



INSIGHTS

PRODUCT-RELATED
Environmental
& Social Report

S.A.F.E.

PUMA SOCIAL ACCOUNTABILITY &
FUNDAMENTAL ENVIRONMENTAL STANDARDS



PUMA[®]
p u m a . c o m

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EXECUTIVE BOARD STATEMENT

PUMA, in its capacity as a global player in the sporting goods industry, feels an especially high degree of responsibility for the protection and preservation of our environment. This responsibility has been incorporated in the company's business policies.

PUMA upholds strict standards of environmental and social accountability on a company wide basis. Compliance is required on two fronts, first with regards to ecological and toxicological production stipulations and secondly, with regards to the maintenance of social standards. With regard to the observance of human rights, PUMA has implemented a partnership with its manufacturers. This partnership, based on mutual cooperation, serves as a bridge between PUMA and the company's manufacturing employees. The purpose of this partnership is to ensure that activities such as child labor and forced overtime are not experienced in PUMA's production sites. By realizing these objectives, PUMA is ensuring that a solid foundation of worker's rights is in place.

We understand that social accountability is only attainable through the creation of an active dialogue between our company and our global manufacturers. Since our goals are mutual, and involve the creation of a socially responsible work environment and conditions, in accordance with local laws and regulations, we are dedicated to make these a reality.

PUMA has developed a Code of Conduct that combines the most important principles of worker's rights. Our Code of Conduct is currently available in 17 languages, based on the conventions of the International Labour Organization (ILO), and is displayed and accessible at all our production sites.

All product-relevant environmental and social standards have been set out in a manual. This manual, often referred to as the PUMA S.A.F.E. (Social Accountability & Fundamental Environmental) Standards Manual, contains essential information on environmentally hazardous substances in materials that may be used in the production of sporting goods.

The "S.A.F.E. Team's" job is to ensure that our environmental and social standards are enforced. The team consists of auditors that conduct on site inspections of our partners' production sites. It is important to note that the S.A.F.E. Team is more than just a monitoring body; it is also a consulting team that assists in the introduction of an environmental and social management system. In the event that the team discovers fundamental infringement of the principles laid out in the manual, PUMA will terminate its relationships with the facility. Our logo, the jumping PUMA, is universally known for its dedication and respect towards the environment. As a company, PUMA recognizes its responsibility to the environment as well as to the people inhabiting it.


Jochen Zeitz

ENVIRONMENT FOR THE PEOPLE

PREAMBLE

People involved in sports are in direct contact with their environment. Therefore, environmental protection is of enormous importance to PUMA. It is our aim not only to make the environmentally compatible production of our sporting goods transparent to our partners, but also to continuously improve it. We recognize our high degree of ecological and social accountability towards the environment, our suppliers, manufacturers, employees and customers.

THE PRINCIPLES OF OUR ENVIRONMENTAL AND SOCIAL POLICY

>> **Transparency:** PUMA's aim is to offer our customers high-quality products that are free of substances that are harmful to people or the environment. Prior to production, PUMA employs independent institutes to test the quality and ecological compatibility of its products. With the help of our product-related environmental and social standards, as well as the publication of environmental and social reports, we guarantee the transparency required for a platform of mutual trust and cooperation between our suppliers, manufacturers and customers.

>> **Dialogue:** Questions and problems regarding environmental and social matters can best be solved within a team by way of constructive dialogue. Our commitment to a permanent exchange of opinions between our partners and us enables us to seek solutions that are valuable to both sides and, as a consequence, improve our products.

>> **Sustainability:** The foundation of PUMA's business activities lies on a sustainable environmental and social policy. We understand that a sustainable policy is one that "meets the needs of the present without compromising the ability of future generations to meet their own needs and choose their way of life" (Brundtland Commission 1987).

>> **Social Accountability:** The observance of human rights forms an essential part of social accountability. PUMA places the highest of demands on our global production sites. All activities must comply with enacted regulations and must be created in a manner that does not present any health risks. In close cooperation with its manufacturers, PUMA aims to guarantee a socially responsible workplace. The social standards that have been laid down in our Code of Conduct contain the most important social principles and are based on the conventions of the International Labour Organization (ILO).

>> **Evaluation:** The "S.A.F.E." (Social Accountability & Fundamental Environmental Standards) team's job is to ensure that our environmental and social standards are enforced. Their tasks comprise the control and monitoring of the environmental and social standards defined by PUMA on the basis of national and international laws. Where there are no obligatory limit values, self-imposed values will be laid down in cooperation with independent auditors. In light of this, the S.A.F.E. Team is more than just a monitoring body; – it is also a consulting team.



SOCIAL & ECOLOGICAL

THE PUMA STRATEGY

THE BRAND PUMA's mission is to become one of the most desirable sports brands in the world. The brand strategy is based on three cornerstones, brand identity, marketing and product. The brand identity defines PUMA as the brand that successfully combines the influences from the areas of sports, lifestyle and fashion. Continuous investments in the areas of communication, product design and marketing, have allowed PUMA to bolster its brand position, strengthen its image in key markets and further increase its brand presence with its target consumer. The fusion of these three elements is what makes PUMA the ultimate alternative sports brand.

"If we set targets which seem practically unachievable we can sometimes achieve the impossible."

Jack Welch, General Electric

THE COMPANY PUMA is determined to become the first genuine virtual sports company in the world. The virtual corporate headquarters are in three decentralized competence centers situated in Herzogenaurach, (Germany), Westford (USA) and Hong Kong. PUMA and its subsidiaries develop and market a broad range of sporting and leisure goods in footwear, apparel and accessories. The company continuously focuses on environmental responsibility and social accountability. The three pillars of the global company are its virtual corporate structure, strategic planning and its employees. The innovative organizational structure, which is supported by the virtual corporate headquarters and the decentralized centers, has been designed to support the global brand strategy. The multi-cultural mixture of employees forms an essential part of the corporate success. Aside from employing seasoned veterans from the sporting goods industry, PUMA also recruits talented individuals with a diverse professional and educational background. PUMA comprises approx. 1,500 employees worldwide, all of whom are committed to environmental protection.



COMMUNICATION STANDARDS QUALITY

PRODUCT-RELATED ENVIRONMENTAL STANDARDS

We are aware of the fact that the environmental standards that we have laid down can by no means be exhaustive. Nor can all substances that may have a potentially negative effect on the environment be taken into account. Instead, to level out these inevitable shortcomings, we place more emphasis on our dialogue with various institutions such as the I.T.S. – Intertek Testing Services which is based in Hong Kong and which carries out tests for us internationally. Other internationally recognized institutes that we rely on include the German TÜV (German technical inspectorate) Rheinland-Brandenburg and Porst & Partner in Fürth/Bavaria. We understand the nature of environmental commitment to be genuine teamwork. Therefore, communication with our service partners as well as business partners is one of the most essential instruments for us.

INFLUENCE ON PRODUCT QUALITY

Even prior to production, i.e. during the respective development stages, the product-related standards laid down by PUMA and the S.A.F.E. Team have an initial impact on the product. PUMA strictly adheres to its S.A.F.E. Standards when selecting materials and manufacturing techniques. This means that manufacturers must be awarded a certificate of compatibility to ensure that the materials used for production contain no harmful substances. For this purpose, each supplier receives the PUMA S.A.F.E. manual before a contract is signed. The standards that the new

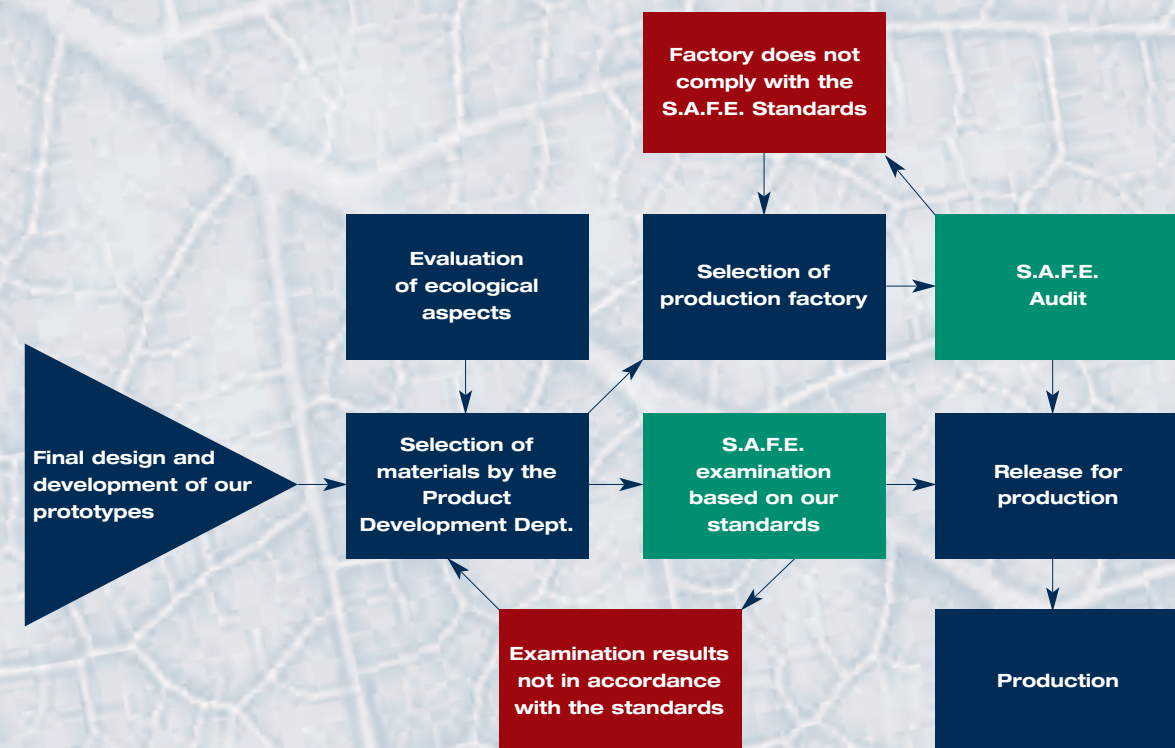
supplier will be held accountable to are stipulated in the manual, and reiterated in the contract. Only after successful evaluation will PUMA grant permission for production.

Apart from conducting extensive tests on materials, additional tests are carried out by our national and international laboratories several times a year for the purpose of self-control and ensuring product consistency. These tests help PUMA obtain statistical data on compliance with our standards and gather information on overall product quality.

In order to optimize the influence of our S.A.F.E. standards on product quality, product-related environmental seminars are regularly carried out at various production sites. These seminars comprise discussions and workshops that help to emphasize the importance of product-related standards.

Since the first publication of the product-related environmental and social standards manual, PUMA has dedicated a team to focus on environmental and social matters. This team is called the S.A.F.E. Team.

This department is responsible for ensuring that PUMA products are manufactured in compliance with the standards laid down in this manual.



MEASURES AND TESTS COOPERATION



MEASURES

The S.A.F.E. Team carries out specific training programs at our manufacturers' sites. The following measures regarding product-related environmental protection have been taken during the 2000 /2001 time period:

- JANUARY** Presentation of product-related environmental and social standards for footwear, accessories and apparel manufacturers in Hong Kong; stipulation of PUMA limit and orientation values for product-relevant harmful substances.
- APRIL** Implementation of individual training programs in the area of product-related environmental protection for all suppliers in the Far East.
- MAY** Implementation of training programs for our manufacturers' personnel with the aim of informing them of national and international environmental laws.
- OCTOBER** Implementation of the "Environmentally-detrimental compounds in materials for apparel production" seminar in Taipei, the participants of which being all of our Taiwanese material suppliers.
- NOVEMBER** Implementation of the "Environmentally-detrimental compounds in materials for apparel and accessories production" seminar in Hong Kong, the participants of are all of our Hong Kong-based material suppliers.
- MARCH** Implementation of the "Environmentally-detrimental compounds in materials for footwear production" seminar in Taiwan.



PROSPECTS

For the coming years, PUMA has planned the implementation of further subject-specific seminars on environmental protection in various countries. A special focus will be placed on training programs for our global suppliers. In addition to the seminars, PUMA also plans to implement audits with the aim of awarding exemplary manufacturers a prize for showing commitment to product-related environmental protection. These audits also monitor our production sites for compliance with all specified standards.



OUR GLOBAL COOPERATION WITH TESTING INSTITUTES

Since its founding, the S.A.F.E. Department, whose sole responsibility is that of environmental and social matters, has already achieved the following milestones:

- >> **Complete ban on use of azo dyes.**
- >> **Complete ban on use of heavy metals in production**
- >> **Avoidance of nickel in all product segments**
- >> **Complete ban on use of chlorophenols for leather impregnation.**
- >> **Substantial reduction of formaldehyde applied in textile finishing, thus ensuring that PUMA's test results lie below the legally stipulated limit for formaldehyde usage.**

By consigning goods and placing their signatures on order forms, manufacturers are legally obliged to ensure that no substances harmful to people or the environment have been used in the production of PUMA manufactured products.

Statements from our Testing Institutes



>> ... **In accordance with the criteria outlined in the S.A.F.E. manual, ITS carries out an extensive quality examination program for PUMA. This program comprises the examination of raw materials, as well as merchandise in accordance with the legal requirements on harmful substances for textiles. The examination also checks for compliance with the Oeko-Tex Standard 100 for apparel textiles and accessories, as well as the SG Standard for footwear (tested for harmful substances).**



>> ... **Within the scope of your quality control system and monitoring system for harmful substances, TÜV mainly examines PUMA's apparel and footwear for the following harmful substances:**

- cadmium contained in synthetics
- organotin compounds



>> ... **Within the scope of its external quality assurance program, PUMA and its global subsidiaries have their leather, textiles, synthetics and accessories regularly tested by the Porst & Partner GmbH in Fürth, Germany for the substances laid down in the S.A.F.E. manual.**

FLEXIBILITY TOWARDS NEW FINDINGS

FUTURE PROSPECTS

FLEXIBILITY TOWARDS NEW FINDINGS

Last year's detection of tributyltin (TBT) and other organotin compounds in shirts and other sporting apparel has caused a great deal of concern amongst retailers and customers in Germany. PUMA embraced the findings as an opportunity to cooperate with its partners and independent testing laboratories to find a solution to these findings.

Extensive research proved that PUMA had not applied organotin compounds, such as antibacterial substances, in soccer equipment. The source of such organotin compounds was found to be either in the flocking or in the transfer of the respective soccer equipment. The first measure taken by the company was to prohibit the use of polyurethane foam as a substrate in transfer flocking since polyurethane foam contains an enormous concentration of organotin. The company also found harmless substitutes for polyurethane in this area of application.

PUMA has stipulated a self-imposed limit for the application of organotin compounds. This value lies below the guideline provided by the German government, which means we can guarantee that our customers will not be harmed. PUMA has been applying this self-imposed limit in the production of its goods since July 2000.

The German Federal Institute for Health Protection and Veterinary Medicine (BgVV), and the German Federal Environmental Agency (UBA) have published a risk assessment on the production and application of organotin compounds in consumer-relevant products and food in Germany. According to this risk assessment, the risk associated with eating foods that have been packaged in materials containing organotin compounds is minimal. This means that the effect of such organotin compounds with regard to combination behavior is almost negligible. With apparel, the effects of organotin compounds are even more insignificant – nevertheless, PUMA will continue to stick to its self-imposed limit values.

PUMA's policy is to inform its business partners and customers on protection measures in a transparent manner. The company plans to continue increasing its commitment in this area.

THE FUTURE PROSPECTS

Since product-related environmental protection is an ongoing commitment for PUMA, we have set specified targets that we plan to fulfill in the coming years in order to completely remove all controversial environmentally relevant compounds from our products. Examples of such compounds are:

>> DISPERSE DYES

PUMA uses no allergizing disperse dyes. In cooperation with manufacturers, alternative dyes are applied which ensure the renowned high quality standard of our goods.

>> FORMALDEHYDE

Formaldehyde is mainly used for cotton processing in order to reduce the fabric's shrinking properties. The application of formaldehyde has meanwhile been reduced to a minimum and PUMA's use of this substance lies well below officially stipulated limits.

>> HEAVY METALS

Toxic heavy metals such as chrome compounds are no longer used in our dyeing processes. The application of cadmium as a stabilizer in the PVC industry has been banned completely. Other toxic heavy metals contained in various compounds have also been banned.

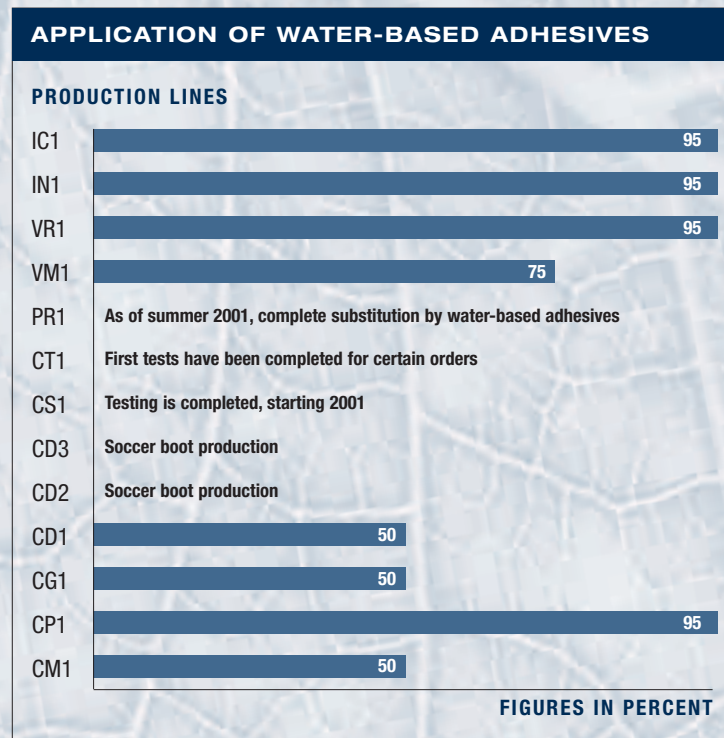
In relation to this, PUMA has initiated a project in collaboration with the German mail-order company OTTO-Versand and the TÜV (German technical inspectorate) Rheinland-Brandenburg. The aim of this project is to detect all environmentally relevant compounds used in the finishing processes and to substitute these with biodegradable compounds that have a significantly lower impact on the environment.

>> ORGANOTIN COMPOUNDS

The use of organotin compounds as an adhesive for applications has been banned completely.

SUBSTITUTION CHANGE STRATEGY

FIRST SUCCESS ACHIEVED



PUMA has set a target of continuously improving production-related environmental issues by regulating product-related environmental subjects.

Since mid-2000, the application of toluole as a solvent has been strictly prohibited at all our production sites. As substitutes, far less harmful substances are being used. Furthermore, the company has plans to replace solvent-based adhesives with so-called water-based adhesives.

The table shows the continuous substitution process of solvent-based adhesives with water-based adhesives.

APPLICATION OF POLYVINYL CHLORIDE (PVC)

PVC is a chemical compound that provides textile producers several benefits when it is incorporated into the production process. However, besides its numerous advantages, PVC also has one major disadvantage: it contains chlorine, which during waste incineration may produce toxic dioxines and furanes.

PUMA has decided to ban PVC from its entire product range. This initiative was begun in the 1980's and will culminate in a complete ban of PVC's by 2003. The use of PVC's has been substituted with the relatively harmless compound, polyurethane (PU). The production of children shoes is already entirely PVC-free.

OUR STRATEGY:

PUMA'S STRATEGIC TARGETS FOR ENVIRONMENTAL PROTECTION

CURRENT SITUATION 2000	TARGET SITUATION	COMMENT	FULFILLED AS OF / BY
Application of toluene as solvent	Absolute ban of toluene in all production areas	Application of harmless solvents with similar characteristics	Fulfilled by all production sites by fall 2000
Application of solvent-based adhesives	Complete substitution of solvent-based adhesives with water-based adhesives	Problems with regards to substitution in soccer boot production continue to exist	Already successful application of water-based adhesives; currently not foreseeable
Application of various solvents in various production processes with varying negative impacts on the environment and workplace conditions	Raise awareness amongst manufacturers as to the effects of the application of solvents by way of training programs; increased industrial safety measures	Future audits will comprise solvent concentration monitoring carried out with mobile on-the-spot analysis equipment	Will gradually be introduced in the course of the coming year; currently not foreseeable in detail
Partially increased noise-level during production with negative effects on the working conditions	Reduction of the noise-level to a minimum	Future audits will comprise noise-level measuring and corrective action if required	Currently not foreseeable
Application of PVC in various product areas	Absolute ban of PVC in all product segments	Initial material tests are already being planned	Massive reduction of PVC application by spring/summer 2003 with the aim of a complete PVC ban

JOINING OUR FORCES TO ACHIEVE OUR TARGETS

The only way to achieve our targets is through cooperative dialogue. This means that, our suppliers, customers and employees as well as independent organizations must join forces with us to ensure compliance with our S.A.F.E. Standards.



Prof. Steinmann
dnwe-German Business Ethics Network

The German Business Ethics Network (dnwe) pays great attention to PUMA's efforts in trying to establish minimum social standards regarding the production of consumer goods.

The seriousness and sustainability of these efforts is impressive. This report solidifies the company's commitment and the explicit support by the company's executive management. The company plans to continue this direction going forward.

Such developments are only made possible by coordinated internal efforts to implement these corporate policies. By having documented the goals, PUMA has implemented a control measure that helps monitor suppliers' global compliance with the standards. The short-term targets are the most convincing proof of PUMA's commitment: the complete auditing of all manufacturers by the end of the year and the auditing of all licensees and sub-suppliers in the near future.

We hope that PUMA's customers will also appreciate these measures. Only then can they contribute to the corporate policies by showing their support for recent actions. In 2002 the German Business Ethics Network, awarded a "Prize for Corporate Ethics" to the Hamburg-based mail-order company Otto Versand. In turn, this company recognized PUMA's notable efforts and wished PUMA all the best for the future in realizing its targets in the area of environmental and social standards.



Horst Zyder
Works Council of the PUMA AG

The works council of PUMA AG appreciates the recent developments that have allowed the company to assume a more proactive stance towards production-related environmental and social issues. We too recognize that PUMA has a moral responsibility towards all employees working directly or indirectly for our company.

Therefore, we will critically watch this process and look forward to a consistent and continuous improvement and adaptation of global social and environmental standards. Specifically, we await greater convergence of PUMA's social standards towards the conventions of the International Labour Organization (regarding working hours and wages), an expansion of audits covering all sub-suppliers and licensees, as well as the absolute ban of all toxic or environmentally harmful substances. Furthermore, we propose a gradual increase of the minimum standards required to successfully pass an audit, i.e. above the currently required degree of compliance of 75%.

The PUMA AG works council will continue to actively support the company along this path.



Fransisca Arani
Customer Relations Senior Officer
PT.NASA Indonesia

As one of PUMA's business partners, PT.NASA must adhere to S.A.F.E.'s "Code of Conduct". We are determined to build the relationship with our business partners on a platform of trust, honesty, teamwork and mutual respect.

Our pool of 7,600 employees is made up of a variety of cultures and peoples. We appreciate their cultural diversity as we believe that innovation is often generated from the dynamics of understanding and the integration of various ideas and opinions. We ensure that we recruit our employees on the basis of individual qualifications and we oppose discriminatory recruiting methods.

PT.NASA does not permit forced labor or child labor and the minimum recruiting age for employees is 18 years. We manufacture on a regular hourly basis with one day off per week. Furthermore, we ensure that the workweek is capped at 60 working hours. We pay every employee more than the local minimum wages and also offer additional benefits such as meals, transportation to and from work, healthcare, evening school for employees wishing to complete their high school leaving certificate, maternity leave and, sickness benefits, among others..

PT.NASA has committed itself to a steady process of improvement in environmental protection and safety at work. This cooperation will span both internal and external development and production processes. Our employees have undergone training and instruction programs that enable them to fulfill their respective tasks in a qualified manner, recognize the importance of safety at work and detect pollution risks. The results of these measures can be seen in our employees' attitudes and activities, all of which reflect their commitment to environmental protection and safety at work.

All of these efforts clearly indicate that NASA consistently lives up to its commitment to carry out its business in compliance with the requirements and standards for environmental protection and safety at work in order to avoid potential occupational accidents and reduce job-related sickness and environmental pollution. At the same time, we try to ensure that work efficiency and productivity are increased. We are well aware of the importance of remaining attentive in order to maintain our high environmental and workplace safety standards not only at present but also in the future.



Dr. Merck
Head of Environmental and Social Affairs
Otto Versand Hamburg

Otto's corporate policy is oriented towards the development of a sustainable economic system that does not allow the desire for profit to outweigh the need to be true to environmental causes.

Otto declared that environmental protection should be a corporate goal as early as in the beginning of the eighties. Numerous concepts and measures were developed and successfully implemented in all corporate areas. It is our aim to optimize not only our product range but also, other elements of business activity, such as the transportation chain to reduce exhaust emissions. Only by taking a holistic approach to environmental issues can we ensure that the desired outcomes are attained.

Our added focus on social accountability, since the mid-nineties, has allowed us to realize a further aspect of sustainable management.

The "Code of Conduct" developed by Otto comprises regulations on fair workplace conditions.. It calls for humane working conditions and adequate wages. Child and forced labor, as well as any other form of exploitation, is strictly prohibited.

Every manufacturer directly working for Otto is obliged to comply with the stipulated contract conditions in accordance with the "Code of Conduct". This also applies to the manufacturers' sub-suppliers. Compliance with these contractual obligations is monitored worldwide.

As an Otto supplier of many years , PUMA AG is actively involved in binding its suppliers to environmental and social standards. As one of the big-brand manufacturer of sporting goods, PUMA does not only promote environmental protection but is also making a global effort to create fair workplace conditions at all its production sites.

PUMA pays great attention to the subjects of social accountability as well as production-related and human ecology. The results of its commitment are documented in PUMA's Environmental and Social Report. This report is also evidence of the PUMA AG's long-term targets _ to bring global living conditions into alignment rather than destroy natural resources or widen social gaps. For this reason we wish to continue our successful cooperation with the PUMA AG in future.

RESPONSIBILITY

FAIR PLAY COMMITMENT

SOCIAL POLICY PRINCIPLES

As a global enterprise, PUMA recognizes its responsibility towards the creation of humane working conditions for all employees working directly or indirectly for PUMA.

The observance of human rights at all our global production sites is one of our fundamental requirements. Partnerships with our manufacturers are based on mutual cooperation – then, in turn, we can expect them to pass on this cooperative stance to their employees. Success and jointly formulated targets can only be achieved on the basis of trust and reliability. Such goals cannot and must not be realized on the grounds of exploitative activities such as child labor or forced overtime work.



**„A child in danger
is a child that cannot wait“**

Kofi Annan

CODE OF CONDUCT

The most important principle of PUMA's product-related social policy is also our most substantial instrument of control: The Code of Conduct. Our Code of Conduct is currently available in seventeen languages and is displayed and accessible at all our production sites. PUMA has developed a code of conduct that is based on the conventions of the International Labour Organization (ILO).

- >> **Employment shall not be offered to children who are under 15 years of age or below the minimum age specified by the respective applicable laws, or have not yet concluded the compulsory school attendance specified by the respective applicable laws**
- >> **Compliance with the respective applicable laws and regulations regarding the handling of harmful substances, safety at work and environmental protection**
- >> **The working week comprises six days amounting to a total of 48 working hours and a maximum of 60 working hours per week; one day off is given within the seven-day week; overtime is remunerated in accordance with the respective applicable laws**
- >> **Fair remuneration as well as the compliance with all other legally specified benefits is guaranteed**
- >> **Assurance of equal rights regardless of race, religion, age, social background, political beliefs, gender or position within the company**
- >> **Assurance of human dignity at work; no harassment, abuse and/or corporal punishment**
- >> **Freedom of association as well as the right to join trade unions**

The Code of Conduct requires that all manufacturers working for PUMA strictly adhere to the working and social conditions stated therein.

The following chronicle shows the development of our social standards as well as the Code of Conduct since 1993. It also illustrates our social accountability towards our employees.

PROGRESS MADE 1993 → 2000

DEVELOPMENT OF OUR SOCIAL STANDARDS

The following chronicle shows the development of our social standards as well as the Code of Conduct since 1993. It also serves to illustrate our social accountability towards our employees. All employees working for PUMA have been instructed to be alert to any infringements of social and environmental standards during their visits to production sites. Any and all non-compliance issues are to be immediately forwarded to the S.A.F.E. Team.

DEVELOPMENT OF THE PUMA AG'S CODE OF CONDUCT

>> 1993

Introduction and incorporation of the Code of Conduct into all production contracts for footwear and apparel in the Far East

>> February 1994

Distribution of the Code of Conduct to all footwear and apparel manufacturers

>> September 1995

Distribution of the Code of Conduct to our accessories manufacturers in the Far East

>> January 1996

Letters to all licensees demanding strict compliance with the Code of Conduct

>> August 1996

Meeting with the SGI (Sporting Goods Industry) on the subject of child labor to ratify a joint statement, which was publicly announced during the Atlanta Super Show in February 1997

>> September 1996

Visit to football (soccer) manufacturers in Sialkot, Pakistan; official statement concerning the "Declaration de Berne"

>> November 1996

Official press release by the SGI (Sporting Goods Industry) on initial measures taken by the industry to ensure compliance with social standards

>> February 1997

Again, letters sent to all Far East manufacturers stating the overall importance of the Code of Conduct

>> July 1997

Appointment of a Far East representative responsible for the implementation of social audits in all PUMA manufacturing facilities.

>> October 1997

Press release issued by one of our ball manufacturers who serves as chair of the "Steering Committee on Child Labor in Industry" (SCCLI) demanding the absolute prohibition of child labor in football production

>> November 1997

Revision and distribution of the Code of Conduct to all PUMA manufacturers in Europe and the Far East, requiring strict compliance with the stipulations

>> December 1997

Distribution of the revised Code of Conduct to all licensees

>> February 1998

Distribution of the revised Code of Conduct to all accessories manufacturers; again, a letter is sent to all our global partners demanding the strict adherence to PUMA sourcing guidelines and compliance with the Code of Conduct

>> May 1998

PUMA opens up an office in Sialkot, Pakistan, announcing that the office will house a technical representative who is responsible for ensuring that the production of soccer boots and soccer gloves is carried out without child labor

>> June 1998

Modifications are made to PUMA's licensing contracts with soccer ball manufacturers. Now soccer balls are exclusively sourced from manufacturers who have been audited for compliance with the Code of Conduct

>> September 1998

At the AVE (the German Retail Industry's Foreign Trade Association) meeting in Cologne, PUMA participates in the working group for the German retail industry's social standards

>> August 1998

Receipt of the counter-signed licensing contracts modified in June 1998

>> January 1999

Audit seminar in Hong Kong implemented by I.T.S. (Intertek Testing Services) with the aim of informing PUMA of the social standards of the company's suppliers and manufacturers.

>> February 1999

New licensees are subjected to PUMA's modified license contracts based on the Code of Conduct

>> September 1999

PUMA appoints a corporate environmental officer responsible for enforcing environmental and social standards in PUMA's global network of suppliers and manufacturers.

>> October 1999

Appointment of a Far Eastern representative responsible for the implementation of social audits in Asia

>> November 1999

Review of the Code of Conduct and publication of the first manual on product-related environmental and social standards

>> As of 2000

Presentation of the product-related environmental and social standards manual during the festivities for the tenth anniversary of World Cat LTD in Hong Kong in the presence of footwear and apparel manufacturers. Also, distribution of the manual to the manufacturers, requiring them to accept and sign our "Declaration of Principles" which obligates them to adhere to our social standards

Distribution of the product-related environmental and social standards manual to all manufacturers, requiring them to strictly comply with the environmental and social standards defined therein

REGULATION CONTROL DIALOGUE



MEASURES

Apart from publicly displaying the Code of Conduct, which requires the manufacturer to comply with the standards stated therein, the so-called "Declaration of Principles" must also be signed by our manufacturers prior to contract conclusion. These documents comprise all the requirements that manufacturers are contractually bound to fulfill. Non-compliance with these standards may result in termination of contract. The "Declaration of Principles" also stipulates that our manufacturers are obliged to forward the standards provided in our S.A.F.E. manual to all their sub-suppliers. Manufacturers are responsible for the compliance with these standards. However, the written confirmation of compliance with our standards by way of contract conclusion, as described above, does not relieve PUMA from implementing social audits at our global manufacturers' factories to ensure such compliance.

We understand that social accountability is comprised of a cooperative dialogue between our company and our global manufacturers with the target of jointly creating socially viable workplace conditions and compliance with all the relevant laws and regulations. Furthermore, we have committed ourselves to ensuring that all people working for PUMA are granted the legal minimum entitlement in terms of working conditions.

For this purpose, we have created a special team, which consists of auditors that visit our global production sites to control and monitor the environmental and social standards defined by PUMA. Whenever non-compliance issues are detected in these factories, they are thoroughly discussed with the local representatives and documented in the "Corrective Action Plans". The "Corrective Action Plan" serves as an instrument for documenting conditions that need improvement and also includes a target schedule for the realization of such improvements.

Prior to every audit, intensive briefings are held with the respective suppliers. The aim of such briefings is to explain the intention of the audit to suppliers in advance and to make them aware of the advantages of conducting these audits.

However, the S.A.F.E. Team is more than just a monitoring body, we also strive to be a consulting team. With our standards, which were put together on the basis of the globally accepted SA 8000 Standard (Social Accountability), we want to offer cooperative dialogue to our suppliers with the aim of making them rethink their own standards and, eventually move towards a stance centered on social accountability.



PUBLIC RELATIONS

In 2000, sporting goods manufacturers received considerable negative press regarding factory working conditions in the Far East. In relation to this, a demonstration was organized by the "German Clean Clothes Campaign", after which the demonstrators took part in a discussion at the PUMA headquarters in Herzogenaurach. Prior to this demonstration, an extensive postcard campaign had been initiated by the "Clean Clothes Campaign" and Misereor, a German catholic organization. The essence of this campaign was the premise that poor working conditions are predominant in global sporting goods production.

On the grounds of these accusations we instructed our auditors to thoroughly examine this matter.

In many third world countries it is considered normal for children of a certain age to seek employment in order to ensure the livelihood of their families. In these countries, a general school attendance rule does not exist and actual attendance is impossible to verify due to the enormous costs involved.

>> PUMA rigorously condemns child labor as being exploitative.

The problematic nature of overtime work is also one of our major concerns.

In many of the interviews carried out, PUMA staff learned that the production facility employees come from rural areas and have taken up work in the respective factories with the intention of remaining there for a maximum of five years during which they want to earn as much money as possible. For these persons, overtime work is not only accepted but, in fact, welcomed.

>> We know that the reduction of overtime work, especially in times of very high production outputs, is a very difficult and problematic matter. Nonetheless, we are continuing the intensive cooperation with our manufacturers, the target of which is a strict compliance with our standards, and are doing the utmost to detect and prevent any and all potential non-compliance issues.

These examples show that the monitoring and implementation of our social standards is a global challenge that can only be met if there is a consistent dialogue between our partners and us.

We consistently work to fulfill our target of improving the workplace conditions in our suppliers' and manufacturers' factories and making them safer.

Therefore, we are also involved in an open dialogue with the German "Clean Clothes Campaign". The target of this dialogue is to find possible areas of cooperation.

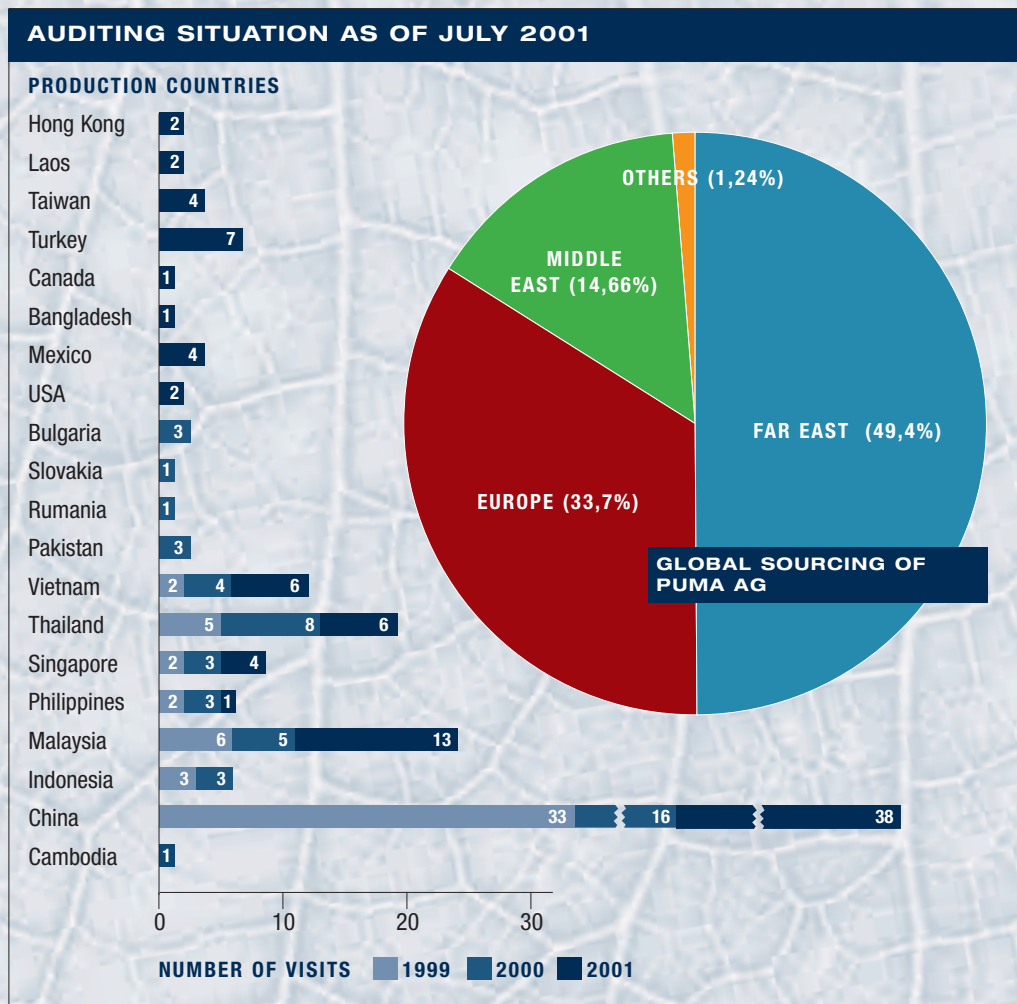
AUDITING REQUIREMENTS EVALUATION



PROSPECTS

The diagram illustrates the current auditing situation and gives an overview of PUMA's sourcing system as of July 2001. Half of PUMA's international sourcing is accounted for by the Far East. All of the factories listed below have proven their compliance with PUMA's social standards. However, it has to be said that only 95% of PUMA's supplier factories have yet been audited. With regard to this, PUMA is constantly working with new suppliers and producers, thus an increasing workload is being placed on our auditors. Our declared objective for 2001 is to increase the number of audited factories to attain 100% coverage. Apart from the actual audits, the respective re-audits must also be carried out. It can therefore be said that the factories in which non-compliance issues are detected have to be visited more than once.

When the auditing procedures for all our direct suppliers have been completed, we will gradually start the auditing of our licensees. However, these are also already subject to strict adherence to our S.A.F.E. Standards.



EVALUATION OF IMPLEMENTED AUDITS

The implementation of our auditing program involves filling out standard questionnaires available in PUMA's S.A.F.E. manual and gathering information on general social as well as product-specific matters. A factory will successfully pass an audit if the ranking result of the audit evaluation amounts to 75% or more. This figure is, however, a minimum requirement and we insist that factories whose ranking is not above 75% to fundamentally improve their standards.

Depending on the respective factories' categorization, audits may be carried out annually. Production sites that do not comply with the PUMA standards will be cut off from production if the detected non-compliance issues are not immediately rectified.

Factories are categorized as follows:

- A – PUMA assesses a factory of category A as being very good. All the required environmental and social standards are complied with by almost 100%. These factories are subject to routine audits every other year.**
- B – PUMA assesses a factory of category B as being good to satisfactory. Possible non-compliance issues that are of minor importance can be rectified immediately. A follow-up audit will be carried out within six months.**
- C – PUMA assesses a factory of category C as being poor. Serious non-compliance issues regarding environmental and social standards have been detected during the audit. These non-compliance issues must be rectified immediately, i.e. during the ongoing audit or within a period of eight weeks. A second audit will then be carried out with the result of either a complete shutdown of production or a continuation of cooperation with the factory, depending on the second audit's results. If no corrections whatsoever have been realized, the business relationship between PUMA and the factory in question will immediately be terminated.**

All factories that have not been audited will from now on be regarded as factories that have not yet been monitored for compliance with the S.A.F.E. Standards. Such factories may not manufacture PUMA products.

TARGETS VISIONS

OUR STRATEGIC TARGETS FOR SOCIAL ACCOUNTABILITY

CURRENT SITUATION	TARGET SITUATION	COMMENT	FULFILLED AS OF/BY
Auditing situation: currently 95% of our direct suppliers	100% auditing level	Extensive auditing measures are currently carried out	October 2001 100% auditing level
S.A.F.E. Social Accountability & Fundamental Environmental Standards have been distributed to all manufacturers, licensees and sub-suppliers 95% of all our partners have our manual	All manufacturers have the PUMA's Environmental and Social Standards manual	All partners must strictly comply with the standards specified in the manual	Will be fulfilled by July 2002
Code of Conduct has been distributed to all of PUMA's manufacturers	All our partners, licensees and sub-suppliers have the Code of Conduct	The Code of Conduct is currently being distributed to all our global partners	Fulfilled as of October 2001
Social standards based on the SA 8000	Compliance with SA 8000	Initial procedures for the implementation of compliance have begun	Currently not foreseeable
The auditing of our licensees and sub-suppliers is being prepared	100% auditing level for all PUMA partners, sub-suppliers and licensees	Currently being prepared	By June 2002
Implementation of training measures on social matters addressed to all our manufacturers	Knowledge of all social standards of the PUMA AG	Training measures are carried out within the scope of every audit	By 2002

We know that the road leading to our target is very long. However, each step brings us closer to reaching our ultimate goal.

FINANCIAL DATA 1998-2000

TURNOVER BY PRODUCT SEGMENT '000 €	2000	1999	1998
- Footwear	270.905	209.022	202.513
- Apparel	163.544	138.952	85.802
- Accessories	27.988	24.735	14.197
Consolidated turnover	462.437	372.709	302.512
Turnover gained by licensees	368.638	342.209	344.923
Global turnover	831.075	714.918	647.435
TUNROVER BY REGION '000 €	2000	1999	1998
- Western Europe	267.427	227.192	176.735
- Eastern Europe	21.407	16.538	16.183
- America	118.988	84.784	60.398
- Asian/Pacific Region	44.677	38.091	37.742a
- Africa/Middle East	9.938	6.104	11.454
Consolidated turnover	462.437	372.709	302.512
Turnover gained by licensees	368.638	342.209	344.923
Global turnover	831.075	714.918	647.435
FINANCIAL HIGHLIGHTS '000 €	2000	1999	1998
Turnover	462.437	372.709	302.512
Gross profit margin	38,2%	38,0%	35,8%
Operating result	22.826	16.256	4.683
- stated as percentage of turnover	4,9%	4,4%	1,5%
Pre-tax profit	21.227	14.393	3.424
- stated as percentage of turnover	4,6%	3,9%	1,1%
Consolidated profit	17.572	9.537	4.047
Profit per share in euros	1,14	0,62	0,26
Number of employees as of December 31	1.522	1.424	1.145

CONTACT



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Environmental and Social Report, please contact:

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