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PUMA AG

ASSESSMENT FOR REACCREDITATION

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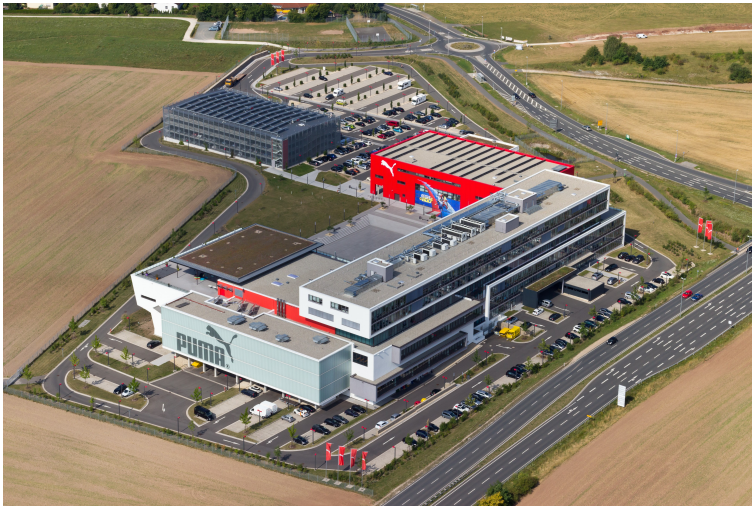
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PUMA AG'S LABOR COMPLIANCE PROGRAM

PUMA AG was approved by the Board of the Fair Labor Association (FLA) as a Participating Company in January 2004, with a three year implementation period. In February 2007, PUMA's labor compliance program was accredited by the FLA Board of Directors (more on this below).



PUMA's Social Accountability and Fundamental Environmental (SAFE) program covers labor and health and safety issues, as well as environmental and product safety issues within the supply chain manufacturing PUMA products. PUMA's Code of Conduct conforms to the FLA Workplace Code of Conduct.



PUMA's Headquarters in Herzogenaurach, Germany.

The SAFE Department is headed by the Global Director. In 2009, the Global Director, one auditor and one staff assistant transferred from the Philippines to a new regional office in Vietnam. At the end of 2009, PUMA's labor compliance activities were carried out by a staff of 12 full-time employees, based at headquarters in Herzogenaurach, Germany (2), Vietnam (4), China (3), Philippines (2), and India (1) plus a QC staff shared (Turkey) and a number of interns.

PUMA's compliance program consists of supply chain auditing of factory labor and environmental practices by its own staff, capability building projects with factories and external partners such as NGOs/other brands, awareness building of compliance issues within PUMA (especially sourcing offices such as WorldCat and licensees), and stakeholder management through dialogues including the Talks at Banz. PUMA's SAFE program has been progressively integrated into the company's core business and comprehensive framework for CSR, PUMAVision, expanding the team's work on sustainability (particularly in the supply chain) and stakeholder engagement. PUMA is in the process of further planning to set requirements for certified Integrated Management Systems (Quality-Environment-H&S) for all strategic suppliers until 2015. A new supplier rating system has recently been developed based on data to monitor KPIs per factory and now is fully functional in all PUMA regional offices. PUMA has also been active in widening brand collaboration, particularly with brands outside of FLA.

ACCREDITATION OF PUMA AG'S LABOR COMPLIANCE PROGRAM

In February 2007, the FLA Board of Directors voted to accredit PUMA's labor compliance program. The Board accepted FLA staff's recommendation based on an assessment covering the period 2004-2006 that included audits both at the headquarters and at the field level, observation of training activities by FLA staff, interviews with PUMA monitors and stakeholders, and results of 44 unannounced Independent External Monitoring (IEM) events conducted by FLA-accredited independent external monitors and the remediation undertaken by PUMA in response to IEM findings.



Workers' participating in training.

By accrediting PUMA's labor compliance program, the FLA Board formally recognized that the program fulfilled the requirements set forth by the FLA and those in the Monitoring Plan that PUMA submitted upon affiliating with the FLA. The FLA staff assessment concluded during the implementation period, PUMA had aligned its program with the FLA standards, benchmarks, and protocols, and met all of the requirements of FLA participation with respect to their applicable facilities during their initial implementation period. The FLA staff assessment identified certain areas in which PUMA's labor compliance program has been strong and innovative, and other areas with respect to which improvements are possible.

Strengths of PUMA's labor compliance program identified in the assessment for accreditation included: (1) the build-up of experience in developing, implementing, and evaluating capacity building projects for and with factories in the supply chain, both with internal (i.e., World Cat) and external (i.e., NGO) partners; (2) development of a factory ranking system that is used to allocate labor compliance resources; (3) development of a comprehensive automated data management system for tracking and verifying remediation; (4) innovative review of social audit systems, standards and integration with other business processes in the company, including the piloting of a complaint and supplier disciplinary mechanism with the aim of implementing a sustainable business strategy that incorporates ethical standards in all aspects of business decision-making; and (5) extensive engagements with stakeholders and civil society organizations.

Suggestions for strengthening of PUMA's labor compliance program included:

(1) promote more consistency in conveying to factories PUMA's commitment to CSR and information about the FLA, particularly the IEM process; (2) promote more consistency in informing workers about channels to raise confidential complaints directly with PUMA management and ensure all PUMA compliance staff are aware of the internal complaint tracking system; (3) continue to prioritize remediation and development of corrective action plans in the work of compliance staff; (4) expand engagement by PUMA compliance staff with civil society organizations at the local level; and (5) enhance investigation of the existence and observance of collective bargaining agreements in

monitoring activities. PUMA's accreditation report is available online at <http://www.fairlabor.org/accreditation>.

ASSESSMENT FOR REACCREDITATION OF PUMA AG'S LABOR COMPLIANCE PROGRAM

Since PUMA's compliance program was initially accredited by the FLA Board in 2007, the FLA has been monitoring PUMA's compliance activities mainly through its performance in IEMs/IEVs and participating in other FLA programs. FLA staff met with PUMA compliance managers and auditors in Turkey and Germany in 2008 and participated at a supplier summit in EMEA in October 2007. In 2009, FLA staff visited regional offices in Vietnam, Turkey and China and met with compliance staff. FLA staff also shadowed three factory internal audits in the same countries cited above to assess internal audits and related remedial actions. FLA staff also met with management of PUMA's SAFE team in Germany for an overall picture of the program and discussion of strategic direction.

The assessment concluded that in 2007-2009, PUMA's labor compliance program continued to meet or exceed performance standards established during the initial implementation period, recognized by the Board of Directors in February 2007 when it approved accreditation of the program. Staff conclusions and recommendations for continued efforts are noted in Section 4. Additional feedback was provided to PUMA in a separate document.

Selected PUMA actions and initiatives during 2007-2009 to maintain high standards and strengthen its labor compliance program are described below.

- 1. ADOPTS AND COMMUNICATES A CODE:** *Formally adopts a code that meets or exceeds FLA standards; Informs all suppliers in writing; Posts the code in a prominent place in supplier facilities in the local languages of workers and managers; Ensures that workers are informed orally and educated at regular intervals (to take account of labor turnover); Obtains written agreement of suppliers to submit to periodic inspections/audits, including by accredited external monitors, to remediate instances of noncompliances with FLA Workplace Standards that arise, and to inform employees about those standards.*
- PUMA's Supplier Code of Conduct, adopted in 1993, was revised in 2007. PUMA's suppliers are instructed to post the Code of Conduct in a language known by both management and local workers in prominent places in the production and welfare facilities. All factories are advised to include a briefing on the Code of Conduct for all workers upon accession and as part of their Annual Training Plan; implementation of this requirement is monitored during regular audits. A Pocket Guide for workers has been developed in English, Bahasa Malaysian/Indonesian, Urdu, Spanish, Portuguese, Romanian, Turkish, Mandarin, Thai, Bangladeshi and Vietnamese. Representatives from sourcing offices and licensees are responsible for distribution of these guides as well as the SAFE Handbook to factories; factories are also advised that the English version is available at the PUMA website for download. In China, auditors typically conduct a briefing on the Code of Conduct for workers randomly chosen for interview after or during audits.
- Suppliers are provided and requested to sign an Initial Letter introducing the PUMA Code of Conduct. Recognizing most suppliers are not 100% compliant with the Code due to various incapacities at the supplier level, some of which are systemic, a set of critical minimum standards was derived from the Code of Conduct and SAFE Standards. The critical minimum standards include zero-tolerance issues such as presence of child labor and minimum wage violations. Suppliers also sign a "Declaration of Principles" upon receiving the PUMA SAFE Handbook. Suppliers must ensure that subcontractors comply at least with standards related to minimum wages and benefits, working hours, rest days and safety standards and are informed of the Handbook's contents.

- FLA staff observed the PUMA Code of Conduct posted in facilities and also confirmed that pocket guides were distributed to workers. It was observed that the pocket manual -- called the SAFE Guide -- was distributed to workers at WorldCat suppliers in a number of languages, but not all the versions had been updated to reflect the changes in PUMA's Code of Conduct issued in 2007. The FLA recommends prompt updating of the SAFE Guide and its distribution to supplier factories for use during new employee induction and in annual training sessions. The FLA recommends that to enhance code awareness, PUMA consider distributing up-to-date SAFE Pocket Guides also to upper management in SAFE factory trainings and extending to all regions the current practice of SAFE staff in China of conducting a 1-hour training for selected workers when auditing factories. The FLA also notes worker awareness training on the Code of Conduct and on labor rights in general has not yet been initiated in South East Asia, although we have been informed that it is planned for 2010. The FLA recommends that PUMA make worker awareness training a priority.

2. **TRAINS INTERNAL COMPLIANCE STAFF:** *Identifies the staff or service provider responsible for implementing their compliance program; Ensures that they had training in all the areas under their responsibility, including, as appropriate, international and national labor standards, local languages, occupational and production risk factors, and techniques for monitoring, interviewing, and remediating; Updates that training at regular intervals.*

- SAFE staff undergo basic training which covers knowledge of local and national law on labor, health, safety, environment, SAFE standards and policies (particularly in areas where local law may be unclear or lower than international standards), basic knowledge of production processes in apparel, footwear and accessories industries, and introduction to critical stakeholders within the region. Annually, during the global SAFE meeting, staff are given updated training on a specific labor compliance issue. Due to the move of key staff to the Vietnam regional office, formal group training in 2009 was deferred to 2010. Nevertheless, some workshop opportunities for local staff were supported, particularly for those also involved in monitoring local project implementation. As new staff had been recruited in 2009, mentorship by senior staff on protocols and standards were provided. New staff recruited have several years of experience in social auditing and therefore are already aware of labor laws, interviewing techniques and other audit methods. **New staff members responsible for PUMA SAFE audit protocols, including reporting and remediation processes, are supervised for at least three months in all audit visits by senior staff.** External monitors, limited only to sub-Saharan Africa, are provided copies of the PUMASafe Manuals of Standards (which was updated in 2009) for their reference. Prior to finalization of reports, internal staff will review the report provided by external monitors for completeness and accuracy. A random selection of reports is reviewed on a quarterly basis to check on general report writing standards, and feedback comments are provided to staff.
- In China, PUMA has organized two CSR workshops annually, one for internal personnel (production and quality control; last one in April 2010) and the other for external partners (i.e., suppliers; last one in July 2009). FLA staff reviewed a sample of documents and verified that among the topics discussed in one of the workshops were workers' complaints analysis, management systems, labor standards topics, HR management, issues related to female workers, zero tolerance issues and KPIs. FLA staff noted attendance records were not maintained for staff trainings and recommends PUMA do so in the future in order to be able to document the impact of these activities on Code of Conduct awareness by management. FLA also observed one of the PUMA auditors (Senior Supervisor) in SE Asia participated in an auditor training session conducted by [CSO] in 2009 as well as a [CSO] training, but there were no records to document these achievements. Another PUMA auditor (Audit Manager) in SE Asia had received a number of trainings throughout his career, including [brand] internal trainings and participation in Vietnamese Department of Labor workshops in Vietnam, but there was no plan in place to analyze competencies and consider further auditor trainings.

3. **PROVIDES EMPLOYEES WITH CONFIDENTIAL REPORTING CHANNELS:** *Encourages the establishment of grievance procedures at supplier facilities; Provides channels for Company employees and workers at those facilities to contact the Company directly and confidentially if warranted; Ensures the channel is secure, so workers are not punished or prejudiced for using it.*
- Stickers with local contact information are attached to all PUMA Code of Conduct posters. The Pocket Guides provided to workers (during audits and regular production visits) also contain contact information for relevant PUMA SAFE offices. Auditors' contact information is also provided during factory visits. Suppliers are required to have suggestion boxes and confidential response procedures. In the SAFE Manual, factories are also advised to establish other worker communications channels suited to the size and complexity of the factory structure, including staff surveys and monthly worker-management meetings. Factories are also required to have worker-management committees on health and safety. Where there are unions, factory management is encouraged (if not required by law) to include union representatives in these bodies. Factory grievance policies and procedures are also checked during audits. Implementation of procedures, including non-retaliation, is verified during the audits and cross-checked with complainants as these are received. PUMA initiated a complaints management protocol in 2008 that presumes initial steps taken by the complainant within the factory's internal grievance channels have been unsuccessful because of weaknesses in the factory's internal grievance process. Initial investigations include an assessment of the validity of the complaint, taking into account that all complainant identities remain confidential from the factory management unless permission is granted by the complainant. The nature of the complaint is discussed with the factory and a corrective action plan is required to be fulfilled within a given time frame. Auditors follow up with both the complainant and factory management after a given period. The complaints with incident details and worker contact information are logged in a complaint log that is separate from the factory's audit record.
 - FLA staff confirmed that more than 200 grievances were received globally by PUMA in 2009, predominantly in China, followed by Vietnam, Cambodia and Turkey; the bulk of the complaints were about wages and hours of work. The largest number of complaints were lodged by workers at WorldCat suppliers (perhaps because of higher level of awareness and engagement). For example, workers at a factory in South China lodged about 45 complaints in 2009 (through a hotline operated in association with China [CSO]—see below). In a case involving complaints on delayed wages against a factory in Turkey, PUMA lowered the rating of the factory and issued a warning letter. FLA staff confirms complaints were also carefully considered and followed-up in SE Asia. For example, a terminated worker from a factory in Vietnam complained in August 2009 by phone regarding unpaid severance and irregularities regarding annual leave payments; the regional PUMA auditor facilitated proper payment to the worker. FLA also reviewed records of remedial efforts versus workers' complaints and internal audit records involving factories in China. In one case, a worker informed PUMA that the factory did not pay OT compensation in accordance with Chinese Labor Law. PUMA representatives contacted the HR Manager, requested more information about the mentioned problem, and reportedly resolved the issue and closed the case in April 2009. However, during a follow-up in March 2010, the problem was found to still exist. Finally, while workers' grievances in China are recorded with ample explanation and follow-up notes, several of them are still unresolved from almost a year ago, and others were closed only based on providing legal advice to complainants or awaiting audits to follow-up.
4. **CONDUCTS INTERNAL MONITORING:** *Internally monitors an appropriate sampling of suppliers to assess compliance, which includes worker interviews, records review, occupational safety and health review, practices of suppliers in relation to the FLA Workplace Standards; Collects, verifies, and quantifies compliance with workplace standards; Analyzes the monitoring results and implemented remediation plans to address non-compliance issues; Tracks the progress of remediation.*
- Including exempted factories (achievement of A status in the previous year), audit coverage for 2009 was 75% of all active Tier 1 factories. All WorldCat and licensee suppliers are pre-screened prior to the initial full SAFE audit. All new factories for both WorldCat and licensees underwent preliminary full audits either

prior to production or during the sampling phase. Thirty factories were made inactive in 2009. The relation between audit grading and audit intervals is as follows: A: 2 years; B+: 1 year; B-: 8 months; C: 2-4 months. PUMA's internal monitoring target for the major sourcing countries in Asian region is set at 100% annually for both direct and licensee factories. Factories located in countries with strong regulation enforcement are less strictly monitored, e.g., in Italy. Unannounced visits maybe conducted on critical suppliers based on their risk profile, and PUMA quality control staff on site also helps to follow up. Evidence in the form of photographs or documents are generally accepted as a first step to confirm remediation, but final tracking is mostly via re-audit.

- FLA staff observed PUMA's suppliers are asked to sign an "Initial Letter" introducing the PUMA Code of Conduct. Suppliers also sign a "Declaration of Principles" upon receiving the PUMA SAFE Handbook. Although it was noted there are minor differences in issuing Initial Letter/Declaration of Principles to suppliers across regions (in South East Asia, these are issued at the beginning of the relationship only, whereas in EMEA the process is repeated every year) all suppliers are informed in writing and during annual supplier meetings held partly for this purpose. Potential PUMA suppliers are initially visited jointly by sourcing and compliance staff, followed by a full compliance audit. Production managers require factories to submit pre-approved total overtime hours as well as volatile organic compounds (VOCs) use and results of RSL tests on materials. Subcontracting and home-based legal work must first be authorized by PUMA and incorporated into capacity planning process. Nonetheless, subcontractors are generally checked based on the volume and frequency of PUMA orders, while emergency vendors may not be audited at all and generally, the main supplier units are held responsible to monitor these satellite premises. PUMA conducts internal audits by its own auditors; no 3rd party monitors are used except in a few cases in Africa as also cited previously. PUMA started auditing 2nd tier factories based on targets set previously and is currently working on sustainability programs. Audits start with an introductory meeting with factory management to introduce PUMA S.A.F.E. concept and obligations with FLA, if new factory, otherwise to discuss status of corrective actions noted in previous audit.
- Audit records were checked by the FLA for three factories in Vietnam and the conduct of internal audit of one of these factories was shadowed as well. The area for improvement for internal audits identified through records was verification actions taken could not be traced back as they were not always recorded in audit tools during follow-up visits. Also, audit records checked showed some of the issues raised were based on personal recommendations (e.g., the factory should have a "grievance flowchart") and, more importantly, major findings such as "manipulation of the age of a worker" were not addressed adequately based on severity of the issue. During the shadowed on-site audit, the most critical issue observed was ineffective worker interviews: a list of selected workers was given to management upon which about 15 workers were gathered at the infirmary; they were watched by a supervisor while awaiting about an hour to be interviewed in groups of 3-4 at a time. Furthermore, incorrect calculation by management of OT compensation affecting the night shift was not communicated well during or after the audit, and thus not remedied. Other areas for improvement observed were: (1) HSE portion of the audit comprised checking ad hoc problems and symptoms observed for quite a long time, but missed measuring awareness among staff and assessing systems in place; (2) contact data revealed on Code of Conduct poster for workers to raise grievances still gave information about PUMA's Philippines office; and (3) issues raised and recommended CAPs disregarded results of earlier audits.
- Three internal audits for the EMEA region were checked. The review of the audits showed that PUMA audits in Turkey have started to focus on issues such as double bookkeeping which have been largely ignored by the industry. The shadowed internal audit revealed that workers were approached for interviews during the walkthrough while management staff was present and asked to wait at a showroom, where some had to stay idle for 15-20 minutes; furthermore, the group interview conducted coincided with the workers' lunch break.
- Three internal audits were checked in China, one in a factory that have had an IEM by FLA monitors who had reported sub-minimum wages and unpaid overtime. Remediation is under way in successful collaboration with another FLA brand. Documentation of audits at two problematic suppliers were also reviewed, one where the owner ran away and the other where there was hidden subcontracting. During

the shadowed audit, auditors distributed a ‘Worker Interview Survey’ to each worker, which includes questions on labor contract law, training, OT hours, rest days, if OT is voluntary, piece rate, pay slips, grievance channels available, and so on; the questionnaire can be completed anonymously. Furthermore, the PUMA auditors trained workers on how to calculate their minimum wages and OT compensation, explained types of social insurances and their influence on workers, and informed workers on paid leave to which they are entitled. They completed the group interview by providing workers with PUMA’s hotline number. During the same shadowed internal audit, issues identified were a repetition of findings a year earlier. The root cause of this may be the system of PUMA auditors issuing CAPs, rather than factory management working with findings and developing their own CAPs that are more closely grounded to the realities of the factory. Finally, it was noted that the contact information attached to Code of Conduct belonged to a former PUMA compliance staff who is no longer with the company.

5. **SUBMITS TO INDEPENDENT EXTERNAL MONITORING (IEM):** *Provides the FLA with an accurate, up-to-date factory list, factory profile, access letters to factories, etc.; Ensures that the suppliers selected for IEMs cooperate with the FLA monitors; Cooperates with FLA requests for information, clarification, and follow-up in the IEM process.*
 - All PUMA suppliers are required to sign the FLA Annual Supplier Certificate to ensure that factories cooperate with FLA independent external monitors. This is emphasized during subsequent visits by PUMA staff. While some errors in PUMA’s supplier list gave rise to some aborted IEMs in 2008, this issue has been corrected. In 2009, there were no instances of FLA monitors being denied entry to the factory. It should be noted that PUMA’s factory list has been available to the public via the FLA since 2005. FLA observed that cooperation with other brands during the development of corrective action plans in case of shared IEMs is sometimes underestimated and thus should also be considered a priority for improvement.

6. **COLLECTS AND MANAGES COMPLIANCE INFORMATION:** *Maintains a database; Generates up-to-date lists of its suppliers when required; Analyzes compliance findings; Reports to the FLA on those activities.*
 - Analysis of compliance findings/failures is conducted at the beginning of each year. Non-compliance analysis is done comparatively across regions as well as between World Cat/Subsidiaries and Licensees. Mid-year analysis of compliance findings is conducted at a more general level (number of audits, ratings, failures analysis). All supplier monitoring information is maintained in a Lotus database which is accessible by all auditors at all times. However, the database used through 2008 had limitations with respect to producing statistics suitable for analytical work. An updated version of the database was designed in 2009 to enable analysis of pre-defined metrics as required by [CSO] for sustainability reporting purposes as well as for internal analysis of factory compliance performance. An updated corrective action plan tool - similar to the FLA tracking chart -- is being redesigned in 2010, but its implementation date is still tentative. Critical findings such as minimum wage compliance and child labor are highlighted in the statistics; other important findings, such as excessive OT and non-payment of benefits (such as social insurance and leave) can also be readily obtained and presented based on priority. Analysis parameters generally relate to noncompliance areas and priorities may vary from year to year, although annual comparisons are also conducted annually on key noncompliance areas. Harmonization of analysis parameters was based on new requirements by stakeholders, particularly new owner [brand], and the new Factory Rating System, which has gone live recently in 2010, that analyzes factory compliance performance based on a set of social and environmental KPIs. The environmental KPIs are based on the Enablon tool used within the [brand].
 - PUMA follows [CSO] sustainability reporting and is currently working on including all WorldCat suppliers under this approach; this has already been applied in Turkey and the results of the exercise are intended to be presented in 2010 at a GRI conference. Currently, more than 85% of strategic suppliers commit to

report via sustainability reporting methodology.

7. REMEDIATES IN A TIMELY MANNER: *Upon receiving the internal and independent external monitoring reports, contact the supplier concerned (within a reasonable time frame) to agree to a remediation plan that addresses all compliance issues identified by the monitor; Implement a remediation plan regarding the noncompliances and the actions taken to prevent the recurrence of such noncompliances; Within sixty (60) days, supply the FLA with the remediation plan citing all progress made and a timeline for outstanding items; Confirm the completion of remediation; Condition future business with contractors and suppliers upon compliance standards.*

- PUMA compliance staff conduct an initial visit to factories receiving IEMs to discuss remediation plans in detail and to verify corrective actions that may have been done. Commitments are sought from factories to correct the most critical noncompliances within 60 days; for issues involving large capital expenditure or are rooted in cultural/social norms, longer time frames for implementation is granted. Remediation tracking starts upon receipt of a formal response from the factory on the corrective action plan. Factories are asked to remediate through means addressing the root cause of the problems and not just the noncompliance itself. Usually, WorldCat Production Managers provide additional input and recommendations during the development and implementation of remediation. Subsequent visits by PUMA compliance staff and coordination with other brands occur if applicable. Remediation is considered effective once the noncompliance incidents found during the IEM visit have been found during the next internal audit to be lessened or removed altogether.
- PUMA production managers or licensee managers are usually present during compliance staff visits to stress to suppliers that continued business is dependent upon factory cooperation. Failure to make progress on remediation can and does lead to warning letters and eventual termination of business relationships. Before exiting a supplier for commercial reasons, PUMA gives a minimum of 6 months' notice and in case of compliance-related exits, ratings and warning letters are documented in the system. Through a review of audit reports, the FLA observed in the case of a supplier in Egypt with a number of repetitive issues, including use of a banned spot remover, PUMA ended the commercial relationship due to lack of basic compliance after repeated warnings. Similarly, PUMA ended the relationship with a supplier in China because of persistent low labor compliance ratings and lack of commitment to improvement in the face of warnings. In South East Asian audits, the FLA observed although a supplier was lowered in compliance rating, there was no record of a warning letter and the same noncompliance issues (e.g., 30-minute break before OT not paid and failure to implement fire drills) were repeated with no improvement or action. The FLA notes documentation and records of factory exits for compliance reasons could be improved with respect to specific reasons, ratings, warnings, and so on, in order to better correlate the decision with lack of remediation.
- Although PUMA's CAPs pursuant to IEMs are submitted timely and PUMA responds to FLA reviews and comments on CAPs positively, in some instances components are missing or delayed, such as no updates submitted after the initial CAP, no summary provided to FLA on exited factories on a timely basis, and remediation follow-ups based only on feedback from the factory management through phone conversation and records provided rather than through revisits.

8. TAKES ALL STEPS NECESSARY TO PREVENT PERSISTENT FORMS OF NONCOMPLIANCE: *Analyze compliance information to identify persistent and/or serious forms of noncompliance; Establish and implement programs designed to prevent the major forms of such noncompliance; Take steps to prevent recurrence in other applicable facilities where such noncompliance may occur.*

- PUMASafe has been integrated into the company's comprehensive framework for CSR, PUMAVision, essentially expanding the team's work on sustainability (particularly in the supply chain) and stakeholder engagement. A new supplier rating system is currently being developed and launched based on data to

monitor KPIs at the factory level. Several production-related systems are required or encouraged at the supplier level; for example, Lean Manufacturing is currently being introduced in some Turkish suppliers. PUMA is also addressing HR and HSE issues and prevent noncompliances based on systems approach. In EMEA, several suppliers have completed risk assessments and their respective trainings and in South East Asia, 3-day training-of-trainers courses are being delivered by PUMA auditors to compliance staff (2-3 persons per factory) of suppliers. The aim is to require the trained staff to deliver similar trainings to workers using the same set of materials. PUMA is further planning to set requirements for certified Integrated Management Systems (Quality-Environment-H&S) to be completed and maintained for all strategic suppliers until 2015 and then onwards.

- The FLA observed in the EMEA region, the findings raised on EHS generally focused on systemic issues and root causes, e.g., lack of measurement tools and criteria rather than symptomatic problems. Furthermore, risk assessments are encouraged and periodic updates are requested/received from suppliers on time. Following a HR Management Systems Project conducted by at a footwear factory in China, workers' grievances directly received by PUMA dropped to zero from about 20 per year previously. However, C-rated suppliers tend not to have preventive measures in place to avoid recurrence of noncompliances while working on CAPs.

9. CONSULTS WITH CIVIL SOCIETY: *Maintain links to organizations of civil society involved in labor rights and utilize, where companies deem necessary, such local institutions to facilitate communication with company employees and employees of contractors and suppliers in the reporting of noncompliance with the workplace standards; Consult knowledgeable local sources as part of its monitoring activities; Consult periodically with the legally constituted unions representing employees at the worksite regarding the monitoring process and utilize the input of such unions where appropriate; Assure the implementation of monitoring is consistent with applicable collective bargaining agreements.*

- PUMA maintains links with local and international civil society organizations for a variety of purposes, among them information on law and practice regarding labor, EHS and environmental issues, service provider for capacity building of workers/factory management in labor/EHS areas, and technical assistance to grievance management projects (i.e., hotline). The annual "Talks at Banz" Stakeholders Dialogue has been conducted since 2003.
- Where enterprise-level unions exist in factories, the representatives of such unions are interviewed and consulted during internal audits. In the case of Cambodia, Indonesia, China and Vietnam, the majority of the local union representatives are not aware of the enterprise-level conditions unless there has already been a specific complaint raised and therefore the local trade union federation representatives are usually not consulted. Where such complaints have been raised, additional time is allocated to consult with the union federation representatives.
- A Grievances Worker Hotline Project is being implemented in 5 factories in collaboration with China Labor Watch. Other engagements are: (1) a long-term engagement in Turkey with [CSO], focusing on equal opportunity at work and social gender behavior; (2) an engagement in Turkey with [CSO] creating a number of trainings at main suppliers focusing on worker empowerment; (3) an engagement in Egypt with [CSO] concerning projects and trainings to a similar end; and (4) an engagement with [CSOs]. There are multiple CSOs frequently engaged by PUMA in South East Asia. In China, the [CSO] is a frequent contact for the establishment of H&S committees in supplier facilities. Similarly, a Labor-Management Communication training is being delivered by a Beijing-based law firm.

10. **PAYS DUES AND MEETS OTHER PROCEDURAL REQUIREMENTS:** *Pay annual dues; Pay IEM administrative and monitoring fees; Sign and honor required FLA contracts; Submit factory lists, a standardized annual report, and other information in complete form and on time.*

- All PUMA dues and administrative and monitoring fees have been paid on time; all contracts have been signed and honored; factory lists and annual report have been submitted in complete form and on time.

CONCLUSION

Reaccreditation of PUMA's compliance program should not be interpreted as a guarantee against issues and risks in the supply chain. Rather, reaccreditation indicates that the company has the systems in place to proactively identify and remediate those risks. Reaccreditation is not granted automatically, and is only renewed every three years following a satisfactory FLA evaluation of labor compliance systems and activities during the timeframe. FLA will continue to conduct standard due diligence activities on PUMA. To check an affiliate's accreditation status, visit <http://www.fairlabor.org/accreditation>.