PUMA distributes its products in more than 120 countries via the wholesale and retail trade, as well as from sales directly to consumers in our own retail stores and online stores. We market and distribute our products worldwide primarily via our own subsidiaries. There are distribution agreements in place with independent distributors in a small number of countries. PUMA employs more than 16,100 people worldwide and the headquarters are located in Herzogenaurach, Germany. As of December 31, 2021, 100 subsidiaries were controlled directly or indirectly by PUMA SE. Our subsidiaries carry out various tasks at the local level, such as distribution, marketing, product development, sourcing and administration.

Social, economic and environmental sustainability is a core value for PUMA. As a long-term signatory to the United Nations Global Compact, we have linked our sustainability strategy to the United Nations Sustainable Development Goals. We aim to bring our trading practices in line with the principles of the UN Global Compact and ensure that our products are manufactured in workplaces where Human Rights are respected.

We recognize the importance for transparency in our supply chain and publish the list of our manufacturers (Tier 1) and core component and material suppliers (Tier 2). This list can be found on PUMA's website under Sustainability/Social. The PUMA global factory list includes

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<sup>1</sup> Including PUMA United Kingdom Limited, PUMA Europe GmbH -UK branch, PUMA Teamwear Benelux B.V., stichd uk ltd. and PUMA Premier Ltd and (for the purposes of the Australian Modern Slavery Act 2018) PUMA Australia Pty Ltd ("PUMA Australia") the relevant reporting entity under that legislation for the purposes of this Statement which owns and controls PUMA New Zealand Limited, White Diamond Australia Pty Ltd, and White Diamond Properties Pty Ltd).



suppliers that stand for 98% of the sourcing value of our apparel, footwear, and accessories divisions. PUMA's suppliers are located all around the world. Asia remains the largest sourcing region overall, with 95% of the total volume, followed by the Americas with 3% and EMEA with 2% (thereof Europe with 1% and Africa with 1%). The factory list contains the name, address and tier-level of each factory as well as information on the type of product being processed, the number of employed workers, the percentage of female staff and foreign migrant workers. During the financial year 2021, PUMA sourced from 134 independent suppliers in 27 countries worldwide.

Further information about PUMA, its organizational structure and group relationships is available on the company's website under **This is PUMA** and under **Financial Reports** [cf. PUMA's Annual Report 2021].

### **Policies on Modern Slavery and Human Trafficking**

PUMA respects the ILO Core Conventions, the United Nations Universal Declaration of Human Rights and the ten principles of the United Nations Global Compact. These standards are the foundation for PUMA's labor-related policies. PUMA's Code of Ethics is the foundation which sets a standard for the behavior of all PUMA employees including employees of joint ventures, our business partners, customers and suppliers.

The Code of Ethics is mandatory and extends to every individual working for or on behalf of PUMA. It represents PUMA's commitment to maintain an ethical and responsible behavior for individuals and corporate entities and it requires everyone to always comply with legal requirements. In addition to the Code of Ethics, our commitment to identify and address issues such as modern slavery, human trafficking and forced labor is also integrated in PUMA's Code of Conduct, whereby all our business partners and their subcontractors are required to fully respect the Code. The Code of Conduct forms an essential part of our purchasing contracts. Introduced back in 1993, PUMA's Code of Conduct sets a clear minimum standard for our partners throughout the supply chain. It is translated into forty-one languages and is displayed in all of PUMA's directly contracted partner factories. PUMA's Code of Conduct was revised to meet or exceed the Fair Labor Association's Workplace Code of Conduct in 2016. It stipulates very clearly:

**DIGNITY AND RESPECT - Harassment, corporal punishment and physical, sexual, psychological or verbal abuse is not tolerated in the PUMA supply chain. Business partners and their subcontractors cannot use any form of forced labor including prison labor, indentured labor or bonded labor.**

Our compliance requirements covering responsible recruitment, freedom of association and collective bargaining, prohibition of forced labor, bonded labor, child labor and human trafficking are also detailed in our PUMA Sustainability Handbook - Social Standards<sup>2</sup>. This handbook is available on our website and distributed to all our business partners and their subcontractors to illustrate our mandatory Code requirements in further detail. The Handbook is updated regularly to integrate relevant Human Rights subjects and set an approach to address and remediate specific challenges. All commitments mentioned

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<sup>2</sup> [PUMA® - Sustainability handbook and codes of conduct](#)



before are granted throughout the supply chain, so that a supplier with whom PUMA has a direct contractual relationship (Tier 1 supplier) in turn bears the responsibility for ensuring compliance across their own supply chain.

PUMA also drives sustainability integration and performance in the business by linking the sustainability goals to staff bonuses. PUMA finalized its Responsible Sourcing Policy in May 2019. The policy covers the commitment, purpose, scope, intent, and the expectations for PUMA staff on responsibilities, dialogue, training, and performance from implementing reasonable sourcing practices. The responsibilities section outlines PUMA's role in ensuring fair compensation, balanced production planning, and expectations of subcontractors, among other standards.

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

PUMA has actively promoted respect for Human Rights in its supply chains for over 20 years. All PUMA suppliers (Tier 1) as well as all PUMA Core Suppliers (Tier 2) are regularly assessed for compliance with our Code of Conduct. We recognize the risk of modern slavery within the textile and footwear industries. All forms of modern slavery, including forced labor, bonded labor, child labor and human trafficking are defined as Zero Tolerance Issues (ZTIs) as stated in PUMA's Sustainability Handbook - Social Standards. New factories with ZTIs will not be admitted into PUMA's supply chains. For active factories, the remediation of ZTIs is treated with the highest priority. Should a factory fail to remediate any identified ZTIs within an agreed timeframe, the business relationship with this factory will be terminated.

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

- Suppliers' selection through a careful screening process to engage only with business partners who share our commitment to uphold the highest labor standards;
- Conducting regular announced and unannounced audits as well as third-party assessments from the Fair Labor Association (FLA) to better understand local contexts and leverage opportunities;
- Formal accreditation of PUMA's vendor compliance program through the Fair Labor Association (latest accreditation in 2019);
- Partnering with the Better Work Program of the International Labor Organization in those countries where Better Work and PUMA are active (Bangladesh, Cambodia, Indonesia, Vietnam);
- Identification of regional specific Human Rights risks by engaging in an active dialogue with local stakeholders including NGOs, unions and suppliers;
- Setting up a direct hotline for supply chain workers to raise their concerns or to report any possible violations;
- Joining industry initiatives for mapping and remediating the most complex challenges;
- Reporting annually progress towards our sustainability goals through our annual report.



We recognize that our most salient risks regarding modern slavery and human trafficking in our supply chain are in the lower tiers. Based on a risk mitigation approach, our core Tier 2 suppliers, who represent the majority of our business, have been included in our compliance program. For the other (non-core) Tier 2 suppliers, we require our Tier 1 suppliers to pass down our compliance requirements to their business partners. In 2017, we conducted a Supply Chain Human Rights Risk Assessment together with the specialist consultancy firm twentyfifty Ltd. The results showed that PUMA is proactively embedding responsible business conduct in its management processes as well as collaborating with other peers and industry initiatives. Mapping and assessing risk and impact practices in the lower Tiers of the supply chain were identified as opportunities for improvement to be better integrated at the strategic level.

In 2021 supply chain services company ELEVATE Ltd. supported PUMA by conducting an evaluation of its Human Rights risk assessment approach, with a specific focus on forced labor. The evaluation framework utilized, drew on the expectations of the UN Guiding Principles for Business and Human Rights (UNGPs) with a specific focus on risks of forced labor, based on the definition of forced labor specified in the ILO Forced Labour Convention, 1930 (No. 29). As an outcome of this work, we developed and published a Human Rights policy, which explicitly references the ILO Forced Labor Convention and all eleven forced labor indicators. We updated our risk assessment for the supply chain and published it in our 2021 annual report. This includes both risk exposures and business leverage insights to prioritize suppliers. PUMA reviewed the severity grading of audit findings indicating forced labor, which will then also make it easier to escalate, prioritize and remediate such findings. We revised our social handbook and trained our suppliers and sourcing colleagues respectively. In our revised handbooks, we request our business partners to conduct due diligence.

The high-risk areas identified include the field of cotton farming as well as labor blind spots, for example, on the lower Tiers of leather tanning as well as marine shipping. Together with internal and external stakeholders an action plan was set up to mitigate the potential risks identified. We are currently sourcing our cotton from sustainable sources and have achieved our target of using 100% more sustainable cotton fabric at the end of 2020. We have required our suppliers to source only sustainable cotton, grown in farms which are licensed or certified as having good farming and human rights standards, or recycled cotton. In parallel, we are working on improving the traceability of the leather we use via the traceability system of the Leather Working Group, 99.9% of the leather used in 2021 came from a certified tannery. To mitigate the risk of marine shipping, we work with top-class logistic companies and ask them to frequently update us on their own Human Rights policies and performance.

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

Since then, we have actively engaged with suppliers, industry peers and with the United Nations' International Organization for Migration. Through the efforts of multi-stakeholder engagements, factories paid back 42% of previously paid recruitment fees to almost 200 foreign migrant workers; we aim for the remaining 58% of payment to be covered in 2022.



## Effectiveness and Remediation

Embedding Human Rights across our operations and suppliers has been part of PUMA's Sustainability Targets since 2015 and remains also part of our targets for 2025. All PUMA employees who feel that ethical standards in business may have been compromised can raise their concerns via the established channels. Various channels are in place to report any suspicions and / or observations related to modern slavery or other type of violations. In practice, all employees could address their request regarding apparent failure to their line manager. They may also raise the matter with staff representatives, the legal and compliance department, the internal audit department or via a toll-free external whistleblower platform which is available worldwide. No form of retaliation is taken against an employee who, in all good faith, reports a case of failure to comply with an ethical principle of the Code of Ethics, as a consequence of having reported the matter. Our Code of Conduct applies to all our business partners throughout the supply chain. Our sustainability team enforces our Code requirements through regular audits every year in all our core factories to ensure that where PUMA products are being produced, these standards are met. PUMA has its own team of auditors and also works with designated third-party auditors, who are located around the world. During those audits, we look for indicators of forced labor as well as associated indicators of risk, such as the presence of migrant workers, excessive overtime or a lack of functioning worker representation.

In 2021, we continued to achieve nearly 100% compliance monitoring of our active Tier 1 manufacturing partners. Despite travel restrictions and partial lockdowns, in 2021 we were able to collect 508 audit reports from 477 factories. 73.7% PUMA audits included a trade union representative or workers representative during audit opening and closing meeting. 4.6% of our T1 factories and 8.5% of T2 failed to meet our requirements in 2021. If the company in question was an active PUMA supplier, we worked together to improve the situation. A pass grade was awarded to 100% of companies subject to a second audit. Six factories did not manage to sufficiently improve their performance and were consequently removed from our active supplier factory base. To increase transparency, we now report on the most common audit findings, training, grievances, and mitigation measures as outcome focused KPIs (Key Performance Indicators) to track the effectiveness of our supplier programs. During 2021, we have identified and were able to remedy four zero-tolerance issues related to workers' compensation below the legal requirement.

Since any audit or assessment can only analyze the compliance situation at a given time, we also use other tools to manage and track the performance of our suppliers: PUMA Code of Conduct posters, including a worker hotline, PUMA Supplier Social Key Performance Indicators (KPIs) and digital tools for worker outreach. Through social media platforms we have established a communication channel with workers and furthermore selected core suppliers have adopted a formalized compliance and human resources app for their workers. Our PUMA Code of Conduct posters, which are displayed at all PUMA suppliers globally, include phone numbers and email addresses of our sustainability supply chain team to offer open channels for all employees of PUMA suppliers. In 2021, we received in total 3,165 worker complaints from our factories, 262 grievances were received through a dedicated PUMA hotline or escalated to PUMA via third-party platforms, 99.6% were resolved. None of these complaints concerned modern slavery issues. As PUMA is an accredited member of the Fair Labor Association, any third-party can also file an official third-party complaint with the FLA directly. No issue concerning modern slavery or human trafficking in PUMA's supply chains have ever been brought to the FLA complaint channel.



We engage with external organizations like Amander Kotha helpline in Bangladesh and Microbenefits and the WOVO platforms in China, Indonesia, Pakistan, Philippines and Vietnam, to optimize the effectiveness of the factory workers' hotline. The third-party platforms are accessible at 71 strategic suppliers, representing more than 60% of our sourcing volume, to 147,341 workers. To promote the PUMA hotline, in 2021 we developed a video which was translated into nine languages to cover our major sourcing countries. We used MicroBenefits and WOVO platforms to reach 34,009 workers. After a worker watches the video related to the PUMA hotline, they will complete a quiz to test their knowledge, this worker is then eligible to enter a lucky draw to win a prize offered by PUMA. According to the quiz, 99% of workers know the PUMA hotline, and 84% workers in China could remember our hotline phone number.

We also received six third-party complaints from external organizations related to PUMA's manufacturing partners. They focused on freedom of association and fair compensation. Two complaints about freedom of association were resolved in 2021, the union representatives were either reinstated or compensated in agreement with the unions involved. Four are still under follow-up.

When we became aware of a report by the Australian Strategic Policy Institute (ASPI) called "Uyghurs for Sale", we saw this as an opportunity to further review our supply chains. Our research has indicated that the allegations concerning PUMA, as outlined in the report, are incorrect and that PUMA is in no way engaged in forced labor. PUMA has no direct or indirect business relationship with any manufacturer in Xinjiang, the native region of the Uyghurs in Western China. Therefore, we have not had to report such matters to any authorities.

We are aware of an increased human rights risk in various sourcing countries for the apparel and footwear industries. We have, for example, banned cotton from Uzbekistan and Turkmenistan from our supply chains due to human rights concerns.

As an ongoing process, we have engaged with our suppliers to map the facilities upstream of our supply chains, which also include the origin of raw materials. Our four largest sources of cotton are the USA, Australia, India and Brazil. Together they account for more than 90% of all cotton used in PUMA products. Of the around 2% coming from China to the best of our knowledge, none of the cotton originates from sourcing partners in Xinjiang.

To measure performance and progress within our supply chains, we use the results of our annual Social KPI survey including average payments versus minimum wage payments, overtime hours, worker coverage by collective bargaining agreements, injury rate, turnover rate, insurance coverage, and other metrics. These data are reviewed by an independent third-party. We have developed a Standard Operation Procedure to improve the methodology of data collection and analysis and have already been able to identify some potential risk areas such as overtime hours in some countries in South Asia. Systemic overtime has remained a challenge for both years and we plan to conduct a working hours management training for all T1 suppliers in 2022 and conduct a root cause analysis workshop with selected Core T1 suppliers to explore opportunities for improvement and engage with the sourcing team for further follow up.

Social KPIs and associated improvement programs help our suppliers to better monitor their own risk exposure, strengthening worker organization and management-worker dialogue that will ultimately help mitigate risks in the workplace. Beyond our assessments and checking procedures, we have also established lasting partnerships with our suppliers as well as core material and component manufacturers. This enables us to focus our support on core suppliers through offering training and development programs and sharing good practices.



In 2020 and 2021, we have focused on keeping our suppliers in business and safeguarding workers' health, employment, and income through several measures including: minimizing order cancellations; (0.4% of orders were cancelled, the orders that were cancelled were not yet in production and we provided compensation for raw material liabilities), expanding our PUMA Vendor Financing Program: at the end of 2021, 62 business partners are registered users (up from 57 at the end of 2020) and the financed volumes in the full year 2021 was €534m (+ €46m compared to 2020) and monitoring on-time and full payment to workers. To reach our goals, PUMA collaborates with other brands and international organizations in initiatives to work jointly on improving working conditions in our sourcing countries. One example of how we address the risks to which high-vulnerable groups are exposed, is our commitment to a project led by the FLA on Syrian Refugees working in the Turkish apparel industry. The FLA and the Ministry of Labor and Social Security in Turkey are raising awareness on the risk of child labor for refugees and provides guidance on the employment of young workers (older than 15 and younger than 18) to employers.

### **Training and Awareness**

In 2021, 98.8% of PUMA employees (with an email-account) completed an annual e-learning training on our Code of Ethics. Available in eleven languages, this training sets out the ethical ground rules in place and presents case studies and ethical dilemmas that help employees ask themselves the right questions. It is updated annually and covers all the major ethics principles upheld by PUMA's Code of Ethics. Some of the topics covered include amongst others, anti-corruption, anti-money laundering, competition law, conflict of interest, diversity and respect for Human Rights and environmental protection.

At the supply chain level, we have conducted frequent supplier round tables in all major sourcing regions for several years, on different topics including PUMA's Code of Ethics, potential forced-labor issues in the supply chain, particularly for migrant workers. Migrant workers are the group which is considered as the most exposed to significant risks of forced labor in supply chains. Material and component suppliers were also invited to these meetings. In 2021, we also provided a series of training sessions to 466 factories, with around 1,083 participants at each session, on our standards, goals and Human Rights programs. We conducted training for 1,145 factories' representatives and 143 sourcing staff on PUMA's responsible purchasing practice policy.

We conduct a quiz after all the trainings that we have conducted to evaluate the level of understanding from the participants. We also collaborated with the FLA, the International Organization of Migration (IOM) and industry peers to assess labor conditions throughout the natural rubber supply chain in Vietnam. The primary objective is to understand the supply chain structures, assess worker demographics, recruitment processes, and working conditions at the various tiers of the natural rubber supply chain. At the plantation and rubber farm level, the research team found a general lack of awareness of legal requirements and a lack of government labor inspections. The project highlighted the challenges to address labor issues in the rubber supply chain.

Most industry stakeholders have not considered upstream supply chain mapping as a core operational activity. The scope of the supply chains, which often span borders, makes mapping a resource-intensive exercise that is a challenge for any single company to undertake, while collective approaches to mapping have not yet been developed. This research was a first step



towards mapping Human Rights and labor risks in the supply chain of natural rubber. This exploratory exercise has highlighted issues with working conditions at the rubber production level. The project developed an understanding of purchasing practices at different tiers, how the factories engaged with upstream suppliers and evaluated the worker demographic at the facility level. Moving forward, PUMA will continuously explore the opportunity to engage with stakeholders on lower tier monitoring.

### **Next steps**

PUMA will continue to implement the recommendations which are outlined in our Corporate and Supply Chain Risk Assessments. In 2022, we plan to train our staff and suppliers on our Human Rights policy. We will facilitate our supplier training on due diligence through the International Training Center (ITC) platform of the International Labor Organization (ILO).

We will keep on improving and formalizing our ongoing risk management processes to better identify, prevent, mitigate and account for risks throughout our supply chains.

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



**This statement covers January 1, 2021, to December 31, 2021, and has been approved<sup>3</sup> by the Management Board of PUMA SE and for the purposes of the Australian Modern Slavery Act 2018, PUMA Australia.**

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<sup>3</sup> Consultation processes - In preparing this Statement, PUMA Australia, being the relevant reporting entity under the Australian *Modern Slavery Act 2018*, has consulted with the board of directors of each of its subsidiaries, namely PUMA New Zealand Limited, White Diamond Australia Pty Ltd and White Diamond Properties Pty Ltd. Each board has approved this Statement.