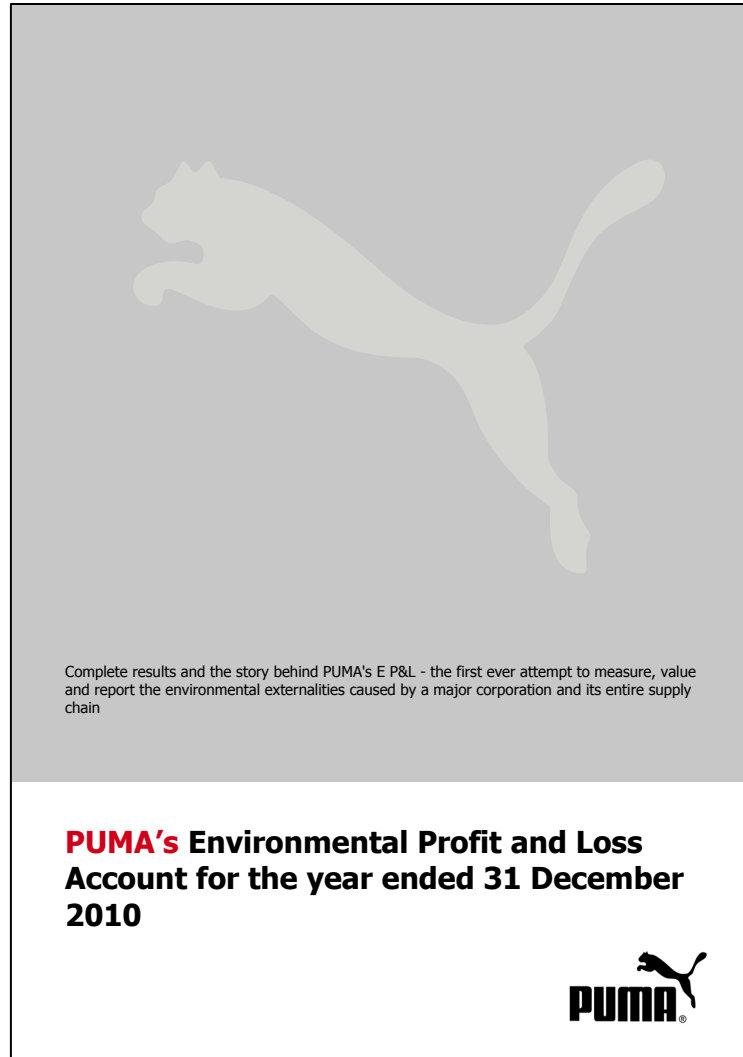


Puma and the Environmental P&L



*Download the report
from Course Resources!*

Puma's Accounting Revolution...



Environmental Reporting – Puma Shows the Way...

Puma: “What is our Environmental Impact...”



...from all of these products?

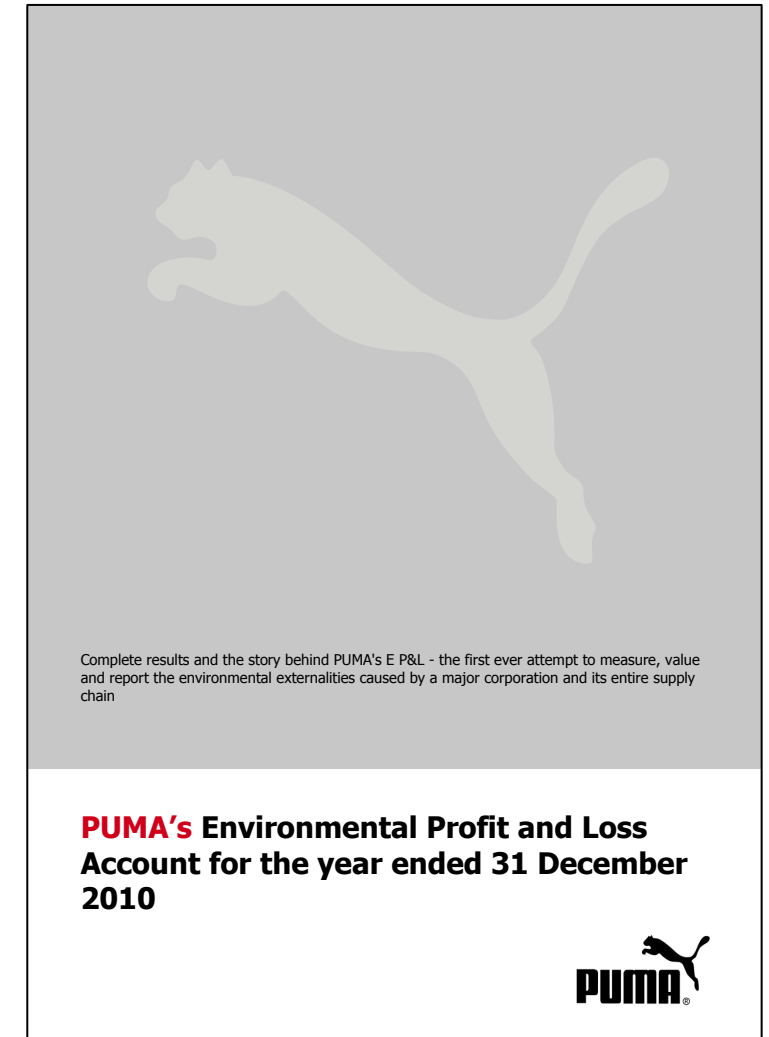
Puma's Accounting Revolution...

And how would they know if they improved anything?



Jochen Zeitz
Former CEO – Puma

The first
Environmental
Profit & Loss
Account - 2010



How do we know we're having an impact?

The Environmental P&L...

“An Environmental Profit & Loss Account is a means of placing a monetary value on the environmental impacts along the entire supply chain of a given business.”

Puma
2010 EP&L Report

Why do this?

- Understand the environmental risks associated with the business
- Identify the environmental “hotspots” along the supply chain
- Target opportunities for improvement

How do we know we're having an impact?

PUMA's environmental impacts

The E P&L aims to cover all significant environmental impacts from the production of raw materials through to the point of sale. PUMA outsources the majority of its production and classifies its supply chain in four Tiers.

Area	Typical activities		
PUMA Operations	<ul style="list-style-type: none">• Offices• Shops	<ul style="list-style-type: none">• Warehouses• Business travel	<ul style="list-style-type: none">• Logistics• IT
Tier 1 suppliers	<ul style="list-style-type: none">• Shoe manufacturing	<ul style="list-style-type: none">• Apparel manufacturing	<ul style="list-style-type: none">• Accessory manufacturing
Tier 2 suppliers	<ul style="list-style-type: none">• Outsole production• Insole production	<ul style="list-style-type: none">• Textile embroidery and cutting• Adhesive and paint production	
Tier 3 Suppliers	<ul style="list-style-type: none">• Leather tanning• Petroleum refining	<ul style="list-style-type: none">• Cotton weaving and dyeing	
Tier 4 suppliers	<ul style="list-style-type: none">• Cattle rearing• Rubber plantations	<ul style="list-style-type: none">• Cotton farming• Petroleum production	<ul style="list-style-type: none">• Other material production

Image Source: Puma EP&L, p. 6.

Puma's Environmental P&L...

How do we calculate an Environmental P&L? Good question!

Calculate the
company's
environmental impact:
(kg of CO₂ produced)

X

Cost per unit of
environmental impact:
(\$ per kg of CO₂
produced)

=

Operational cost
associated with
environmental impact

- ISO 14040
- Life Cycle Analysis (LCA)
- Eco-Footprints
- Environmental Audits

- *Market Prices (e.g., carbon)*
- *Abatement costs*

Puma's Environmental P&L...

Step 1. Calculate Puma's cost of GHGs emitted...

717,500 tonnes of
GHG's emitted
(in CO₂e)

X

66€ per tonne of CO₂e

=

47.4M Euros

- Puma's Internal Operations & Suppliers
- Trucost's Economic Input-Output Model

- *Average based on the 2010 Social Cost of Carbon report by Richard Tol, "The Economic Effects of Climate Change", J. of Econ. Perspectives, Vol. 23 (2), 2009.*

- *Environmental cost associated with GHG emissions from Puma & its Suppliers*

Repeat the process for the remaining environmental impacts...

Puma's Environmental P&L...

Which environmental impacts?

- Greenhouse gas emissions (tonnes* emitted)
- Water Use (volume used)
- Land Use Conversion (area of land converted)
- Air Pollution (tonnes emitted)
 - SO₂, NH₃, NO_x, CO, VOC's, PM
- Waste (tonnes of waste to LF & Incineration)

* 1 tonne = 1000 kg = 2200 lbs = 1.1 tons



Puma's Environmental P&L...

The Results...

EUR million		Water use	GHGs	Land use	Other air pollution	Waste	TOTAL	% of total
		33%	33%	25%	7%	2%	100%	
TOTAL	(Million Euros)	47	47	37	11	3	145	100%
PUMA operations		<1	7	<1	1	<1	8	6%
Tier 1		1	9	<1	1	2	13	9%
Tier 2		4	7	<1	2	1	14	9%
Tier 3		17	7	<1	3	<1	27	19%
Tier 4		25	17	37	4	<1	83	57%

Puma's Environmental P&L...

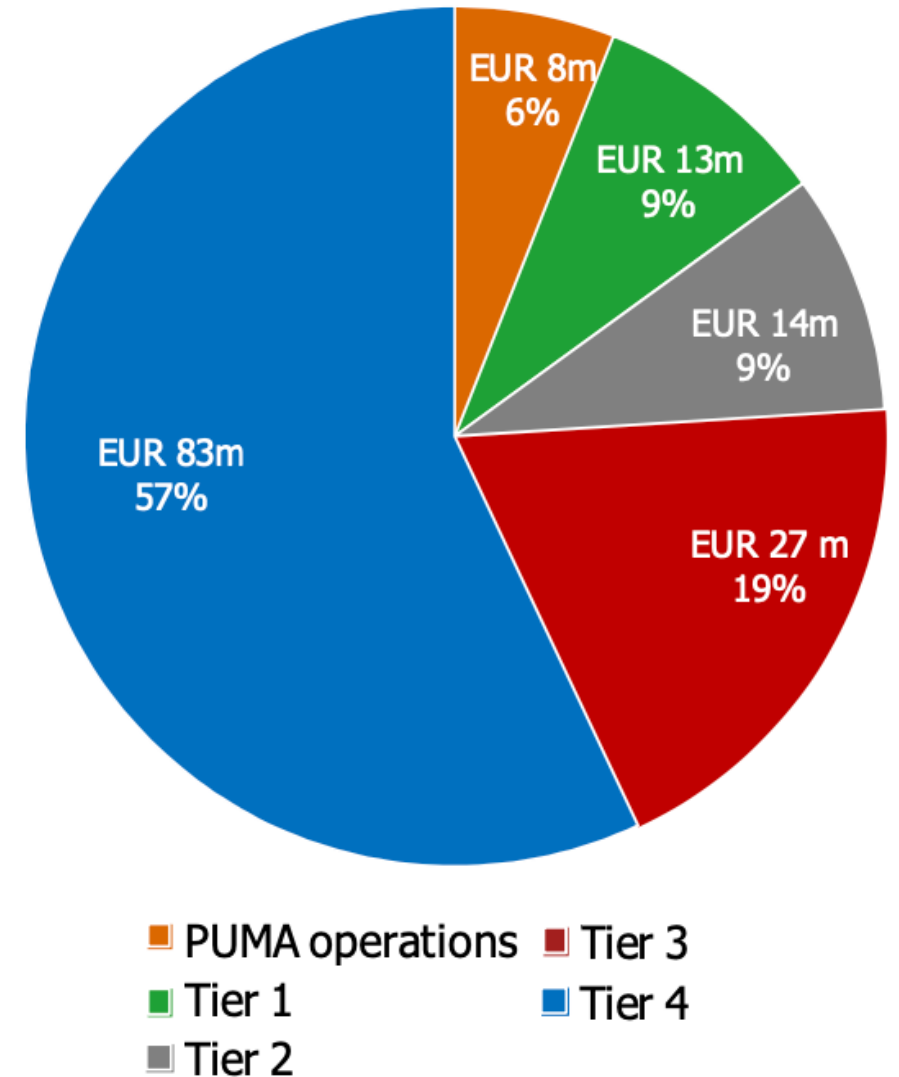
The Results...

Total Impact: 145M Euros

- 5.3% of Total Sales
- 72% of Net Earnings

More than ½ associated with Tier 4 suppliers:

- Cotton Farming
- Cattle Farming
- Rubber Plantations



Puma's Environmental P&L...

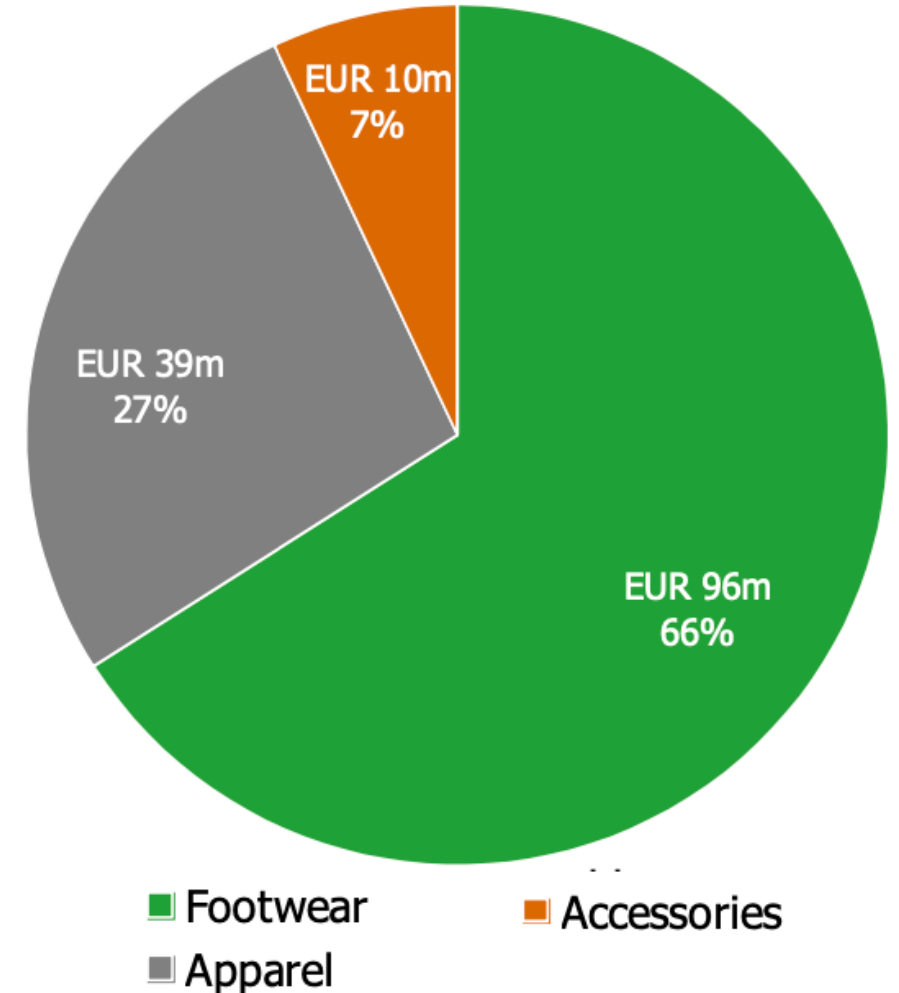
The Results...

By Product Line

- Most impacts come from footwear (66%)
- Followed by apparel (27%)
- Accessories (7%)

Footwear - Impacts come from:

- leather production
- cattle farming



Puma's Environmental P&L...

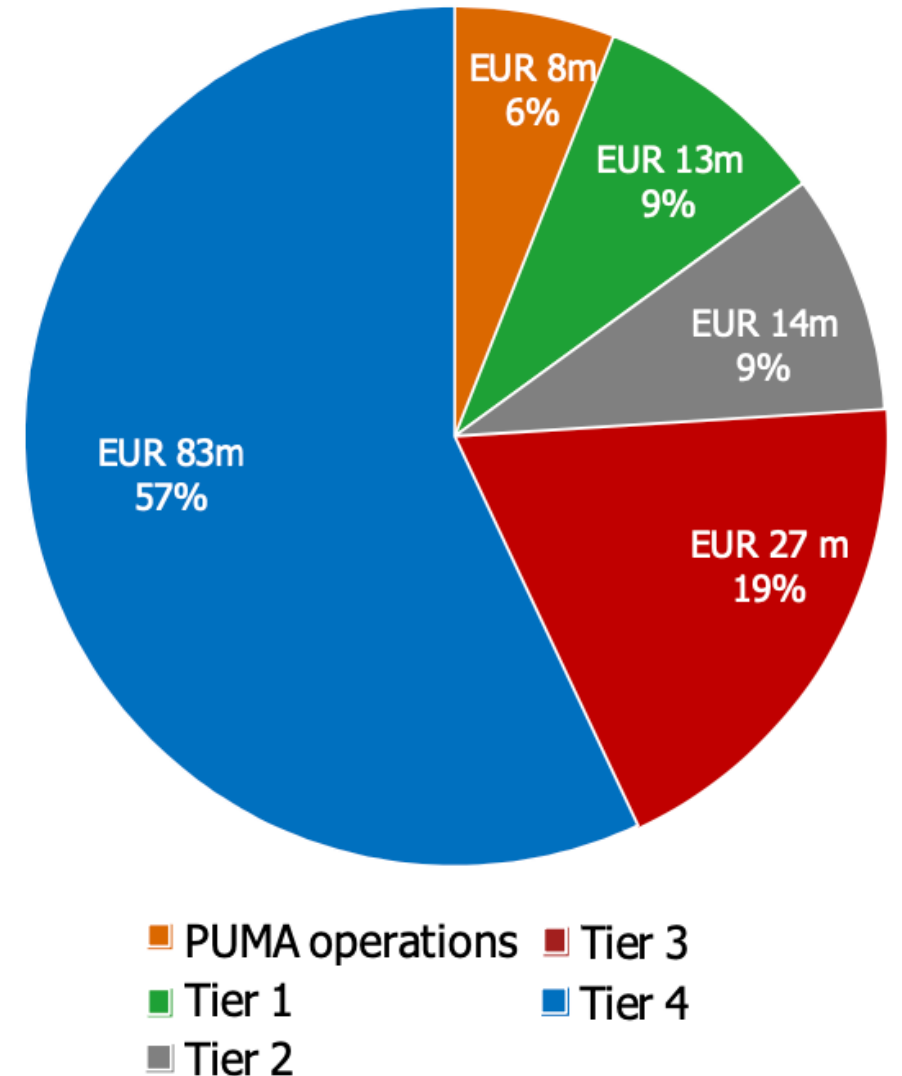
The Results...

Ok, now what?

Puma incorporated the Environmental P&L into its corporate planning process.

Most impacts were in Tier 2-4, launching a new effort to look at reducing impacts from the supply chain.

Acquired by Kering in 2007, which now creates an EP&L for its entire line of businesses.



Main Takeaways...

Puma launched an accounting revolution by simply asking the question:
“What is the environmental impact of our products?”

Working with Trucost (environmental analysis) and Price-Waterhouse-Coopers (accounting firm) to help develop the full financial analysis.

Looked at 5 environmental impacts across its entire supply chain:

- Greenhouse Gas Emissions
- Water Use
- Land Use
- Air Pollution
- Waste

Most impacts were at the beginning of the process: agriculture and cattle farming.

The results were incorporated into strategic plans to reduce Puma’s environmental impacts across its product line and supply chain.

Next Time...

Sustainability Reporting



Credits & References

Slide 1: Screenshot of Puma's Environmental P&L Report, download the report at <https://about.puma.com/en/newsroom/corporate-news/2011/11-16-11-first-environmental-profit-and-loss>.

Slide 2: 17 Global Goals Concept Earth Plexus Design in Moss Forrest Background SDGs by brutto film, Adobe Stock (456809396.jpeg).

Slide 3: Puma Shoes Image Source, Vincent van der Heijden, CC BY 2.0 <<https://creativecommons.org/licenses/by/2.0>>, via Wikimedia Commons (accessed June 29, 2022). Puma Logo Image Source, Pumuky320ci, CC BY-SA 4.0 <<https://creativecommons.org/licenses/by-sa/4.0>>, via Wikimedia Commons (accessed June 29, 2022). Puma Soccer Shirt Image Source, James Boyes from UK, CC BY 2.0 <<https://creativecommons.org/licenses/by/2.0>>, via Wikimedia Commons (accessed June 29, 2022). Puma Jacket Image Source, Pumuky320ci, CC BY-SA 4.0 <<https://creativecommons.org/licenses/by-sa/4.0>>, via Wikimedia Commons (accessed June 29, 2022). Puma Racing Gloves Image Source, F1fans, CC BY-SA 4.0 <<https://creativecommons.org/licenses/by-sa/4.0>>, via Wikimedia Commons (accessed June 29, 2022).

Slide 4: "Fortune Brainstorm Green 2013" by Fortune Live Media is licensed under CC BY-ND 2.0.

Slide 15: Diagram of sustainability by Dmitry, Adobe Stock (86399715.jpeg).