

# THE PUMA ENVIRONMENTAL PROFIT & LOSS ACCOUNT

**IN 2011, PUMA ESTABLISHED - AS THE FIRST COMPANY EVER - AN ENVIRONMENTAL PROFIT & LOSS ACCOUNT (E P&L).**

## WHAT IS THIS?

While nature is much more to us humans than a mere 'business,' the **E P&L** seeks to answer the seemingly simple question: How much would our planet ask to be paid for the services it provides to PUMA if it was a business? And how much would it charge to clean up the 'footprint' through pollution and damage that PUMA leaves behind? Our operations and supply chain depend on nature for services such as fresh water, clean air, healthy biodiversity and productive land. The PUMA **E P&L** is the first attempt to measure the immense value of these ser-

vices to a business, and the true costs of a business's impacts on nature.

The PUMA **E P&L** is simply a means of placing a monetary value on the environmental impacts along our entire value chain.

Although we pay fees to local authorities for services such as the treatment and supply of water, the true costs of natural resources and our environmental impacts remain externalized and unaccounted for. The **E P&L** represents how much we would need to pay for the impacts we cause and the services nature provides so that PUMA can produce, market and distribute footwear, apparel and accessories made of leather, cotton, rubber or synthetics for the long run.

Providing goods and services will always have some impact on the environment. The challenge for us is to reduce our impact on

the environment (the 'loss' in an **E P&L**) as far as possible while continuing to deliver value to our customers – and looking for ways to return value to the environment.

## WHY DID WE DO THIS?

We have set ourselves targets to reduce CO<sub>2</sub> emissions, energy, waste and water in PUMA offices, stores, warehouses and direct supplier factories by 25% by 2015 and launched an environmentally friendly product packaging – our Clever Little Bag. While all these initiatives are crucially important to help reduce PUMA's negative environmental impact, never before had a company integrated and accounted for the true costs of nature's services, which all businesses depend on.

It is a common practice in the corporate world that this 'inherent' value of nature is not defined and integrated into a company's accounting. Corporations believe that businesses solely rely on financials and are driven by their 'bottom lines.' But luckily, even those concerned only about bottom-lines and not the fate of nature are beginning to realize that the sustainability of business itself depends on the long-term viability of ecosystems.

A challenge for all companies is to build an increasingly sustainable and resilient business model while also delivering competitive advantage. PUMA aims to be the world's most desirable and sustainable Sportlifestyle company and the **E P&L** is one of the principal tools by which we hope to gain the information and insight required to achieve this.

## THE E P&L PROVIDES THE FOLLOWING BENEFITS TO OUR BUSINESS:

### → STRATEGIC TOOL

The findings of the **E P&L** transparently reveal where we need to direct our sustainability initiatives in order to make real improvements in reducing our footprint. As a result we are looking into solutions to identify more sustainable materials, investigating the development of broadly accepted definitions of sustainable cotton and rubber, and have started to engage in opportunities to reduce greenhouse gas emissions.

### → RISK MANAGEMENT TOOL

Understanding the value and nature of our environmental impacts in the supply chain provides an early view of emerging risks, enabling us to respond strategically to protect and enhance shareholder value. The **E P&L** provides information to ensure we are well placed to manage underlying risk from rising raw material costs and to deal with scarcity of supply issues. This is particularly relevant in an industry already facing increasing input costs as a result of a changing climate and shifting water availability.

### → TRANSPARENCY TOOL

By reporting the results of the **E P&L** we are being transparent about the extent of our environmental impacts. We believe this will provide a basis for engagement with our stakeholders and enable us to demonstrate clearly the impact of our activities to reduce our impacts.

## WHAT ARE PUMA'S ENVIRONMENTAL IMPACTS?

The **E P&L** aims to cover all significant environmental impacts from the production of raw materials right through to the point of sale. Through consultation in the expert community and reviews of relevant current industry and academic publications we concluded that our most significant environmental impacts are greenhouse gas emissions (GHG), water use, land use, air pollution and waste. It is these impacts that are therefore included in the PUMA **E P&L**. The diagram below illustrates some of the processes that cause these impacts along our supply chain.

For the full set of 2010 results of the PUMA **E P&L**, [> please click here.](#)

-  → GHGs
-  → WATER
-  → LAND USE
-  → AIR POLLUTION
-  → WASTE

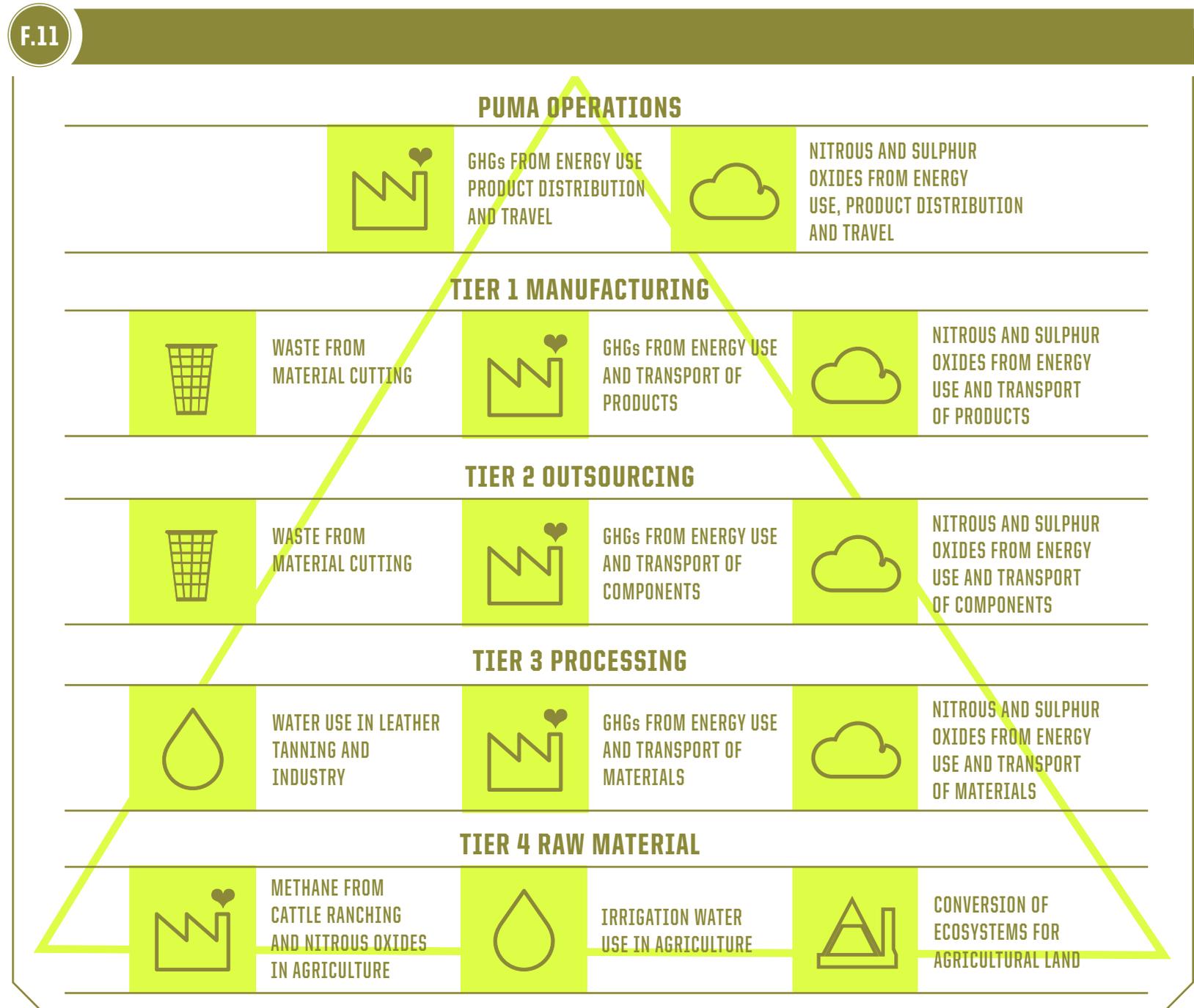


Figure 11: PUMA's supply chain and related environmental impacts

# ENVIRONMENTAL TARGETS 2015

In 2009 PUMA defined through its Sustainability Scorecard the environmental targets to be achieved by 2015. The scorecard was divided into three sections focusing on PUMA's operations, products and the supply chain and is based on the environmental KPI collection, which was established in 2005 and has been improved over the years. The targets set until 2015 are savings of 25% on water, energy and a 25% waste reduction globally on the operational side (\*excluding third party owned warehouses and franchised shops) compared to a 2010 baseline. PUMA's Environmental Key Performance Indicators (E-KPIs) are frequently measured against the set target. Through the globally used software tool Enablon we have ensured that the same data collection and analyzing system is used throughout the group. PUMA has offset its Carbon Emissions from own entities for Scope 1 (direct emissions) and Scope 2 (indirect emissions) since 2010 covering the 2009 and 2010 reporting period so far.

Within the supply chain we have concentrated first on our strategic suppliers globally. Until 2015 all our strategic suppliers are asked to reduce their E-KPIs by 25%. This applies to energy, CO<sub>2</sub> emission, water and waste.

By 2015 PUMA plans to offer at least 50% of their products made of more sustainable materials compared to the original material according to the PUMA Sustainability Index, PUMA S-Index. The S-Index defines the sustainability of a material and takes into account working conditions at the product manufacturer as well as environmental aspects of the production process.

In 2011 the environmental non-governmental organization Greenpeace launched the global campaign 'Detox' to stop discharging harmful substances into open waters. The campaign was targeted at the textile industry and the main sporting goods companies. In line with PUMA's long-term sustainability program, we recognize the urgent need for reducing and eliminating industrial releases of all hazardous chemicals. According to our approach based on prevention and precau-

tionary principles, PUMA is committed to eliminate the discharges of all hazardous chemicals from the whole lifecycle and all production procedures that are associated with the making and using of PUMA products by 2020.

PUMA was the first brand which committed to this ambitious goal and came to an agreement with Greenpeace in late 2011 in order to guarantee a zero discharge until 2020. Together with other industry peers PUMA developed an ambitious roadmap in order to ensure these goals. At the same time PUMA informed its suppliers about the campaign and started to develop its internal program based on detailed capacity building projects, information tools as well as on-site measuring of harmful substances in wastewater. The existing PUMA Restricted Substances List (RSL) was adjusted in 2011. In addition, we have established a so-called Manufacturing Restricted Substances List (M-RSL) adding the eleven harmful substance groups not to be used in the manufacturing process as requested by Greenpeace. The results of the PUMA E P&L showed that

the major impact on ecosystem services is caused by the supply chain and especially by the raw material production while PUMA's operations have a minor impact only. The achieved results can be seen as an excellent platform to establish a process addressing the supply chain aiming to improve the overall environmental impact.

Based on the results of the **E P&L**, PUMA is in the process of adjusting the sustainability scorecard in order to meet the requirements as well as to design capacity building projects for the supply chain.

Two years ago, PUMA established a sustainability advisory board, which met twice in 2011. The intention of this advisory board is to consult us on our mission. The board consists of six members from industry, non-governmental organizations and public institutes and has the duty to advise PUMA on its sustainability approach.

In order to support the sustainability initiatives within its departments, PUMA in 2011 recruited four sustainability managers for PUMA.SAFE, footwear, apparel and accessories.



The upper of the **TEKKIS JAM** is made of organic cotton.

F.12

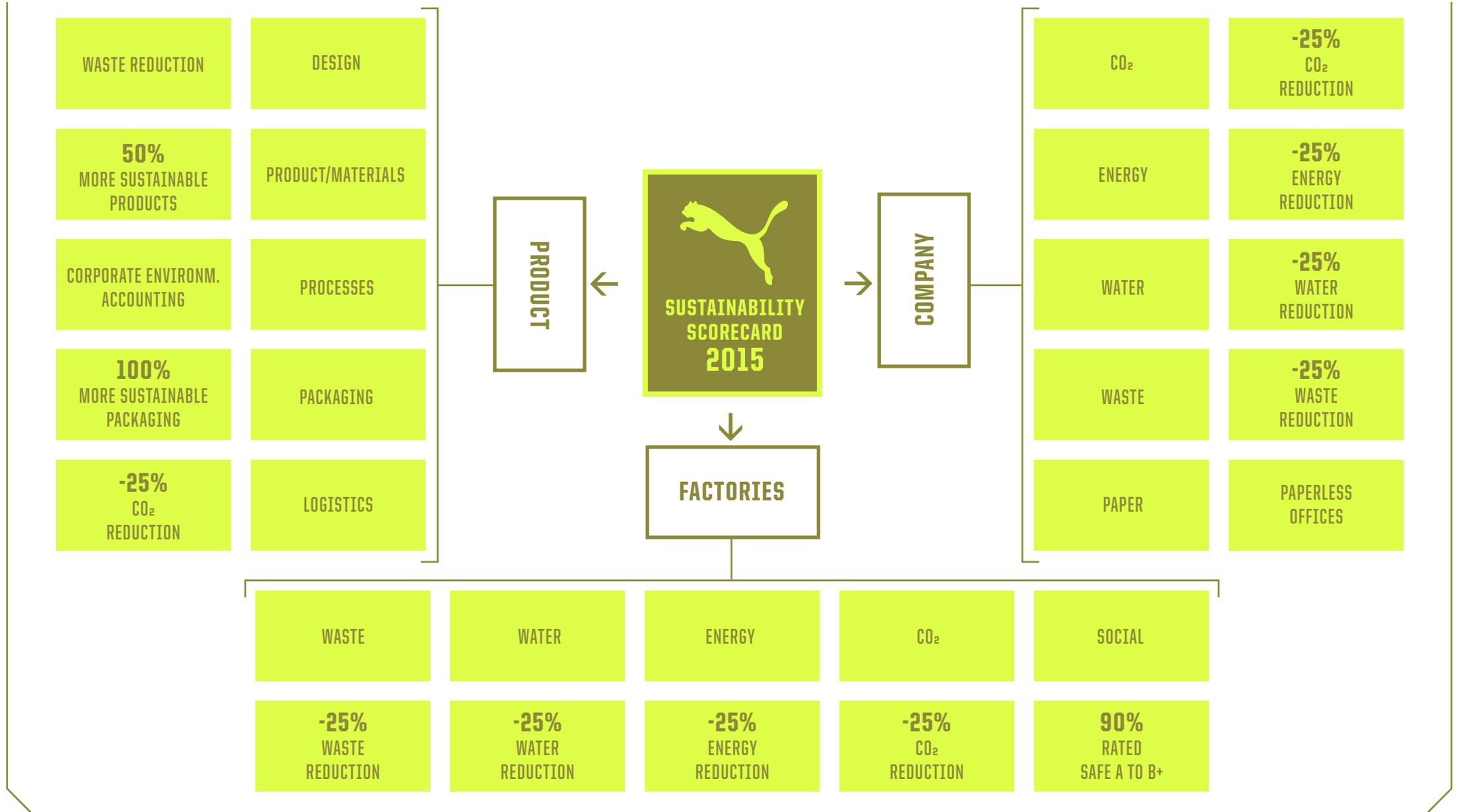


Figure 12: PUMA Sustainability Scorecard 2015