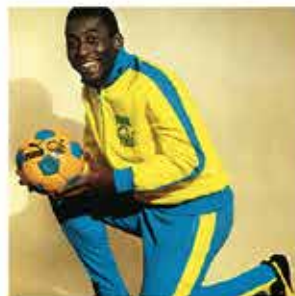




ANNUAL REPORT 2018

SUSTAINABILITY





SUSTAINABILITY

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FOREVER FASTER SUSTAINABILITY



Michael Bennett

MESSAGE FROM MICHAEL BENNETT, GLOBAL DIRECTOR SOURCECO

At PUMA, we endeavor to be the fastest sports brand in the world. We understand that achieving this ambitious goal requires a clear, focused strategy, but we also recognize that the challenges facing the world from a sustainability perspective will not be solved by the actions of any single brand or company. It is only through collective action with our industry peers via industry-wide initiatives and organizations, that progress will be made on key sustainability issues, such as climate change and human rights.

We believe that exercising our influence in corporate sustainability means taking our work out of the board room and into the factories where our products are made, and into the marketplace where they are sold. In 2011, PUMA became the first company to place a monetary value on its environmental impact, fundamentally shifting the landscape of corporate sustainability and the way we operate. Since then, we have maintained our commitment to sustainability in areas including product innovation, such as our climate-neutral collection in collaboration with ASOS, and the use of more sustainable materials such as Better Cotton and bluesign® certified polyester.

To ensure alignment with global priorities, we launched our 10FOR20 Targets in 2015, linking each of PUMA's 2020 targets to the relevant United Nations Sustainable Development Goals. Under this sustainability strategy, we have continued to develop and implement initiatives across our supply chain, both in regions in which PUMA operates, and where our products are manufactured. For example, our award-winning vendor financing program incentivizes environmental and social responsibility by rewarding suppliers who score highest with better financing options; in addition, we rolled out the Zero Discharge of Hazardous Chemicals Foundation (ZDHC) waste water guidelines in our main wet processing factories.

Looking at 2020 and beyond, we will continue working with our industry peers and pushing industry-wide initiatives to help usher a more sustainable future for the next generations of athletes, customers, and people everywhere.

Sincerely,

Michael Bennett
Global Director SourceCo

SUSTAINABLE DEVELOPMENT GOALS



The Sustainable Development Goals (SDGs) from the United Nations define the global development priorities for 2030 and look to join efforts among business, governments and civil society around a defined set of targets. PUMA's 10FOR20 Strategy supports the SDGs' implementation in the regions where PUMA operates and where PUMA products are manufactured. Throughout this sustainability chapter, we highlight which SDG(s) we support with our sustainability targets.



AIMING HIGHER

INTERVIEW WITH STEFAN SEIDEL, HEAD OF CORPORATE SUSTAINABILITY



Stefan Seidel

HOW IS PUMA TAKING ACTION IN TERMS OF SUSTAINABILITY?

At PUMA, our sustainability focus is clear: we are committed to creating positive social and environmental impact by taking action to dive deeper into our supply chain, permeating all aspects of our operations, and expanding our partnerships with various industry groups and sustainability organizations. We believe that a commitment to the future of our planet and its people is not only a social obligation, but that it's good for business, too.

WHAT CAN YOU TELL US ABOUT PUMA'S SUSTAINABILITY JOURNEY?

We started over 20 years ago with our first Code of Conduct and by establishing social compliance processes. It was an important step, as it provided us with the foundation for our sustainability program in 1999. We soon established ourselves as sustainability pioneers, which enabled us to shape expectations around sustainability, rather than just respond to them. We were for instance the first major company to place a monetary value on the environmental impact of our operations and the first in the fashion industry to agree to eliminate hazardous chemicals from our supply chain.

WHAT WERE THE MAJOR ACHIEVEMENTS MADE IN 2018?

Following our spin-off from Kering in 2018, we were re-admitted into the FTSE4Good sustainability index while retaining our Oekom prime rating. Now operating as an independently-listed company, we see a fresh opportunity to take our sustainability to the next level, which will flow into our work in 2019 and the development of our 2030 vision and strategy.

Furthermore, we are proud to have initiated and strengthened partnerships in 2018, including a Fashion Charter for Climate Action launched at the United Nations Climate Conference in Poland. This agreement to work with our industry peers toward significant advances has the potential to effect changes far more impactful than what any one brand could achieve alone.

WHAT ARE YOU MOST LOOKING FORWARD TO IN 2019 AND BEYOND?

We are excited to continue our progress on our trajectory toward our 10FOR20 Targets and to provide positive contributions to business performance along the way. We will continue to work on our existing targets and take new topics into consideration: Through our refreshed materiality analysis, we identified more sustainable products, plastics, circularity and living wages as additional topics of focus to address in our sustainability strategy beyond 2020.





MEANINGFUL PROGRESS AND IMPACT

This report provides a summary of the progress we made during the calendar year 2018 towards our 10FOR20 Sustainability Targets, while also highlighting those areas where challenges remain.














Anticipating growing consumer demand for sustainably designed and produced lines of PUMA products, we emphasized enhanced research and innovation in this area. After many years of contributing to initiatives around improving the performance of our global supply chain, we are proud to report that several are now

scaled up within the industry, including tools from the Zero Discharge of Hazardous Chemicals Foundation and the Social and Labor Convergence Program. Furthermore, in a demonstration of our commitment to transparency, we have also published on [our website](#) the lists of our most important Tier 1 and Tier 2 suppliers.



















PROGRESS ON 10FOR20 TARGETS

Now more than halfway through the five-year period PUMA allotted for meeting our 10FOR20 targets, 2018 was the time to take a critical look at our progress on each one. This inquiry found that we have made good progress thus far, with **8 of our 10FOR20 Targets on track**. Below is a comprehensive table of our targets for each area, as well as the updated status of each:

T.1 10FOR20 TARGETS' PROGRESS

Target	Baseline 2015	Performance 2018	Planned Action 2019	Target 2020	Status
 01 Stakeholder Engagement	 <ul style="list-style-type: none"> Talks at Banz Stakeholder Meeting Regional Supplier Round Table Meetings 	<ul style="list-style-type: none"> Regional Supplier Round Tables Materiality Analysis refreshment involving internal and external stakeholders 	<ul style="list-style-type: none"> Alternate global stakeholder meeting between Europe and Asia Continue Round Tables in all major sourcing markets 	<ul style="list-style-type: none"> Stakeholder dialogue Public reporting Consumer information 	On track 
 02 Human Rights	 <ul style="list-style-type: none"> Human Rights Screening 	<ul style="list-style-type: none"> 19,000 hours of community engagement Follow up on Human Rights Assessments from previous years First warehouse assessment realized 	<ul style="list-style-type: none"> Merge Human Rights and Social Compliance Target areas Continue community engagement work and support of Soccer Aid Expand warehouse assessments 	<ul style="list-style-type: none"> Embed Human Rights across our operations and suppliers Positively impact communities where PUMA is present 	On track 
 03 Social Compliance	 <ul style="list-style-type: none"> All Tier 1 suppliers frequently audited Workers complaints received and progressed 	<ul style="list-style-type: none"> Started roll out of Joint industry assessment tool (SLCP) in China 39% of audits shared with other organizations All major component and material suppliers audited Amount of Zero Tolerance Issues prevailing at year end: 0 	<ul style="list-style-type: none"> No Zero Tolerance Issues prevailing at year-end Expand roll out of joint industry assessment tool (SLCP) to at least two more countries Increase percentage of shared audits to 50% 	<ul style="list-style-type: none"> Compliance with industry standards / ILO Core Conventions for all core suppliers, including suppliers of finished goods as well as component and material suppliers 	On track 
 04 Climate Change	 <ul style="list-style-type: none"> Science Based Target (SBT) development announced 	<ul style="list-style-type: none"> Industry Working Group on Climate Change formed under the umbrella of UNFCCC Climate Charter developed and launched at COP 24 3% interim reduction target achieved PUMA (Scope 1&2) relative to sales: -6.2% Suppliers (Scope 3): -5% 	<ul style="list-style-type: none"> Start working groups under Climate Charter including work on sector based SBT Continue supplier energy efficiency programs Start project on reducing emissions from air freight 	<ul style="list-style-type: none"> Science Based Reduction Target to be developed and implemented 	SBT – not on track  3% relative reduction on track 



Target	Baseline 2015	Performance 2018	Planned Action 2019	Target 2020	Status
 05 Chemicals	 <ul style="list-style-type: none"> Commitment to Zero Discharge of Hazardous Chemicals 	<ul style="list-style-type: none"> PFCs phased out RSL failure rate remaining below 3% VOC index for footwear 17.7g / pair (target 20g / pair) 	<ul style="list-style-type: none"> Keep RSL failure rate below 3% Roll out ZDHC Chemicals Gateway for MRSL check of supplier chemical inventories Reduce VOC consumption per pair of shoes to 16g / pair 	<ul style="list-style-type: none"> Zero discharge of hazardous chemicals from our supply chain 	On track 
 06 Water & Air	 <ul style="list-style-type: none"> Start of wastewater testing and publication 	<ul style="list-style-type: none"> ZDHC wastewater guideline tests at 58 suppliers with wet processing Compliance rates of 71% (chemicals) and 52% (conventional parameters) 	<ul style="list-style-type: none"> Increase compliance rates to ZDHC wastewater guideline to 90% (chemicals) and 70% (conventional parameters) Support finalization of ZDHC guideline on air emissions 	<ul style="list-style-type: none"> Industry good practice on water treatment and air emissions are met by 90% of PUMA core suppliers 	Not on track Water and Air need to speed up efforts 
 07 Materials	 <ul style="list-style-type: none"> bluesign® (polyester), Leather Working Group (leather), and FSC (paper & cardboard) certification used in significant volumes 	<ul style="list-style-type: none"> Apparel: Cotton - BCI 50% Polyester - bluesign®: 66% Footwear: Leather - LWG: >99% Accessories: Polyester - bluesign® 46% Cardboard & Paper-FSC: 92%* *including supply chain and corporate consumption 	<ul style="list-style-type: none"> Apparel: Cotton - BCI 75% Polyester - bluesign®/Oeko-Tex®: 75% Footwear: Leather - LWG: 90% Accessories: bluesign®/Oeko-Tex®: 75% Cardboard & Paper - FSC: 90% New Targets: Responsible Down (RDS): 90% Better PU: Target in development 	<ul style="list-style-type: none"> More sustainable materials used for our key materials: BCI 90% bluesign® 90% LWG 90% FSC 90% RDS 90% Better PU: Target in development 	On track 
 08 EP&L	 <ul style="list-style-type: none"> Kering Group EP&L published (including PUMA figures) 	<ul style="list-style-type: none"> PUMA EP&L 2017 published 	<ul style="list-style-type: none"> Calculate EP&L independent from Kering Reduce EP&L impact per sales value 	<ul style="list-style-type: none"> Continue to report impact on an annual basis PUMA EP&L value significantly reduced 	On track 
 09 Health & Safety	 <ul style="list-style-type: none"> Occupational Health and Safety (OHS) part of compliance audits 	<ul style="list-style-type: none"> Fatal Accidents PUMA: 0 Suppliers: 0 Injury Rate PUMA: 0.8 Core T1 Suppliers: 0.6 	<ul style="list-style-type: none"> Zero fatal accidents Average injury rate of PUMA entities below 1 	<ul style="list-style-type: none"> Zero fatal accidents Injury rates below industry average Significantly reduce injury rates 	On track 
 10 Governance	 <ul style="list-style-type: none"> PUMA Code of Ethics training with low participation rate Ethics training participation rate: 60% 	<ul style="list-style-type: none"> PUMA Code of Ethics training participation rate: 99% (staff with email accounts) 93% of core suppliers trained in anti-corruption 	<ul style="list-style-type: none"> Ensure PUMA staff (with a corporate email account) training rate remains over 90% Roll out supplier anti-corruption training to non-core suppliers 	<ul style="list-style-type: none"> Maintain and run a state-of-the-art compliance system 	On track 

BCI: Better Cotton Initiative, EP&L: Environmental Profit and Loss, FSC: Forest Stewardship Council, LWG: Leather Working Group, MRSL: Manufacturing Restricted Substances List, PFC: Perfluorinated Chemicals, PU: Polyurethane, RDS: Responsible Down Standard, RSL: Restricted Substances List, SBT: Science-Based Target, VOC: Volatile Organic Compound.

SOME HIGHLIGHTS FROM OUR 2018 RESULTS ARE:

Direct results

- With the support of our material suppliers, we achieved our 2020 material targets for cotton, polyester, leather and cardboard at the end of 2018, two years ahead of schedule.
- Our worker complaints resolution rate remains above-target at 100%, reflecting the commitment our suppliers have made to building better workplaces by listening to workers and addressing their concerns.
- Our China-based suppliers have made progress on improving social insurance coverage for employees, and we will continue our efforts to partner with them to further improve coverage rates.
- We launched the Partnership for Cleaner Textile program in Bangladesh on energy efficiency and renewable energy in partnership with the World Bank's International Finance Corporation and our major suppliers in Bangladesh. This provides funding and pathways to lower environmental pollution and reduce operating costs for suppliers.

Better tools and tracking

- The Zero Discharge of Hazardous Chemicals – Wastewater Guidelines were rolled out to 58 of the wet processing units in our supply chain. This enables us to respond more effectively to situations where local water quality can be improved.
- We rolled out the new Sustainable Apparel Coalition Higg Index Environmental Facilities tool to 188 factories, allowing for the accurate measure and scoring of a supplier's sustainability performance.
- We successfully piloted the assessment tool of the Social and Labor Convergence Program in China. Rather than using our own auditing tool, we thereby encourage further the use of shared audits, which made up 39% of our audits in 2018.

REMAINING CHALLENGES

One goal of PUMA has been to publish science-based CO₂ emission targets, which require an absolute reduction of greenhouse gas emissions in line with the Paris Agreement under the United Nations Framework Convention for Climate Change. While our emissions relative to sales are constantly being reduced, rapid business growth in recent years has made achieving an absolute reduction as an individual company challenging. Therefore, we worked with our industry peers and UN Climate during 2018 on an industry-wide climate change program. A result of these efforts was the launch of the Fashion Charter for Climate Action alongside 42 other signatories in December. One of the working groups formed during the Charters' launch will develop a sector decarbonization approach – which will make it easier for PUMA to publish – and later on achieve – our own science-based emission target.

On the way to hitting our target of 90% compliance with industry good practices on water treatment, we currently stand at 71% for chemicals and 52% for conventional wastewater parameters, a clear indication that we must accelerate our efforts. For air quality we are still waiting for an industry standard to be finalized. This is planned by the Zero Discharge of Hazardous Chemical Foundation for 2019.

MORE SUSTAINABLE PRODUCTS

In our continued focus on what our customers look for, we responded to increased demand for more sustainable products with the 2018 launch of a climate-neutral apparel collection in partnership with ASOS. In footwear, we won a PETA Vegan Fashion Award, while from an industry perspective, we achieved respectable ratings in a number of independent rankings including the Carbon Disclosure Program, Fashion Revolution, Corporate Information Transparency Index and Know the Chain.

ENHANCED TRANSPARENCY

We recognize the importance of transparency in our supply chain. As part of our commitment to facilitate it, we make publicly available the list of our core component and material **suppliers** (Tier 2) and our core suppliers (Tier 1).



SELECT SECTIONS OF PUMA'S 2018 SUSTAINABILITY PERFORMANCE

In this year's annual report, our sustainability section focuses on the topics that were highlighted as most important by internal and external stakeholders during our most recent materiality analysis.



HUMAN RIGHTS AND SOCIAL COMPLIANCE

PUMA is defined not only by the products we create, but by the lives we improve. This not only applies to our customers, but also to our workers and the communities in which they live. We aim to ensure that our products are manufactured in workplaces where human rights are respected. On a daily basis, our global sustainability team (located in nine countries over three continents) collaborates with our manufacturing partners to improve working conditions, ensure workers are treated fairly, and certify that factory conditions meet safety standards.

We describe below our work and plans for improvement through our capability-building projects, audits system, worker feedback systems, and use of social key performance indicators across our suppliers.

Capability Building

Our capability-building initiatives are grounded in our endeavor to align our sourcing practices with the principles of sustainable development. PUMA works with suppliers on capability-building initiatives to build resilience and self-sufficiency in these areas. In 2018, our work included an expanded partnership with the International Labor Organization's Better Work program in Bangladesh, training over 1,000 workers on issues related to women's empowerment in the workplace. More broadly, we trained 315 PUMA suppliers at our annual supplier Round Table Meetings on how to avoid forced labor. This was done in collaboration with the International Organization of Migration, or other expert organizations, which highlighted the connection between recruitment fees paid by migrant workers in countries like Mauritius and Taiwan and potential forced-labor issues. Migrant workers are the group considered most exposed to significant risks of forced labor in supply chains.

PUMA adheres to the UN Declaration of Human Rights, the International Labor Organization's Core Labor Conventions, and the ten principles of the United Nations Global Compact—these have been reflected in our **Code of Conduct** since 1993 and in our **Code of Ethics** since 2005. We will continue to build on this enduring commitment to improve the lives and working conditions of the workers we rely on.



Audits

Social audits remain an important pillar of measuring human rights impacts as they illuminate areas for improvement across our supply chain. In 2018, we continued our partnership with the Fair Labor Association, the Better Work Program of the International Labor Organization and International Finance Corporation, and the Social and Labor Convergence Program (SLCP), supporting the rollout of the SLCP in China. Additionally, we engaged various regional organizations to ensure supplier compliance to international human rights and labor standards. As duplicative audits by numerous brands can create an administrative burden on a single vendor and be an inefficient use of resources, we heightened our collaborative efforts in this area to increase the percentage of shared audits with other companies from 27% to 39% of PUMA suppliers. In this way, we are enabling our value chain to receive two sets of benefits, reducing costs and resources and maximizing the efficiency of how we monitor our collective supply chain as an industry.

PUMA's social audits evaluate the status of workers' situations in areas such as freedom of association, health, safety, appropriate wages, fair treatment and working hours. In 2018, we continued to achieve nearly 100% compliance monitoring of our active Tier 1 manufacturing partners. We also audited our most important Tier 2 suppliers and piloted an audit in a PUMA warehouse.

In total, we conducted 536 audits in 473 factories with 94% of our Tier 1 earning a passing grade. Since the prior year, Tier 1 vendor compliance improved by 2%, continuing our positive trajectory. 6% failed to meet our requirements and if an active PUMA supplier, we worked with these partners to improve the situation. 47% received passing grades of those that received a second audit. Eleven factories could not sufficiently improve their performance and were consequently delisted from our active supplier factory base. Those that applied to be suppliers but failed their first audits were not admitted.





In 2019, we plan to further increase the passing grade within our T1 and core T2 suppliers to 95%.

T.2 AUDIT PERFORMANCE 2015-2018

Tier Level Ratings	2018		2017		2016		2015	
	T1	T2	T1	T2	T1	T2	T1	T2
A (Pass)	82	15	87	13	58	12	36	1
B+ (Pass)	148	29	122	27	166	26	156	16
B- (Pass)	128	42	118	34	87	32	75	12
C (Fail)	17	7	18	3	28	12	25	2
D (Fail)	5	0	9	1	5	2	9	
Total	380	93	354	78	344	84	301	31
Pass Rate (in %)	94	92	92	95	90	83	89	94

Workers' Feedback

Having the ability to articulate one's needs and concerns is a key tenet of human rights. Providing workers with avenues to use their voices to advocate for themselves is a top priority for PUMA as part of our commitment to playing fairly as a market leader.

In 2008, we developed Worker Voice, a workers' feedback system that enables vendor employees to share concerns in a confidential manner, as well as for outside parties to provide input to PUMA. The objective of Worker Voice is to understand if our sustainability initiatives create a positive impact for workers and effectively identify areas for further improvement. PUMA responds directly to concerns raised through this system and shares them with vendor management, upholding worker confidentiality, to take collaborative action and arrive at holistic and appropriate resolutions.

We are pleased to see that our efforts in 2018 have given our workers a platform for voicing complaints, advocating for their needs, and ensuring that their concerns are acknowledged. We expanded our Worker Voice coverage by including more than 4,000 workers who participated in a well-being survey among nine Chinese core suppliers through an app-based technology. In total, 44 workers across eight countries took advantage of PUMA's feedback system, compared to 74 in 2017. Our team resolved all complaints raised, 5% more than the year prior. We also received three third-party complaints from external organizations related to PUMA manufacturing partners, after ten complaints in

the year prior. Two external third-party complaints focused on the right to freedom of association and one focused on fair compensation. Of these, two were resolved and one is still pending a decision in local labor courts.

In 2019, we aim to keep our resolution rate for workers complaints consistently above 90% and resolve all third-party complaints.

T.3 WORKERS' COMPLAINTS AND RESOLUTION RATES 2015-2018

Worker Complaints	2018	2017	2016	2015
Total Received	55	81	72	150
Total Confirmed	44	74	n.a.	n.a.
Resolved	44	70	70	148
Not Resolved	0	4	2	2
Resolution Rate (in %)	100	95	97	99

Social Key Performance Indicators (S-KPIs)

Social Key Performance Indicators (S-KPIs) help us measure and report on important aspects of our business that affect worker health and safety, fair wages, and diversity and inclusion. These S-KPIs include:

1. The average number of work accidents per 100 full-time employees
2. Payment of workers at our manufacturing partners compared to local minimum wages
3. Female representation among our workers
4. Average hours of overtime work per week
5. Coverage under social insurance provisions
6. Percentage of fixed-term vs. permanent contracts
7. Workers covered by a collective bargaining agreement

Table 4 shows that 95% of workers employed at our core suppliers are covered by social insurance. In addition, 68% have a permanent working contract, four percentage points more than in 2017. Over the last year, we have experienced improvements in the areas of overtime hours and coverage by collective bargaining agreements, by almost one hour less per week and five percentage-point



increase respectively. These improvements have a direct impact on worker well-being and ensure that more of the people employed by our suppliers have access to the help they need, when they need it.

While PUMA does not measure the payment of a “living wage”, table 4 indicates that on average, our core suppliers pay 21% above legally mandated minimum wages in their respective countries. Adding overtime and bonuses, this increases to 84%.

Our plans for improvement are to further increase the percentage of permanent contracts and workers covered by social insurance over time, while maintaining an average salary structure well above minimum wages. We will also continue to highlight the importance of freedom of association and collective bargaining as an enabling right for all other labor standards.

T.4 S-KPIS FROM PUMA T1 CORE SUPPLIERS*

	LATIN AMERICA		SOUTH ASIA			EAST AND SOUTHEAST ASIA				EMEA	2018 AVERAGE	2017 AVERAGE	2016 AVERAGE
	El Salvador	Mexico	Bangladesh	India	Pakistan	China	Cambodia	Indonesia	Vietnam	Turkey			
S-KPI													
Gross wage paid above minimum wage excluding overtime and bonuses (in %)	6.9	63.7	38.0	15.0	29.5	7.1	5.2	1.2	40.2	2.1	20.9	26.1	22.1
Gross wage paid above minimum wage including overtime and bonuses (in %)	16.8	246.4	110.0	22.5	38.0	184.9	57.4	37.3	102.7	20.6	83.7	86.7	69.1
Workers covered by social insurance (in %)	99.8	100	100	93.5	100	65.6	100	99.7	94.6	100	95.3	95.7	95.9
Overtime work (hours per week)	0.4	7.4	9.6	0.0	0.2	18.2	6.9	7.2	6.8	4.3	6.1	6.8	6.6
Workers covered by a collective bargaining agreement (in %)	0.0	0.0	0.0	0.0	0.0	86.7	47.7	33.3	98.8	0.0	26.7	21.5	35.7
Female workers (in %)	71.5	48.2	41.4	22.0	3.6	57.8	85.5	89.8	80.1	60.5	56.0	59.3	64.2
Permanent workers (in %)	100	8.3	100	100	100	21.5	15.2	84.3	51.2	100	68.0	63.6	n.a.
Annual turnover rate (in %)	17.6	63.3	30.3	10.6	47.5	79.7	31.3	16.9	30.9	40.0	36.8	40.3	n.a.
Injury Rate	0.8	0.2	0.3	0.0	0.0	0.5	3.2	0.3	0.3	0.0	0.6	0.4	n.a.

* Data received from 50 PUMA core suppliers representing 74% of 2018 production volume
Reporting period for data collection: November 2017 – October 2018



REDUCING IMPACTS ON THE ENVIRONMENT

By making intentional business decisions about what we produce and how, we strive toward our target to provide people with a planet in which they can play. Climate change threatens our ability to live well in the long term, because it threatens the health and availability of the natural resources we enjoy today. Our customers can only be athletes when they have clean air and water, and a field on which to compete. According to the Intergovernmental Panel on Climate Change (IPCC), even if overall global warming is limited to below two degrees Celsius as agreed by the United Nations in Paris, there will still be wide-ranging consequences for low-lying regions, human health, and the health of our ocean ecosystems, where those hardest-hit are likely to be some of the world's most vulnerable communities.

At PUMA, we believe in doing our part to contribute to a healthy ecosystem for all to thrive in. We summarize below our current work and future plans for addressing climate change, materials use, sustainable product design, sustainable packaging, water use and chemicals management throughout our supply chain.

PUMA's sustainability strategy focuses on reducing our own carbon emissions through the following measures:

- The use of energy efficient vehicles, buildings and devices
- The direct purchase of renewable electricity where available
- The purchase of renewable energy certificates where a direct purchase is not feasible

We are aiming to reduce carbon emissions within our supply chain through the following additional initiatives:

- Working with logistics service providers who are leaders in fighting climate change
- Energy efficiency programs for our core suppliers
- Supporting selected suppliers to invest in renewable energy creation
- Switching from conventional to more sustainable raw materials
- Engaging with our industry peers for industry-wide climate solutions

Environmental Key Performance Indicators (E-KPIs)

We hold ourselves accountable to our sustainability strategy by collecting and publishing data on the average water consumption, CO₂ emissions, and waste for finished goods manufacturing within our major product categories. These Environmental Key Performance Indicators (E-KPIs) allow us to quickly evaluate the results of our actions in finished goods manufacturing.

We are pleased to report that we have made clear improvements on all reported E-KPIs since our baseline year 2015. The reductions in CO₂ emissions as well as energy and water usage per piece or pair produced show that our multiple energy efficiency programs and consistent reporting of core suppliers have generated positive momentum, eliminating unnecessary consumption and increasing energy and water efficiency. In addition, a number of our suppliers have already switched to or installed renewable energy sources, including bio-mass boilers and solar photovoltaic panels at their facilities.

T.5 E-KPIs PROGRESS FROM PUMA T1 CORE SUPPLIERS (in %)

E-KPI	Unit	Variation Footwear		Variation Apparel	
		2018 / 2017	2018 / 2015	2018 / 2017	2018 / 2015
Water	l / Piece or pair	-15	-33	-44	-38
Energy	kWh / Piece or pair	-11	-18	-17	-3
CO ₂	kg / Piece or pair	-7	-31	-15	-27
Waste	g / Piece or pair	-6	-4	6	-8




T.6 E-KPIS FOOTWEAR PRODUCTION 2015-2018*

WEIGHTED VALUE					
E-KPI	Unit	2018	2017	2016	2015
Water	l / Pair	12.3	14.5	18.4	18.3
Energy	kWh / Pair	1.2	1.4	1.6	1.5
CO ₂	kg / Pair	0.9	1.0	1.1	1.4
Waste	g / Pair	108.5	115.9	105.2	113.6

* Figures derived from 21 out of 21 core suppliers worldwide, covering 90% of PUMA production worldwide

* Figures cover only core Tier 1 suppliers

* Includes all types of energy


T.7 E-KPIS APPAREL PRODUCTION 2015-2018*

WEIGHTED VALUE					
E-KPI	Unit	2018	2017	2016	2015
Water	l / Piece	4.2	7.6	8.0	6.8
Energy	kWh / Piece	0.6	0.7	0.7	0.6
CO ₂	kg / Piece	0.3	0.3	0.4	0.4
Waste	g / Piece	46.5	44.0	49.3	50.6

* Figures derived from 18 out of 19 core suppliers worldwide, covering 74% of PUMA production worldwide

* Figures cover only core Tier 1 suppliers

* Includes all types of energy

In addition to finished goods manufacturing, we are also working with our major materials suppliers on reducing their environmental impact and improving their resource efficiency.

The next tables provide average consumption figures for the manufacturing of textile fabrics and leather. We use these figures to benchmark our fabric and leather suppliers over time and against one another. This helps us to prioritize those suppliers for efficiency programs, where we expect to achieve the largest impact.


T.8 E-KPIS TEXTILES

E-KPI	Unit	2018	2017	Variation 2018 / 2017 (in %)
Water	m ³ / Ton	122.8	119.3	3.0
Energy	MWh / Ton	13.4	13.7	-2.0
CO ₂	Ton CO ₂ e / Ton	4.5	4.5	0.0
Waste	kg / Ton	70.6*	299.6	n.a.

Figures derived from 18 core fabric mills in Asia and Europe

* Sludge is no longer included in Waste KPIs


T.9 E-KPIS LEATHER

E-KPI	Unit	2018	2017	Variation 2018 / 2017 (in %)
Water	m ³ water / m ²	90.2	91.8	-2.0
Energy	kWh / m ²	8.7	9.1	-5.0
CO ₂	Tons CO ₂ e / m ²	3.2	3.4	-2.0
Waste	kg / m ²	0.9*	1.6	n.a.

Figures derived from 6 core tanneries in Asia

* Sludge no longer included in Waste KPIs



Sustainable Product Design and Development

We believe that the use of more sustainable materials is crucial for designing and developing products that both anticipate evolving consumer demand and facilitate more environmentally resilient consumption. In 2018, we re-emphasized the need for our teams to design and develop more sustainable products. Utilizing our PUMA Sustainability-Index (S-Index), our benchmark for more sustainable products, we have encouraged our product team to significantly increase the use of more sustainable materials in their collections.

This year also saw the launch of new collaborations with ASOS, the British fashion and retailer, and SONRA, a German footwear brand that creates shoes from sustainably tanned leather. Both product lines emphasize local sourcing and production to minimize the distance to market (reducing emissions relating to transport of materials and goods). Furthermore, in the case of the collaboration with ASOS, emissions from the production phase were offset with a renewable energy project established in Turkey, rendering the line effectively carbon-neutral.

Sourcing and Efficient Use of more Sustainable Product Materials

Consumer and environmental trends over the past year have underscored the importance of responsible sourcing and manufacturing to provide customers with high-quality products whose origins reflect the values of those who use them. PUMA has continued to push its longstanding commitment to these values to enable a smooth transition to sourcing sustainable materials. Although these resource expenditures and associated negative impacts from producing raw materials are embedded in the operations of our partners, we continue to reach deep into our supply chain to achieve better environmental outcomes. Sourcing better materials helps reduce and avoid operations that accelerate environmental challenges, such as heavy water consumption, CO₂ emissions, pesticide damage to ecosystems, animal cruelty, and harm to human health.

As part of our 10FOR20 Sustainability Strategy, we established 'volume targets' for sourcing more sustainable versions of key product materials, including cotton (Better Cotton Initiative or organic) and Polyester (bluesign® or Oeko-Tex®-certified, or recycled). Our efforts since 2015 have enabled us to meet our targets two years early (notably, the target for sustainable leather and FSC cardboard sourcing was 90%). This early achievement provided us with the opportunity to level up our ambition, so we increased our target for both more sustainable cotton and polyester sourcing by 40 points to 90% of our total procurement for both materials. We continued to aim higher by adding a new global volume target for Responsible Down Standard-certified down feathers (90%), as well as for better (i.e. solvent-reduced) polyurethane (500,000 pieces).



Alone, the 10,370 tons of BCI-certified cotton we used in 2018 will enable water expenditure savings during cotton farming of between 3% and 20%, depending on the regions where the farming takes place. At an average water consumption of ten cubic meters per kilogram of cotton, even a 3% savings amounts to 3.1 million cubic meters of water saved, an amount capable of filling approximately 15 million bath tubs.





T.10 KEY MATERIALS TARGETS AND PROGRESS 2015-2018 (in %)

Material	New 2020 Target	Previous 2020 Target	2018	2017	2016	2015
BCI and / or organic Cotton*	90	50	50	40	19	3
bluesign®, Oeko-Tex® and / or recycled Polyester**	90	50	86 (bluesign® 61)	47	24	15
LWG Medal-rated leather	90	90	> 99	99	94	99
FSC certified and / or recycled Paper & cardboard	90	90	92	95	78	85
RDS-certified down feathers	90	-	-	-	-	-
Better PU (Polyurethane)	500k pieces	Pilot	First production	Pilot	-	-

* In 2018, we added organic cotton to BCI cotton

** In 2018, we added Oeko-Tex® and recycled polyester to bluesign®

Maximizing Resource Utilization

Our industry needs to redefine the concept of “waste”. Our more sustainable product strategy also includes the reduction of waste created during the production process, through more efficient use of resources. The result is a more streamlined consumption of raw materials that lightens our environmental impact. We are discovering and innovating around new ways to take material ‘waste’ that would otherwise be discarded and reincorporate it back into the production of PUMA products. For example, small pieces in the ‘first run’ of producing footwear soles can be melted together for a different collection or put into packaging or components of other products. This reduces the contributions to landfills, which emit methane, a greenhouse gas, and directly contributes to climate change.

In 2018, we continued to develop initiatives with suppliers to discover and implement the reusability of waste materials in production processes. This begins with front-end design and development decisions, such as our renewed focus on expanding S-Index product requirements to including recycled materials. Our objective has been to find simple and feasible solutions for production processes that create a net benefit in terms of environmental impact, where reincorporating reusable material is not excessively laborious or energy-intensive.

More Sustainable Plastics and Packaging

2018 brought new insights into how ocean plastic pollution and microplastics may endanger human health, ecosystems, and the wildlife that relies on them. Given the potential consequences of plastics in the environment, our responsible use of polyester, polyurethane, and polyethylene is a top priority for PUMA. The topic has been as well raised as relevant issue for PUMA by a variety of stakeholders, including environmental NGOs, own employees and customers.

Following is a summary of actions taken in 2018 with regard to polyester, polyurethane, polyethylene, as well as streamlining our cardboard packaging and hangtags. Together, these efforts aim to reduce the impact that PUMA's plastic usage generates, which helps protect forests, and leads to less ocean pollution and lower volumes of landfill waste. In many cases, this also reduces our costs, making what is best for the environment, best for our business.



Polyester used on PUMA products: Polyester is the most widely used plastic-based material across PUMA product lines.

- We increased our 2020 target of sourcing certified sustainable polyester by 40 points to 90%. Our 2018 actual level of sourcing was 86%, taking into consideration bluesign®, Oeko-Tex® and recycled polyester certifications.
- PUMA established plans to join a research program on microfibers in early 2019 to explore how we can best take action in this area to make significant positive impact. This builds on our participation in related industry meetings and our own efforts to closely follow existing and emerging research.

Polyurethane used on PUMA products: Polyurethane is widely used on PUMA shoes and accessories.

- In 2018, we initiated sourcing for better [solvent-reduced] polyurethane, to reduce the amount of dimethylformamid or DMFa, a chemical that is widely used in conventional polyurethane processing.

Polyethylene used for bags and packaging:

- All PUMA retail stores have completed implementation of bans on the use of plastic bags.
- For our outlet stores, any plastic bags used must contain at least 80% recycled content (effective beginning of 2019).
- We have worked to reduce the thickness of polybags (used for packaging PUMA apparel and accessories) to decrease the use of polyethylene.
- We continued our research on replacing polyethylene with a more sustainable material.

Footwear packaging and hangtags:

- We ensured the PUMA shoe box, primarily cardboard and paper, continues to be made of 92% recycled paper content and certified by the Forest Stewardship Council (FSC®).
- Our cardboard-based hangtags are also fully FSC®-certified.

CO₂ Emissions

In line with the United Nation's Paris Agreement, PUMA is committed to contributing its fair share to limit global warming to well below two degrees Celsius. In 2019, we will continue our development of a science-based CO₂ emissions target. In the interim, PUMA established an internal target of 3% reduction relative to sales. This ensures that we continue to take goal-oriented actions. To check our pace toward the 3% reduction milestone, the first step is tracking CO₂ emissions—which also helps identify key areas to make significant changes in our supply chain, both in our direct operations and in those of our supply chain partners.

The scope of our CO₂ emissions tracking includes key environmental performance data for PUMA offices, stores and warehouses, and from business travel. Reaching deeper into our supply chain, we also include emissions from Tier 1 suppliers and transport partners. In summary, 2018 saw a 5.3% combined reduction of tons of CO₂ per million euros of turnover per year over the year prior. This equals 3.3 tons of CO₂ per million euros of turnover per year which is equivalent to over 3,000 passenger cars taken off the roads.

We were able to reduce our emissions relative to sales for our own offices, stores and warehouses, for example by abandoning an old and less efficient building at our headquarters. We also reduced the emissions from the Tier 1 suppliers of our goods as described on table 5.

However, we also recorded an over-proportional increase in airfreight caused by the increased volume of goods produced and shipped, as well as a substantial increase in business travel. In 2019, we will work on reversing the negative trend in those two areas.



T.11 CO₂e EMISSIONS BREAKDOWN BY SOURCE ⁽¹⁻⁷⁾

CO ₂ e Emissions (Absolute Figures)	2018	2017	2016	2015	Variation 2018 / 2017 (in %)	Variation 2018 / 2015 (in %)
Scope 1 - Direct CO₂e emissions fossil fuels (T)	6,918	7,678	6,854	7,296	-9.9	-5.2
Car Fleet (T)	4,073	4,134	3,746	4,087	-1.5	-0.4
Heating (T)	2,845	3,545	3,107	3,209	-19.7	-11.3
Scope 2 - Indirect CO₂e emissions electricity & steam (T)	43,366	40,029	37,300	35,591	8.3	21.8
Electricity (T)	42,145	38,914	36,046	34,445	8.3	22.4
Steam (T)	1,221	1,115	1,254	1,146	9.5	6.6
Scope 3 - Other indirect CO₂e emissions (T)	222,315	208,525	196,896	192,305	6.6	15.6
Business Travel Transportation (T)	15,582	14,394	12,167	10,191	8.3	52.9
B2B Goods Transport (T)	74,182	64,076	48,484	57,085	15.8	29.9
B2C Goods Transport (T)	5,961	6,994	16,223	6,321	-14.8	-5.7
Manufacturing in Tier 1 Suppliers (T)	126,590	123,061	120,023	118,708	2.9	6.6
TOTAL SCOPE 1-3 (T)	272,599	256,232	241,049	235,192	6.4	15.9
Annual sales PUMA (in € million)	4,648.3	4,135.9	3,626.7	3,387.4	12.4	37.2
TOTAL CO ₂ e EMISSIONS RELATIVE TO SALES (in tons CO ₂ e per € million sales per year)	58.6	62.0	66.5	69.4	-5.3	-15.5

1. PUMA uses own methodology for CO₂ accounting, with reference to the GHG protocol.
2. The consolidation scope follows the operational control approach, including PUMA-owned or operated offices, warehouses, stores and own industrial sites (Argentina).
3. Outsourced Tier 1 production is accounted in the scope 3 emissions, covering CO₂ emissions from all three divisions (Accessories, Apparel, and Footwear).
4. Due to the Kering spin-off we reviewed the scope in our sustainability reporting tool. From this year on, we will apply the "min. 90% rule" for data collection from PUMA entities, covering min. 90% of PUMA's FTE employees worldwide. The residual will be extrapolated.
5. PUMA applies the market-based approach for scope 2, using emission factors by ADEME. In addition to the market-based approach, the location-based approach is used in the CDP questionnaire. Scope 3 emissions factors are based on additional company and industry-specific emission factors.
6. Data includes extrapolations or estimations where no real data could be provided.
7. Methodological changes over the last three years influence results.

Water Use

The access to clean and safe water is a fundamental human right. Availability of adequate clean water is essential for health as well as social and economic development.

We recognize that industrial water consumption comprises 22% of global water use as per findings by the United Nations, which underscores our opportunity to make a positive difference toward higher availability and water quality in local communities and on the ecosystems on which they rely. In 2018, we stepped up our commitment and delivered better results in the areas of water efficiency and wastewater management to achieve improvements in the communities where PUMA products are made.

Water Efficiency

In 2018, we continued a collaboration with the World Bank's International Finance Corporation on running programs focused on water efficiency (as well as energy efficiency and climate-change performance). Through this partnership, we established two resource efficiency programs with eleven core factories in our major sourcing countries, Vietnam and Bangladesh. Those programs enable participating factories to undergo a detailed resource efficiency audit, followed by proposals on how to improve their efficiency in a cost-effective way. Frequent reporting and help from the IFC to identify the right finance tools for implementation round out the program's scope.

Ongoing benchmarking and the phase out of ineffective suppliers have led to an average reduction of water use in finished goods manufacturing of 33% for footwear and 38% for apparel between 2015 and 2018 see tables 5.

On Tier 2 or the material supplier level, we have not yet been able to replicate these savings. However, we have started to measure water consumption from Tier 2 suppliers and hope to realize resource efficiency gains in the coming years.

Wastewater Management

Textile production requires large volumes of water as a solvent for chemicals and dyes as well as to wash and rinse products. This series of operations is known as wet processing. PUMA focuses water efficiency efforts on facilities with wet processing operations as they represent the most water-intensive stage of production. Because wet processing typically occurs at the material supplier level (Tier 2), we include major suppliers from this category in our wastewater testing program to comprehensively understand the impacts of our supply chain.

Firstly, compliance with relevant national wastewater standards is a precondition for all suppliers interested in conducting business with PUMA. Ensuring wastewater standards is thus a required component of our frequent PUMA compliance audits conducted for all potential and existing suppliers globally.

The PUMA wastewater testing program is aligned to the wastewater quality guideline of the Zero Discharge of Hazardous Chemicals Foundation (ZDHC), which was developed and published with the help of PUMA in 2016. Since its inception, we have been able to consistently increase the scope of the program, from 33 suppliers in 2015 to 58 in 2018.

Testing includes both traditional wastewater parameters and hazardous chemicals and includes 183 different chemicals. A failure within one single parameter leads to a non-compliant rating. The results show that heavy metals are hardly found in the wastewater of our wet-processing supply chain. Regarding priority hazardous chemicals, the compliance rate improved from 67% in 2017 to 71% last year, meaning that seven out of ten suppliers did not find any such chemicals in their wastewater. For conventional wastewater parameters, such as pH value, biological oxygen demand or color, we still see room for improvement, despite a minor increase in compliance rates from 48% to 52%. While typically not toxic, the release of colored or hot wastewater can still have a negative effect on the receiving water body and local environment.

In 2019, we will use the experiences gained from two years of wastewater testing according to the ZDHC guideline to work with those suppliers whose compliance rates remain below our standards. Training programs developed by the ZDHC, and used across ZDHC member brands, will assist us in this effort.





T.12 WASTEWATER TESTS STATISTICS 2015-2018

	2018	2017	2016	2015	Variation 2018 / 2017	Variation 2018 / 2015
Number of reports	104	54	61	33	50	71
Number of factories	58	42	44	33	16	25
Compliance Rate* Hazardous Chemicals (in %)	71	67	n.a.	n.a.	+4	n.a.
Compliance Rate* Heavy Metals (in %)	100	78	n.a.	n.a.	+22	n.a.
Compliance Rate* Physical Parameters (in %)	52**	48**	n.a.	n.a.	+4	n.a.

* Factories

** Excluding the parameter E-Coli, where unclear sampling methods have led to unclear results

HEALTH, SAFETY & CHEMICALS COMPLIANCE

Our commitment to health and safety is foundational to how we operate and a guiding principle that informs our supply chain partnerships. Our view extends from the suppliers' employees, to the local communities in which PUMA operates and consumers. We demonstrate this by exceeding local legal requirements when required to reduce the negative impacts of chemicals used in our supply chain in the communities we serve. We also adhere to the highest legal standards for product safety in all countries in which we operate.

While the effects of potentially hazardous chemicals on human health have yet to be completely assessed, PUMA takes precautionary measures to prevent potential harm to human health and the environment from its products and operations. These measures include supporting working groups with industry peers to further research the topics and better management of natural resources used in operations.

Furthermore, to facilitate our chemical sustainability strategy, PUMA has adopted the Restricted Substances List of the AFIRM Group, and the Manufacturing Restricted Substances List of the ZDHC. Both groups work as industry leaders on chemical management best practices. This provides us not only with the industry standards for streamlining our processes, but also gives us the opportunity to coordinate alongside other members in our industry on which chemicals we use, enabling greater and more systemic impact within global supply chains. We mandate that all materials used for PUMA products be tested in accordance with our Restricted Substances List ("RSL") before the start of production in independent and accredited third-party laboratories.

Table 13 provides an overview of the RSL testing results and certifications between 2015 and 2018. We are pleased to report compliance rates of over 97% for all product divisions in 2018, with an average compliance rate of 98.1%, representing a 6.2% improvement over the 2015 average.

In addition to our materials testing program, PUMA also conducts random testing of finished products to confirm full compliance with legal requirements and the AFIRM Restricted Substances List. During 2018 our random testing confirmed full compliance of all tested products.



T.13 RESTRICTED SUBSTANCES LIST TESTS STATISTICS 2015-2018

Product Division	2018		2017		2016		2015		Variation 2018 / 2017		Variation 2018 / 2015	
	No. of Test Reports	Com- pliance Rate (in %)	No. of Test Reports	Com- pliance Rate (in %)	No. of Test Reports	Com- pliance Rate (in %)	No. of Test Reports	Com- pliance Rate (in %)	No. of Test Reports (in %)	Com- pliance Rate (in %)	No. of Test Reports	Com- pliance Rate (in %)
Footwear	3,512	98.4	2,707	97.9	1,781	96.0	1,150	92.1	30	0.5	205	6.3
Apparel	988	98.0	925	99.1	500	98.0	480	93.1	7	-1.1	106	4.9
Accessories	764	97.1	753	96.0	677	94.1	624	92.0	1	1.1	22	5.1
Others*	54	100	44	95.5	78	93.6	82	93.9	23	4.5	-34	6.1
Total	5,318	98.1	4,429	97.8	3,028	95.8	2,336	92.3	20	0.3	128	5.8

* Packaging and labeling materials

Phase Out of Hazardous Chemicals

PUMA is committed to supporting the global agenda of managing chemical use carefully – especially for those that are considered hazardous – as well as to phasing out those that raise health-related or environmental concerns.

In 2011, PUMA made a historic commitment to eliminate priority hazardous chemicals from our supply chain, co-founding the Zero Discharge of Hazardous Chemicals (ZDHC) Foundation initiative. That same year PUMA was the first company to agree to a public “Detox” commitment with Greenpeace. We agreed to proactively phase out hazardous chemicals, not only from finished PUMA products, but also from the production cycle across our global business. In our continuous pursuit of this goal, we have partnered with several industry peers to implement a Manufacturing Restricted Substances List, using standards developed by the ZDHC.

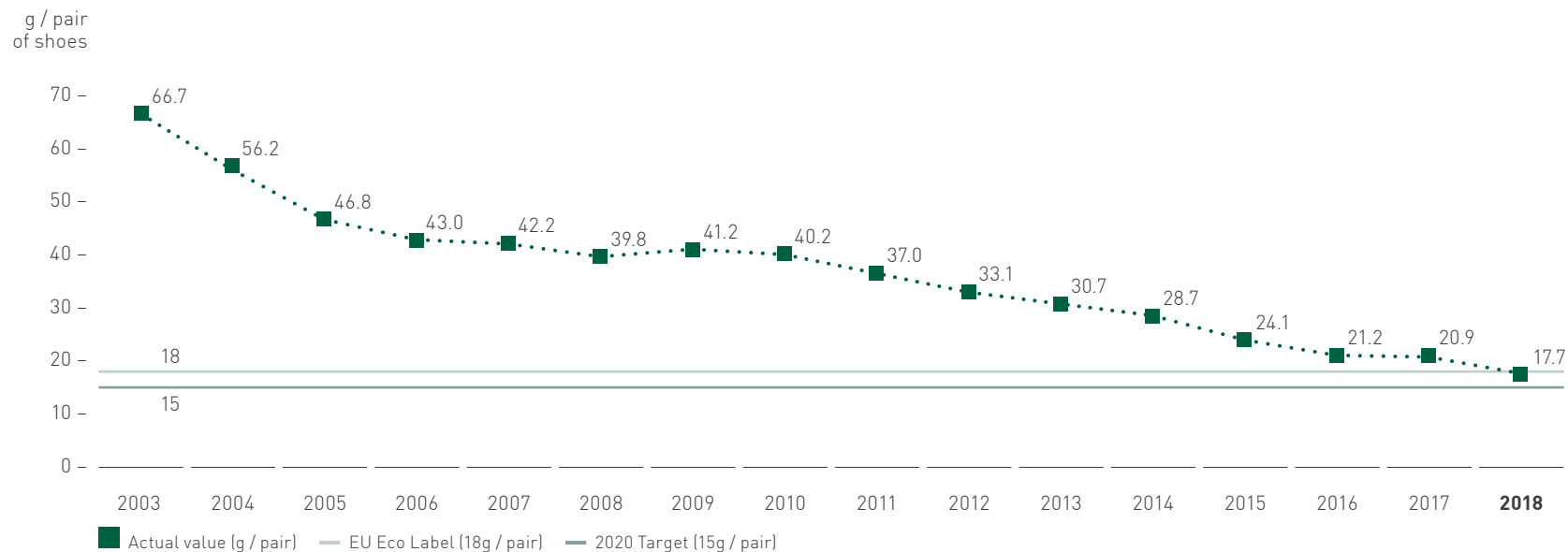
We are proud of our progress on the phase-out of two major hazardous chemicals groups in 2018. First, perfluorinated chemicals (PFCs), typically used for water-repellent coatings, are considered environmental contaminants, because they fail to break down once they have been used. In addition, they disrupt normal chemical processes in living things and can have negative effects on immune function. We are happy to announce that we have completed this phase-out and that PUMA products are now PFC-free.

We also worked on our long-term reduction of organic solvents or volatile organic compounds (VOCs) in footwear production. Since VOCs easily evaporate, exposure can occur through inhalation and lead to negative health effects for workers in footwear factories. VOCs can also cause an unpleasant smell in products.

A reduction in the use of VOCs therefore protects both workers and consumers. Our efforts demonstrate steady improvement over recent years, reducing consumption per pair of shoes from 40.2 grams per pair in 2010 to 17.7 grams per pair in 2018. This result falls below 18 grams per pair for the first time, meeting the EU Eco Label requirement. We are encouraged by this success and confident that we are on track to achieve our target of 15 grams per pair by 2020.



F.1 VOC INDEX PROGRESS FOR FOOTWEAR PRODUCTION 2003-2018



We also traced the phase-out of other chemicals listed on the Manufacturing Restricted Substances List through chemical inventory checks, our wastewater testing program, and through regular compliance audits. We are proud to report that the results of these tests and audits indicate that chemicals from the Manufacturing Restricted Substances List are no longer intentionally used during the manufacturing of PUMA products. However, we learned that traces of banned chemicals are still found in 29% of wastewater samples, so we will continue to work toward improvement in this area in 2019.

Our targets for specific materials include the responsible use of chemicals during the raw-material phase, including the growth phase for agricultural products such as cotton. We look forward to accelerating our efforts toward achieving full compliance with the Manufacturing Restricted Substances List in 2019, and to eliminating the use of priority hazardous chemicals from our supply chain by 2020, which is our ultimate goal.



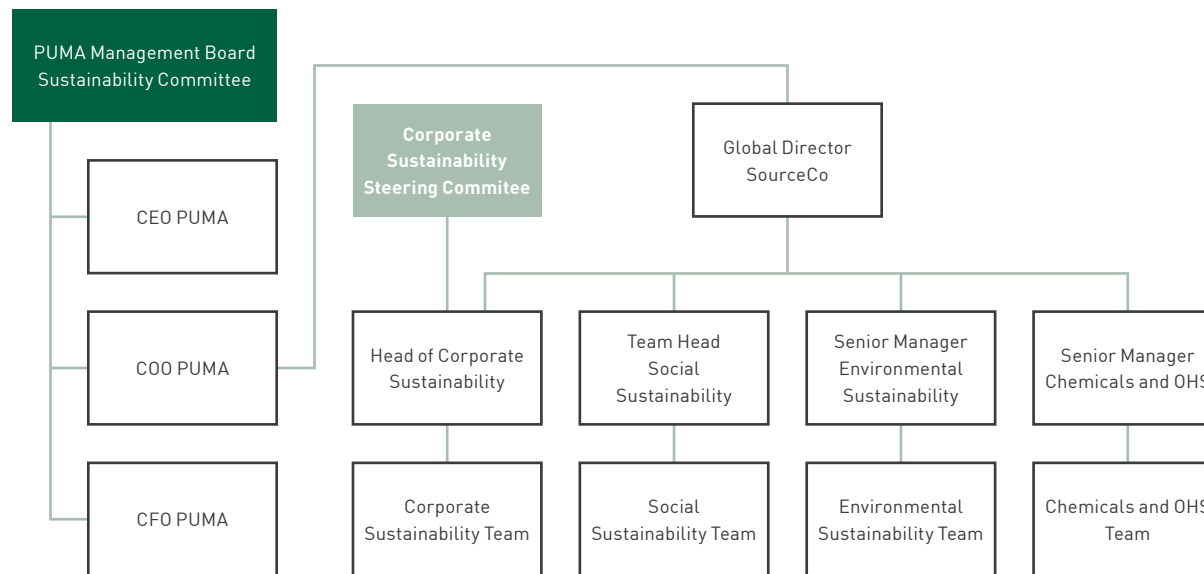
WHERE WE ARE GOING

In order to best serve the needs of a quickly evolving planet and the communities that rely on it, PUMA is committed to ensuring that our sustainability strategy remain dynamic to align our vision for the future with the most relevant needs of the communities we serve. Following our spin-off from Kering and in an effort to keep our own priorities as relevant and impactful as possible to meet current challenges and anticipate future ones, PUMA introduced a new sustainability

organizational structure and conducted a review of our list of top priorities in 2018 to inform our current strategy and optimize the focus of our efforts in 2019.

To be able to move faster on each thematic program area, we appointed separate leads for Social and Environmental Sustainability as well as for Chemicals and OHS. In order to better work with our suppliers where the impact is greatest, our social and environmental leads are both based in Asia.

T.14 SUSTAINABILITY ORGANIZATIONAL CHART PUMA 2018



The highest-ranking governance body at PUMA in terms of sustainability is the Management Board of PUMA SE. The Management Board is informed and consulted about PUMA's sustainability strategy and performance during regular meetings with the Global Director SourceCo and Head of Sustainability.

UPDATING OUR PRIORITIES FOR 2019

At PUMA, we define materiality by gathering feedback from our stakeholders to help us identify and focus on PUMA's most material aspects from the sustainability perspective as well as the highest influence on business success. To ensure that our current sustainability strategy is actively supporting the United Nations Sustainable Development Goals ("SDGs"), we conducted a review of those topics we have classified as most material to inform our strategy and drive our efforts.

This review analyzed our 10FOR20 targets alongside the SDGs and global sustainability trends and included engaging with our internal and external stakeholders to seek their input as we refined our strategy. Building on previous exercises, the results confirmed that most of the topics covered by our current strategy continue to be important and should remain in focus in the upcoming years. These include human rights, worker health and safety, chemical management and addressing the threat of climate change. In addition, we identified new topics which we found to be increasingly relevant, such as sustainable product design, innovation around plastics and packaging, and circularity.

The results of our updated materiality analysis were shared with the PUMA Management Board and provided us with an refreshed list of emphases for our sustainability strategy going forward that maps to our 10FOR20 targets. These are our most material topics:

OUR PRIORITIES

- Supply chain transparency
- Good supplier working conditions
- Living wage
- Human rights
- Worker health and safety
- Responsible sourcing of raw materials
- Chemical use and discharge
- Climate change strategy
- Diversity and inclusion
- Sustainable product design and development
- Sustainable plastics and packaging
- Circularity

OUR VISION FOR 2030

As we approach 2020, we have also begun to build the foundations for our 2030 vision, using our trajectory thus far, as well as scientific projections of future environmental conditions, as a platform on which to shape our strategy and establish concrete goals.

During the year 2019 we will work on our sustainability targets beyond 2020. Building on our rich history in sustainability efforts and the renewed materiality analysis from 2018, we will consult our most important stakeholders before finalizing our new target set – which again will aim to maximize the positive impact we create for our customers and athletes, but also employees, suppliers, and communities around us, as well as for the planet.



ENDNOTES



STAKEHOLDER ENGAGEMENT

PUMA engages in substantive dialogues with its internal and external stakeholders and integrates their feedback in the decision-making process. Regional teams identify, map and prioritize their stakeholders. The consolidated information shows the engagement priority for each stakeholder. During the year 2018, we did not conduct a global stakeholder dialogue meeting, but instead focused on our annual supplier round-table meetings in all major sourcing regions as well as interviews and a stakeholder survey as part of our updated materiality analysis.

The stakeholders with whom PUMA engages include employees, NGOs (international and local), suppliers, workers / unions, academia, trade / industry associations, investors, consumers, international institutions, retailers, external monitors, service providers and the media.

PUMA continues to place a strong emphasis on industry collaboration. Therefore, PUMA engages throughout the year with a number of international organizations including the Better Work Program, the Fair Labor Association, the Sustainable Apparel Coalition, the Zero Discharge of Hazardous Chemicals Foundation, the Apparel and Footwear International Restricted Substances List Management Group as well as the United Nations Climate Secretariat. In addition, we partner with relevant certification organizations regarding the use of specific materials, such as bluesign® Technologies, the Leather Working Group, the Better Cotton Initiative, the Forest Stewardship Council and Textile Exchange. Our global initiatives are supported by regional partnerships with organizations such as the Bangladesh Accord on Fire and Building Safety, the Indonesia Protocol on Freedom of Association and the German Partnership for Sustainable Textiles. Lastly, we are active members of the World Federation of the Sporting Goods Industry as well as the European Sporting Goods Industry Federation.

For more information on our stakeholder engagement please visit:
<http://about.PUMA.com/en/sustainability/stakeholders>

HOW WE REPORT

This report constitutes a combined non-financial report in accordance with sections 289b to 289e and 315b, 315c in conjunction with 289c to 289e of the German Commercial Code (HGB).

The reporting period covered is January 1st, 2018 to December 31st, 2018. No restatements of information have been made in this report.

We have provided separate reports for PUMA SE and the PUMA Group within the "Governance and People at PUMA" section only. Separate reporting of other sustainability data would not add any meaningful new information or value and would require significant additional resources, so we have omitted it here.

Information about PUMA's business model is set out in the Financial section of this Annual Report on page 92.



CORPORATE GOVERNANCE



COMPLIANCE MANAGEMENT SYSTEM AT PUMA

PUMA is a global sports company, aiming for sustainable growth and innovation. PUMA recognizes the legal risks inherent in running a global business in a fast-paced environment where laws and customs differ from country to country. PUMA has introduced a compliance management system (CMS) to identify, control and monitor compliance risks at an early stage. By developing policies as well as advising and training employees, the CMS aims to prevent potential financial losses or reputational damage for the company and to prevent misconduct.

PUMA's compliance organization consists of a Chief Compliance Officer based at the headquarter in Herzogenaurach and reporting to the CEO of PUMA SE and a network of Local Compliance Officers. Local compliance Officers have been appointed for operating subsidiaries in all regions to ensure that Compliance measures are rolled out globally and to give employees a local point of contact. As an additional method of preventing and detecting incidents, we have implemented an electronic whistleblowing system which offers employees an additional channel to report suspected compliance violations. Employees are encouraged to report their concerns to their manager, Local Compliance Officer or HR Business Partner. However, if this is not possible for some reason, they can report from anywhere at any time, anonymously if they choose, by using a web-based platform. Incidents are reported to the top management, investigated immediately and thoroughly, and the required disciplinary steps are taken where necessary.

The PUMA **Code of Ethics** sets out the principles governing our actions and values. It contains rules on the handling of conflicts of interest, personal data, insider information and prohibits anti-competitive behavior as well as corruption in any form. The Code of Ethics is an integral part of every employment contract. In order to further reduce the risk of misconduct, the PUMA Code of Ethics is accompanied by concrete guidelines governing selected risk areas in detail.

ANTI-CORRUPTION MEASURES

The fight against corruption is one of the core topics of the Compliance Management System. At PUMA, we have a zero-tolerance approach regarding bribery and corruption and this is clearly communicated by top-level management.

Employees are regularly familiarized with the rules of the Code of Ethics and the Group guidelines, can access them on the Compliance site on the Intranet and are thus made aware of compliance regulations. Every year, PUMA rolls-out a group-wide mandatory e-learning unit on the PUMA Code of Ethics. To make sure that employees are familiar with all topics described in the Code of Ethics, the e-learning covers different topics every year. The e-learning that was

launched in October 2018 focussed on conflicts of interest as a form of bribery, confidentiality of information and financial integrity. Sponsor of the campaign was the Management Board of PUMA SE, above all the CEO Bjørn Gulden, who promoted the e-learning lessons to all PUMA employees. The completion rate of this e-learning on the reference date 31 October 2018 was appr. 99% of PUMA Group (PUMA SE appr. 99%) employees with a corporate email account. In addition, special face-to-face training sessions were held on individual topics such as antitrust and anti-corruption, which raise awareness of the essential legal framework and internal company regulations.

Highlights: 99% of all PUMA staff with email account globally completed our Code of Ethics training and 93% of our core suppliers were trained in corruption measures

To emphasise PUMA's commitment to the fight against corruption along the supply chain, we have explicitly included appropriate principles of conduct in the **PUMA Code of Conduct** in 2016. The Code of Conduct sets out the minimum standards to which our partners in the supply chain must adhere. In 2017, we added anti-corruption clauses to the contracts with our suppliers on this basis. They oblige our contractual partners to establish or further develop appropriate systems for fighting bribery and corruption in their respective companies. PUMA controls compliance with these requirements within the scope of its annual SAFE audits. In 2018, 93% of all PUMA's core suppliers submitted their certificates of the UN Global Compact e-learning tool on the subject in order to raise awareness of the fight against corruption. We provide our suppliers with our guidelines for combating and preventing bribery and corruption in order to facilitate the establishment of appropriate internal standards.



INDEPENDENT AUDITOR'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT CONCERNING SUSTAIN- ABILITY INFORMATION ACCORDING GRI *

To PUMA SE, Herzogenaurach (Germany)

OUR ENGAGEMENT

We have performed a limited assurance engagement on the disclosures made within the section "Sustainability" and "Our People" within the group report 2018 – Combined Financial and Sustainability Report (hereinafter: "sustainability report") of PUMA SE, Herzogenaurach (Germany), (herein-after: "the Company") for the period from January 1 to December 31, 2018.

In the course of our review we did not examine and assess the non-financial information concerning their accordance based on § 315c HGB (German Commercial Code) in conjunction with §§ 289c to 289e HGB. In addition, the examination of references to internal or external sources of documentation and expert opinions was not subject of our engagement.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES

The Legal Representatives of the Company are responsible for the preparation of the sustainability report in compliance with the Sustainability Reporting Standards of the Global Reporting Initiative provided in the "Core" option (hereafter: "GRI criteria") as well as for the selection of the disclosures to be assessed.

This responsibility of the Company's Legal Representatives includes the selection and application of appropriate methods for the sustainability reporting as well as making assumptions and estimates related to individual sustainability

* We have issued an independent assurance report in German language, which is authoritative. The following text is a convenience translation of the independent practitioner's assurance report.

disclosures, which are reasonable in the circumstances. In addition, the Legal Representatives are responsible for such internal control they have determined necessary to enable the preparation of the sustainability report that is free from material misstatements, whether intentional or unintentional.

PRACTITIONER'S DECLARATION RELATING TO INDEPENDENCE AND QUALITY

We are independent of the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit company applies the German national legal requirements and the German profession's pronouncements for quality control, in particular the by-laws governing the rights and duties of public auditors and chartered accountants (Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer) as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in Audit Firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)], which comply with the International Standard on Quality Control 1 (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB).

PRACTITIONER'S RESPONSIBILITY

Our responsibility is to express a limited assurance conclusion on the disclosures within the sustainability report, based on the assurance engagement we have performed.

We conducted our assurance engagement in compliance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the IAASB. This standard requires that we plan and perform the assurance engagement in a form that enables us to conclude with limited assurance that nothing has come to our attention that causes us to believe that the information disclosed in the sustainability report of the Company for the period from January 1 to December 31, 2018 has not been prepared, in all material respects, in compliance with the relevant GRI criteria. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and, therefore, a substantially lower level of assurance is obtained. The assurance procedures selected depend on the practitioner's professional judgment.





Within the scope of our limited assurance engagement, which was performed from January to March 2019, we conducted, amongst others, the following audit procedures and other activities:

- Obtaining an understanding of the structure of the sustainability organization and of the stakeholder engagement
- Interview of the Legal Representatives and the relevant employees that participated in the preparation of the sustainability report about the preparation process, about the internal control system relating to the process as well as about the disclosures within the sustainability report at the headquarter in Herzogenaurach (Germany)
- Identification of risks of material misstatement within the sustainability report
- Analytical assessment of disclosures within the sustainability report
- Comparison of selected disclosures with corresponding data in the consolidated financial statements and combined management report
- Evaluation of the presentation of the disclosures

PRACTITIONER'S CONCLUSION

Based on the assurance work performed and evidence obtained, nothing has come to our attention that causes us to believe that the information disclosed in the sustainability report of the Company, for the period from January 1 to December 31, 2018 has not been prepared, in material respects, in compliance with the relevant GRI criteria.

Our opinion does not cover the non-financial information concerning their accordance based on § 315c HGB (German Commercial Code) in conjunction with §§ 289c to 289e HGB. In addition, the examination of references to internal or external sources of documentation and expert opinions was not subject of our engagement.

PURPOSE OF THE ASSURANCE STATEMENT

We issue this report on the basis of the engagement agreed with the Company. The limited assurance engagement has been performed for purposes of the Company and the report is solely intended to inform the Company on the results of the assurance engagement.

LIABILITY

The report is not intended to provide third parties with support in making (financial) decisions. Our responsibility exclusively refers to the Company and is also restricted under the engagement agreed with the Company on January 15, 2019 as well as in accordance with the "General engagement terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (German public auditors and German public audit firms)" from January 1, 2017 of the Institut der Wirtschaftsprüfer in Deutschland e.V. We do not assume any responsibility to third parties.

Munich (Germany), March 1, 2019

Deloitte GmbH

Wirtschaftsprüfungsgesellschaft

Christof Stadter
[German Public Auditor]

p.p. Thomas Krick