



# SUSTAINABLE SOURCING POLICY

---

## **V1.1 Sustainable Sourcing Policy (SSP)**

### **Target audience**

Puig Suppliers and co-manufacturers

Puig Employees

### **SSP is available in the following languages**

English

Spanish

French

### **Complementary documents**

*Ethical Code*: Presents a mode of conduct embodied in a series of commitments embraced by every employee throughout the company.

*General Terms and Conditions of Purchase*: General Terms and Conditions agreed with all suppliers.

### **Copyright and confidentiality**

All rights belong to Puig S.L., Barcelona, Spain.

© 2015, Puig S.L.

---

For Puig, as a family company, sustainability is a commitment and a way to do business.

In 2014, Puig launched a Sustainability Program to 2020, based on five pillars addressing sustainability across its value chain: Product Stewardship, Sustainable Sourcing, Responsible Logistics, Responsible Manufacturing as well as Employees and Facilities.

As a concrete commitment to sustainable sourcing, the company developed the Sustainable Sourcing Policy presented in this document.

The policy's objective is to spread our values and introduce sustainability criteria for the evaluation and prioritization of direct and indirect suppliers.

The Sustainable Sourcing Policy gives a clear and concrete framework for conducting sustainable business. It is a complementary tool to Puig Ethical Code, which has been established considering respect, excellence, trust and integrity, and flexibility. The policy presents the prerequisites for doing business with Puig and mandatory requirements in terms of social, business integrity, and environmental sustainability.

All Puig suppliers should comply with this policy by 2020.

To facilitate this goal, Puig will do its best to put in place business connections setting up specific best practices or capitalizing on common best practices.



# INDEX

---

1. INTRODUCTION TO THE SUSTAINABLE SOURCING POLICY *06*
2. SCOPE *06*
3. GENERAL PRINCIPLES *07*
4. PRE-REQUISITES FOR DOING BUSINESS WITH PUIG *08*
5. BEST PRACTICES *14*
6. COMPLIANCE AND MONITORING *15*
7. REPORTING ON BREACHES *15*

# 1. INTRODUCTION TO THE SUSTAINABLE SOURCING POLICY

---

Passion, People, Performance, the values expressed in the Puig motto, represent a way of doing business through a series of commitments embraced by the organization and its employees. Among these commitments, Puig has embraced sustainability as a way of doing business, and believes that organizations which integrate material sustainability issues across their value chain will find an opportunity to improve their performance in the medium and the long term.

The Sustainable Sourcing Policy (SSP) has been developed as part of the company's efforts towards integrating sustainability strategies within its own operations, and in line with the company's goal to consider the social, environmental and business perspective of its activities. The aim of the SSP is to spread and promote company values and to introduce sustainability criteria for direct and indirect supplier evaluation and prioritization.

In all cases, the company requests its suppliers to comply with social, environmental and business integrity legal requirements of their countries of origin and encourages them to go further and share best practices with Puig so that they can improve together in the area of sustainability.

## 2. SCOPE

---

The SSP builds from and complements the company's Ethical Code and applies to the whole supply chain. It is designed as a pre-requisite set of standards which all suppliers should comply with by 2020 in order to have a business relationship with Puig.

Puig expects suppliers to take appropriate measures for the application of the principles of the SSP with their own subcontractors, manufacturers and suppliers.

## 3. GENERAL PRINCIPLES

---

The corporate motto Passion, People, Performance represents a way of behaving through a series of values which define the company's identity. Puig expects its suppliers to embrace and demonstrate alignment with these corporate values as follows:

### ***Respect***

*Showing pride and acting responsibly from a social, environmental and business point of view.*

### ***Excellence***

*Taking ownership in developing and implementing continuous improvement measures against different aspects of the SSP. Being ambitious and continuously increasing the share of raw and packaging materials sourced in compliance with the SSP.*

### ***Flexibility***

*Being proactive in proposing new ideas, embracing change, and being open to new ways of seeing things.*

### ***Trust and Integrity***

*Conducting business in a transparent way, leading the way in the supply of responsible products and product traceability.*

# 4. PRE-REQUISITES FOR DOING BUSINESS WITH PUIG

---

Puig and its brands require their suppliers to comply with all laws and regulations within the countries in which they operate and to commit to the following mandatory requirements:



## 4.1 SOCIAL

---

Puig requires suppliers to respect all human rights, including labor rights, throughout its business activities. This includes:





**FORCED LABOR**

Under no circumstances will forced labor be used. The term “forced labor” covers all work or service exacted from an individual under threat of any penalty or without remuneration and for which the person has not offered themselves voluntarily.



**CHILD LABOR**

Under no circumstances will child labor be used. No child younger than the minimum age to work under the applicable law is allowed to work. When young workers are employed (always above minimum age under applicable law) the supplier must demonstrate that they are not being exposed to undue physical risks that can harm physical, mental or emotional development.



**NON DISCRIMINATION**

All workers will be treated with respect and dignity. There will be no discrimination in hiring and employment practices on the ground of criteria such as gender, race, religion, age, marital status, disability, sexual orientation or nationality.



**FREEDOM OF ASSOCIATION**

The rights of workers to freedom of association and collective bargaining will be recognized and respected under all circumstances to the extent permitted by applicable law. No workers shall be intimidated or harassed in the exercise of their right to join any organization.



**WAGES AND BENEFITS**

Employees will be provided with a total compensation package that includes wages, overtime pay and benefits that, at a minimum, comply with national laws or industry standards whichever is higher.



**WORKING TIME AND REST DAYS**

Employees will work in compliance with all applicable laws pertaining to regular working hours and overtime hours.



**WORKPLACE ENVIRONMENT**

Employees will be provided with a safe and healthy working environment. As a minimum, potable drinking water, adequate lighting, temperature, ventilation, sanitation, and personal protective equipment will be provided.



**LAND USE RIGHTS**

Land rights, including legal title and customary land of local communities will be respected. Suppliers will be able to demonstrate legal use rights and activities on local people’s land will be subject to free, prior and informed consent of the affected local communities, including indigenous peoples.



**CREATION OF SHARED VALUE AND RURAL DEVELOPMENT**

Fair opportunities for employment and provision of goods and services will be provided to the local population. Small scale producers will not be disadvantaged or face disproportionate obstacles to becoming a supplier of Puig as a result of the implementation of the SSP.



## 4.2 BUSINESS INTEGRITY

---

Puig requires suppliers to comply with all anti-corruption laws and statutes to guarantee that business is conducted lawfully and with integrity. This includes:



### *ANTI-BRIBERY*

Any and all forms of bribery, corruption or extortion, either direct or indirect are prohibited.



### *CONFLICTS OF INTEREST*

Any and all conflicts of interest of which the supplier is aware in any business deal with Puig will be reported to allow the company to take appropriate action.



### *FINANCIAL RECORDS*

All business and commercial dealings related to their relationship with Puig will be accurately recorded and maintained up to date in the suppliers' records.



### *GIFTS AND HOSPITALITY*

Any gifts or hospitality are to be of symbolic value and for the purpose of maintaining good business relations and not intended to influence future decisions of Puig in any way. Employees have a commitment to not accepting or offering gifts which benefit them or those around them, and formal company to company gift exchanges are acceptable but must be properly recorded.



### *INTELLECTUAL PROPERTY*

Puig intellectual property rights will be safeguarded. In particular, supplier agrees not to register or apply to register any trademark, design, invention, intellectual property work, company name or domain name related to Puig products to avoid any confusion that could arise with those owned by Puig or that could generate a risk of association between the parties.



### *CONFIDENTIALITY*

Confidential information and know-how in the supplier's possession regarding Puig will be safeguarded. Under no circumstances will this information be disclosed to any third party or used for any purpose other than for the fulfillment of the obligations of each of the parties.



## 4.3 ENVIRONMENTAL SUSTAINABILITY

---

Puig requires suppliers to comply with all applicable environmental laws, including all laws related to waste management, water consumption and wastewater discharges, air emissions, energy consumption and Greenhouse Gas management, hazardous substances management and pollution prevention, and environmental licenses /permits required. This includes:



**GENERAL WASTE MANAGEMENT**

All containers must be maintained in good condition and have legible and informative labels. Materials must be handled, stored and transported in a safe and appropriate manner to control risks of accident.



**WASTE STORAGE**

Appropriate permits for onsite waste storage must be obtained and maintained, where required. Hazardous and non-hazardous waste must be segregated.



**WASTE TRANSPORT AND DISPOSAL**

Appropriate permits for onsite waste disposal must be obtained and maintained. Waste reduction programs are deployed where possible. Open burning or waste disposal by burial must not be conducted. Waste for offsite treatment and disposal must only be delivered to contractors permitted by the appropriate authority.



**WASTEWATER MANAGEMENT**

Where applicable, all facilities must have a drainage system in place to convey wastewater and effluents to a legally-permitted treatment plant or final discharge point. Appropriate legal permits must be obtained and maintained for wastewater and any effluents discharge.



**AIR EMISSIONS MANAGEMENT**

Potential for fugitive emissions will be considered and equipment and storage will be monitored for possible leaks and unintended releases.



**ENERGY CONSUMPTION AND GREENHOUSE GAS MANAGEMENT**

Applicable legal requirements for energy use and greenhouse gas emissions must be met. Records of direct and indirect greenhouse gas emissions must be maintained.



**PROTECTION OF HIGH CONSERVATION VALUE (HCV) AREAS**

Products will be sourced in a manner that maintains or enhances high conservation values in the surrounding landscape. HCV refer to biological, ecological, social or cultural value of outstanding significance or critical importance.



**HAZARDOUS SUBSTANCES MANAGEMENT AND POLLUTION PREVENTION**

Under no circumstances will banned environmental substances be used. All pollution and incidents involving a hazardous substance will be reported to the authorities as required by law. Appropriate measures will be taken to prevent and control the risk of environmental pollution from the release of a hazardous substance, including the contamination of soil or groundwater.



**NOISE POLLUTION**

Facilities will comply with legal noise pollution limits.



**ENVIRONMENTAL LICENSES / PERMITS REQUIRED**

All applicable legal requirements for environmental licenses and permits must be met.

# 5. BEST PRACTICES

---

Puig encourages suppliers to work towards meeting continuous improvement for best practice. This chapter contains a non-exhaustive list of practices that Puig considers as best practice.



## 5.1 SOCIAL

---

- Ongoing training is provided to all employees to broaden their skills and enable them to progress in their employment.
- Employees are developed, motivated, recognized and rewarded.
- Special attention is paid to vulnerable groups to ensure they have the same rights as other workers.
- Selection criteria are objective and controls are in place to prevent arbitrary decisions.
- Work hours are effectively monitored.
- All overtime work is paid at the appropriate rate.
- Encourage an appropriate work-life balance.
- Occupational health and safety committees are in place.
- Ongoing safety training is provided to all employees.
- Risk assessments are conducted regularly.
- Measures are taken to manage any risks identified.



## 5.2 BUSINESS INTEGRITY

---

- Guidelines describing business integrity expectations are in place and readily available to all employees.
- Regular reviews are conducted to verify compliance with the relevant policies.
- Regular training about integrity issues is provided to employees.
- Non-compliance is subject to penalties and remediation plans.
- There are multiple channels in place through which employees can raise concerns (including by phone or by web).



## 5.3 ENVIRONMENTAL SUSTAINABILITY

---

- Public commitments are made to support sustainable agricultural practices.
- Facilities are supplied partly by renewable energy.
- Impact assessments are conducted with participation of affected communities.
- Suppliers have a sustainable sourcing policy consistent with SSP for their own suppliers.
- A Sustainability Program is published regularly.
- Energy consumption is tracked.
- Carbon footprint is measured and there is a plan in place to reduce it.
- Targets on water and energy consumption are set.
- Targets on waste reduction are set.
- Third party certifications are obtained for products sold to Puig (such as paper, cardboard, alcohol...).

## 6. COMPLIANCE AND MONITORING

---

Puig recognizes that achieving best practice will take time. In its extended supply chain, the company expects its suppliers to continuously monitor and verify their performance and improvement against the SSP. Furthermore, Puig will positively consider every effort made by suppliers to embrace sustainability<sup>1</sup> within their business.

Puig reserves the right to ask the supplier to create full supply chain mapping back to origin to facilitate assessment of supply chain compliance. The company also reserves the right to conduct audits to verify compliance with the SSP.

<sup>1</sup> Puig will positively consider, among others, the development of internal or external sustainability reports, environmental footprint measurements, and efforts to integrate sustainability criteria into the supplier's Action Plans.



## 7. REPORTING ON BREACHES

---

Any breach of the SSP of which the supplier is aware should be immediately reported to allow Puig to take appropriate action. Suppliers' vendors are able to submit concerns, and in any case, confidentiality and anonymity of persons reporting a concern will be protected to the extent permitted by law. Puig supports transparency and openness and there will not be any retaliation against those who report actual or suspected breaches.

Puig will investigate any reported non-conformity and discuss findings with the supplier. If a supplier is not in compliance with the SSP, Puig will take appropriate action to address such non-compliance, which may include depending on the materiality of the non-conformity, (i) the implementation by the supplier of an action plan to cure the non-compliance, (ii) the nonrenewal of the supply contract at its term or (iii) the immediate termination of the business relationship.

