

SUSTAINABLE BUSINESS PRACTICES BY THE SPORTS INDUSTRY: A CASE STUDY OF PUMA

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Abstract

Tokya 2021 Olympic Games is the best example to witness the increased focus on “sustainability” by the world of sports. Earlier sports were only competition and profits but now, the impact surrounding these events is considered. The Olympic Games are historically one of the biggest carbon emitting sports events. To reduce the same, various initiatives like use of electric vehicles, recycled materials, etc. were taken during the Olympics 2021. On the similar lines, various sports companies have also started following the sustainable business practices. In a research conducted by German magazine ‘Stern’ and research organization ‘Statista’, Puma has made it as the most sustainable company in the textile and sportswear industry. The present study is a case study of the sustainable business practices followed by Puma.

Keywords: Sustainability, Carbon Emitting Sports Events, Recycled Materials.

Introduction

Puma is a multinational corporation based in Germany, that designs and produces athletic and casual footwear, apparel, accessories. It was founded by Rudolf Dassler in 1948 and is headquartered in Herzogenaurach, Bavaria, Germany. Puma is one of the world’s leading sports brand. In 70 years, the brand has successfully able to establish a history and build a reputation as a manufacturer of fast product designs for energetic and fastest athletes on the planet: enhancing areas like Football, running and training, golf and motorsports with its high-performance and athletics inspired lifestyle products.

Sustainability is all about satisfying our need without compromising the ability of future generations meets their needs. Sustainability is not just about taking care of environment but also social and environmental resources. Taking steps towards sustainability whether large or small can have important impact in the long run. Puma understands these problems and takes all actions not only just focused on a few projects but also in their products to make a real positive impact.

In the last few years through their better cotton initiative, Puma saved around approx. 15.5 million bathtubs of water. After reaching their already set goals a long before expected, Puma had set their limits for 2020 to use more sustainable resources for the manufacture of their products, which includes bluesign certified polyester.

Bluesign certified polyester is a production standard which reduces the use of harmful chemicals from the manufacturing process and also reduces cotton from the better cotton initiative, with an aim to improve the environmental, social and economical impact of cotton production. Puma’s new target is their sustainability strategy which not only focuses sustainable collections but full-fledged sustainable product ranges.

“By focusing on PUMA’s entire range, we can make a much larger positive impact and save a considerable number of natural resources,” said Stefan Seidel, PUMA’s Head of Corporate Sustainability.

This report contains Puma’s new sustainability targets in the coming years as well as targets achieved in the past.

PUMA’s Mission Statement

PUMA’s mission is “to be the fastest sports brand in the world.”

Faster is how PUMA will work towards a more just and sustainable future, accelerating positive change within the industry and the world.

PUMA achieves this by considering the welfare and best interests of:

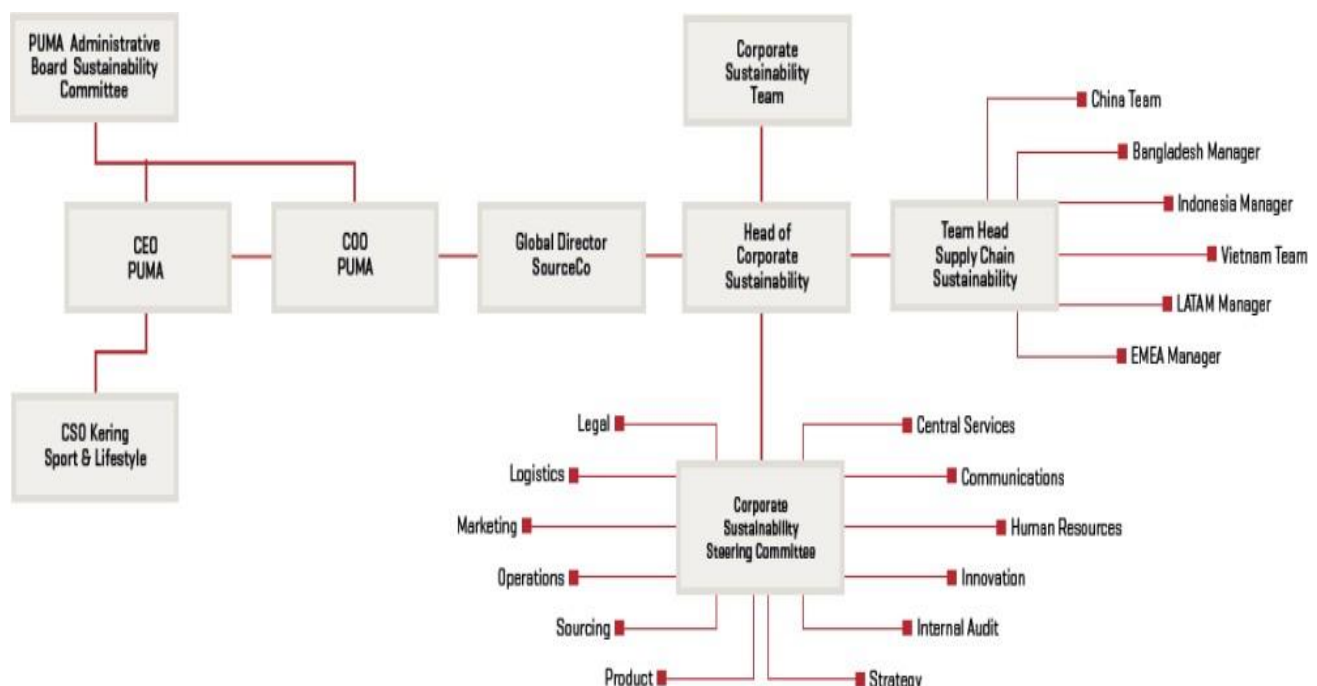
- the consumers of PUMA products
- the workers who make them
- the environment that provides the resources for their manufacture

PUMA aims to do this while striving to make the business profitable and continuously optimizing the benefits for their stakeholders.

PUMA's Sustainability Strategy

In line with their “Forever Faster” transformation, PUMA has refined its global sustainability strategy that balances three dimensions—Economic, Social, and Environment to achieve sustainable business goals and development. The new strategy includes a drive to mainstream sustainability, create impact and ensure industry alignment.

Sustainability Organization within PUMA



PUMA's Sustainability Milestones

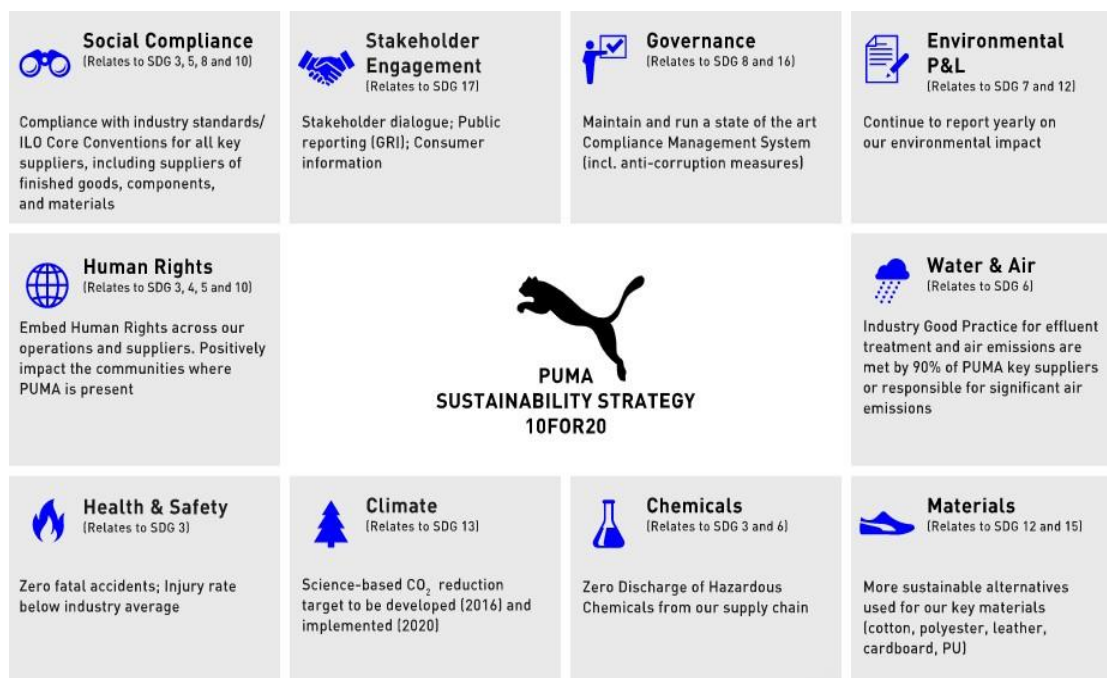


Impact made in 2019

- Commitment and Agreement of a Science Based Carbon Emission Target along with a significant reduction of greenhouse gas emissions by investing into renewable energy and renewable energy at PUMA and its supplier's facility.
- The social compliance program got re-accredited by the Fair Labor Association

- ☐ Achieved zero fatal accidents at PUMA and its finished goods suppliers, simultaneously for the second year in a row
- ☐ Successfully surveyed more than 20,000 workers at suppliers for working conditions through mobile app
- ☐ An increase in the pass rate of the material tests for chemicals to 98.9% and wastewater tests at suppliers with wet-processing for chemical parameters to more than 94%
- ☐ Significant increase in community hours donated by PUMA staff globally
- ☐ Eliminated recruitment fees for migrant workers within the Tier 1 supplier base
- ☐ Launched Forever Better product sustainability platform
- ☐ Increased the usage of sustainable cotton from Better Cotton Initiative (BCI) to over 80%
- ☐ Increased the usage of certified polyester (bluesign® & OEKO-TEX) to over 90%

PUMA's 10FOR20 Sustainability Targets: Create Positive Impact



PUMA's 10FOR20 Strategy

PUMA's 10FOR20 sustainability strategy aims to create maximum positive impact on its surroundings. This is applicable for all their products, as well as for working conditions at PUMA and its supply chain, and the communities around them. As an organization PUMA wants to deeply integrate sustainability into all its core business functions and products. Doing this, sustainability strategy is integrated with the overall company strategy and aligned with the business goals.

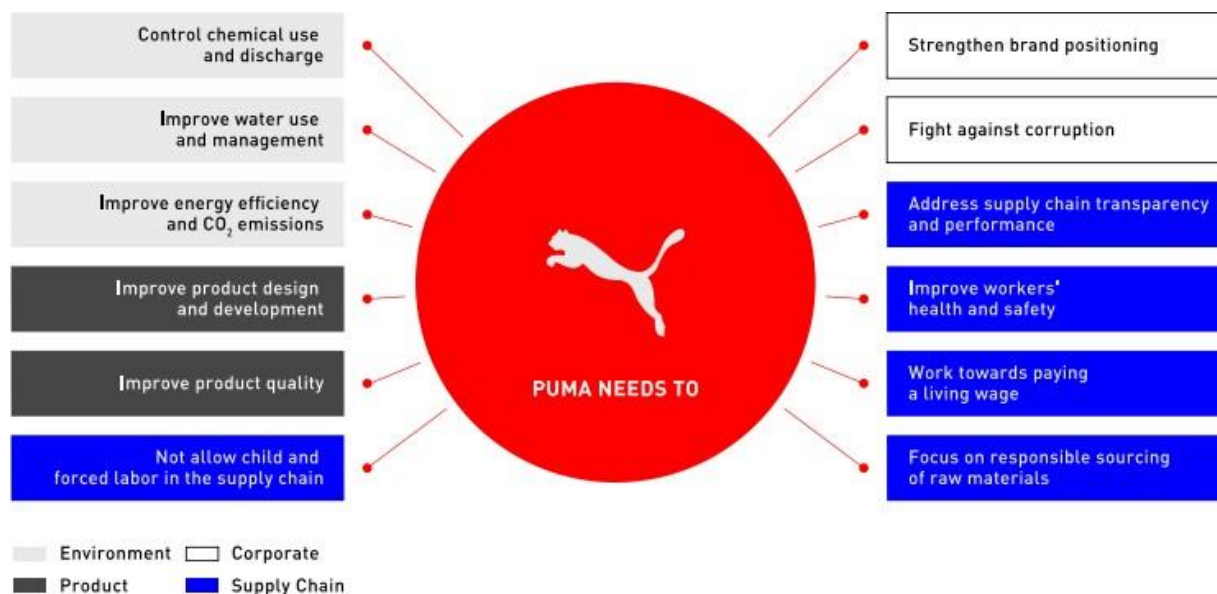
Stakeholder Dialogue

- ☐ The first global Stakeholder Meeting was held in 2003 and since then PUMA aim to align its sustainability program and actions with the expectations of their stakeholders. Therefore, they constantly involve and discuss with their investors, suppliers, customers, consumers, athletes, industry peers, NGOs, scientists and employees.
- ☐ These stakeholder meetings see the presence of representatives of various partners like NGOs, industry, suppliers, universities, private organizations such as WWF, bluesign®, Better Work, Borussia Dortmund, Harvard University which help PUMA to gain perspective to improve the sustainability performance of the materials used in their products.
- ☐ In 2019, for the first time, more than 50 relevant stakeholders were invited to PUMA headquarters in Herzogenaurach to discuss around various topics which could help PUMA improve their approach towards sustainability.

- In addition to this they also conducted supplier round tables in all major sourcing regions (China, Vietnam & Cambodia, Bangladesh, Indonesia, India, Europe & Africa, and Latin America) where more than 600 suppliers participated. This gave them an opportunity to discuss their sustainability vision with the manufacturing partners and ensure their alignment towards the same.

PUMA's Most Material Aspects

The Feedback given from the stakeholders helps them to identify and focus on PUMA's most essential aspects with the highest impact on business success. These are separated into environmental, corporate, supply chain, and product related goals and strategies are built to achieve the targets.



Social Aspects

Puma's step to ensure Human Rights across its operations and suppliers has positively impacted the communities where PUMA is present. Sustainability policies of Puma are aligned with the United Nations Declaration of Human rights, the International Labor Organization's Core Labor conventions and the ten principles of the United Nations Global Compact. The main points which PUMA tries to cover under social aspects are:

- Identify Human Rights hotspots in the Supply Chain
- Mitigate the Risk of Forced/Bonded Labor
- Promote Community Engagement

Few steps taken:

- PUMA's constant efforts to embed human rights in the company's first Code of Conduct has been a pillar in guiding their business ethics since 1993. To align the sourcing practices with their Code of Conduct, they established a Responsible Purchasing Policy and a respective training program in 2019. Puma also conducted various human rights risk assessments at Corporate and Supply Chain.
- Puma took strict measures to mitigate the risk of forced and bonded labor the company by advising their suppliers to remove any recruitment fees in Mauritius. However, in Malaysia they stopped working with their one and only active supplier so that there are no recruitment fees at their Tier 1 suppliers.

- Puma has joined the Better Cotton Initiative in 2015, to ensure human rights are observed in cotton farming. Since then, they have scaled up the use of BCI Cotton from zero to 80% currently. At the end of 2020 they aim to increase it to 90% and at by 2025, the target is to purchase 100% of the cotton from certified, more sustainable sources (BCI and organic cotton, recycled cotton)
- Additionally, they have launched a community engagement program at PUMA because they have identified community engagement as an important tool to create a positive impact locally, including on Social and Human Rights causes. In 2019, PUMA colleagues around the globe spent 21,433 hours in community engagement work.

Social Compliance

Puma's strategies are in compliance with industry standards / ILO Core Conventions for all core suppliers which includes suppliers of finished goods as well as component and material suppliers.

- In 2019, they rolled out Social and Labor Convergence Program (SLCP) 2019 operations in China, partnering 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). A total of 43 PUMA China and Taiwan core T1 and T2 suppliers completed SLCP assessments.
- Heightened their collaborative efforts in this area to increase the percentage of shared audits with other companies from 39% to 43% of PUMA suppliers. By doing this, they aim to reduce costs and resources and maximize the efficiency to monitor the collective supply chain as an industry.
- In total, they conducted 475 audits in 418 factories with 94% of Tier 1 vendors earning a passing grade. Six percent of T1 suppliers failed to meet the requirements. If an active PUMA supplier couldn't meet requirements, they worked with these partners to improve the situation. 62% of those receiving a second audit received passing grades. Nine factories could not sufficiently improve their performance and were consequently removed from the active supplier factory base. Those that applied to be suppliers but failed their first audits were not admitted.

Factory audits	2019			2018		2017	
	T1	T2	Warehouses	T1	T2	T1	T2
A (Pass)	107	10	0	82	18	87	13
B+ (Pass)	126	17	1	148	29	122	27
B- (Pass)	121	10	0	128	42	118	34
C (Fail)	19	2	1	17	7	18	3
D (Fail)	4	0	0	5	8	9	1
Total	377	39	2	380	93	364	78
			418		473		432
Pass/Fail %	94/6	95/5	50/50	94/6	91/9	92/8	95/5

Audit Results 2017-2019

- PUMA also track social key performance indicators such as average payments vs. minimum wage payments, overtime hours or coverage by collective bargaining agreements.
- They have a team of compliance experts spread across all major sourcing regions, which regularly visit and audit the core manufacturing partners. They also employ external compliance auditors and work with the Better Work Program of the International Labor Organization. Each PUMA supplier factory has to undergo a mandatory compliance audit on an annual basis and any issues found need to be remedied through a corrective action plan.
- PUMA has also come up with worker compliance hotline. Phone numbers and email addresses of this hotline are visible on the Code of Conduct posters, which are displayed at every PUMA supplier globally. Additionally, they also use social media such as WeChat at selected core suppliers to establish more formalized compliance and HR apps.
- With this feedback system, 61 complaints issues across 7 countries were raised which are 39% more than in the previous year. PUMA's team efficiently resolved 100% of them. In India, one worker reached out to PUMA about a

compensation issue which broke their zero-complaints threshold.

- In addition to this, they received 11 third-party complaints from external organizations related to PUMA manufacturing partners. The third-party complaints focused on freedom of association, fair compensation and discrimination. All 11 third-party complaints were resolved by year end.

Worker Complaints	2019	2018	2017
Total received	70	88	81
Total Confirmed	61	44	74
Resolved	61	44	70
Not Resolved	0	0	4
Resolution Rate (in %)	100	100	94

Worker Complaints 2017-2019

- PUMA classifies any issues identified during its auditing and hotline activities are into zero tolerance issues (such as child labor or forced labor) critical issues and other issues.
- As the name suggests, zero tolerance issues lead to the immediate failure of an audit. In case of a new factory, this factory will not be allowed to produce PUMA goods. For an existing factory, zero tolerance issues must be fixed immediately through a root-cause analysis and preventive action must be taken to avoid the issue from reoccurring in the future. Failing to do so, business relationships will be terminated if the factory is not cooperating.

Country	2019	2018	2017	Grand Total
Cambodia		1		1
China	1	1		2
Indonesia	1	1	1	3
Vietnam	1	2	2	5
Grand Total	3	5	3	11

Zero Tolerance Issues in the last 3 year

- Puma has set up capability-building initiatives to make suppliers more resilient and self- sufficient. Human resource management workshops were launched at 10 PUMA footwear suppliers in China to improve HR management skills and educate HR managerial team members.
- In 2018 and 2019, PUMA started focusing on wage issues. They carried out a series of fair wage assessments at its core suppliers in Bangladesh and Cambodia, with the support of Fair wage Network. Based on their performance across 12 fair wage dimensions, some of them were certified by the Fair Wage scheme. A number of its other suppliers operating in those two countries were asked to implement a remediation plan to improve their pay practices.

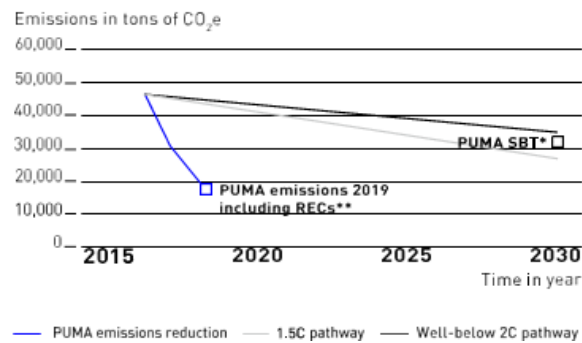
Climate Change

- In 2015, PUMA agreed to set a science- based CO2 emissions target during the UN Climate Conference in Paris. Their strategies and steps have helped in relative reduction of Scope 1,2 and 3 CO2 emissions by 3% per year.
- PUMA is making constant efforts to increase the use of renewable electricity by purchasing Renewable Energy Attribute Certificates (RECs) for those countries where PUMA has a major presence and renewable electricity cannot be purchased directly. They purchased RECs worth 50% of PUMA's emissions from electricity for 2018

retrospectively and this figure increased to 75% in 2019.

- By adopting this practise, they managed to lower the combined Scope 1 and 2 Emissions by 38% compared to 2018 and 63% compared to 2017. Taking the RECs into account, PUMA achieved their target for reduction of Science Based Emissions by 35% for Scope 1 and 2 Emissions in 2019, one year ahead of the schedule.

AGREED EMISSION TARGETS (SCOPE 1&2) (t CO₂e)

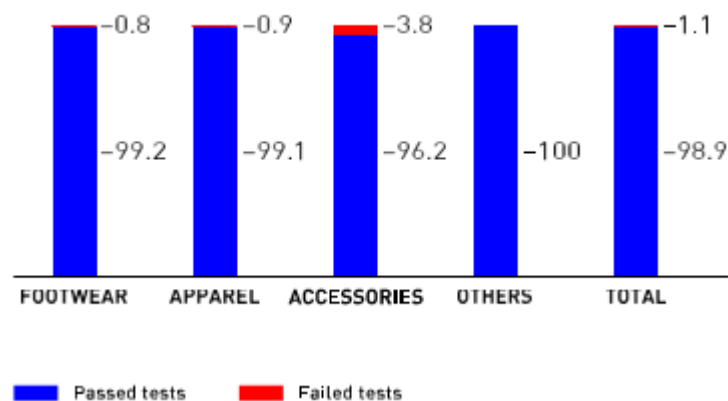


- PUMA expanded the reach of their energy efficiency programs to China and Taiwan by joining the Clean by Design Program of the Apparel Impact Institute in attempt to balance their increasing Scope 3 emissions.
- As a result of tireless efforts to ensure sustainability, four of PUMA's fabric producers with wet-processing units have been entered into the Clean by Design program in the first phase and two more will be engaged in the first batch 2020. PUMA will try to expand the coverage further to make this program successful.
- PUMA became a part of WWF's Low Carbon Manufacturing Program to reduce the Tier 1 carbon footprint further. They enrolled their largest garment factory to participate in the starter phase to identify energy saving opportunities and provide online carbon accounting training.
- The program that was launched in Vietnam, in partnership with IFC, has shown positive results, with 5500 tons of CO₂ saved from energy efficiency measures. Their vendors also committed to install 2 megawatt hours of solar panels to create electricity.

Chemicals

- To ensure compliance with global chemicals regulations PUMA ensures that all the materials in all PUMA products are subject to their Restricted Substance List (RSL) testing program.
- Since 2015, PUMA has increased the number of RSL tests by 183 to 6605 while the failure rate decreased from 7.7% to 1.1%. Upon failing an RSL test, materials cannot be used for PUMA products until the failure is corrected and they successfully pass the test. This helps to mitigate the risk of product level RLS failures, of which there were none in 2019.

RSL FAILURE RATE 2019 BY DIVISION (%)



- PUMA stopped the intentional use of 11 priority chemical groups classified as particularly hazardous as part of their Greenpeace Detox commitment at their manufacturing units. This became possible due to the increase in use of bluesign® and OEKO-TEX certified materials as well as substituting PFC-based water-repellent finishes.
- With the help of footwear suppliers, they managed to further reduce the number of solvents or volatile organic compounds (VOCs) per pair of shoes to 15.6 g/pair in line with the 2020 target projection. This was achieved by frequent VOC reduction meetings with the footwear suppliers and chemical companies.

Water and Air

- With the constant dedication and steps taken at PUMA they have successfully met the Industry good practice for effluent treatment by 90% of PUMA core suppliers with wet processing facilities and Industry good practice for air emissions is met by 90% of PUMA core suppliers with significant air emissions.
- They increased the amount of wastewater testing from 33 suppliers to 70 suppliers and 125 test reports, since 2015, covering 90% of all core suppliers with industrial wet-processing facilities wastewater into natural water bodies. In addition to this, 16 out of 17 measured parameters show equally high compliance levels of more than 90%.
- One parameter, namely coliform bacteria* (70%) remained below the 90% compliance threshold against the ZDHC wastewater quality guidelines. They will work with the 30% non-compliant suppliers on the installation of disinfection units to hit the coliform bacteria target as well.
- They initiated wastewater treatment training, starting in Greater China, to further improve the wastewater quality performance. To strengthen this practise, they further plan to provide training sessions in all of their major sourcing regions.
- PUMA's investment and efforts in reducing the discharge of hazardous chemicals in the textile and footwear to zero reflects the positive impact on water and air.

Materials

- Emphasis on using sustainable material alternatives for PUMA's key materials: cotton, polyester, leather, polyurethane and cardboard.
- They have placed a high priority on the large-scale use of more sustainable raw materials. As part of our 10FOR20 strategy, their target is to use more sustainable raw materials used in the apparel, such as cotton and polyester, but also for footwear leather, polyurethane and cardboard.
- With the exception of polyurethane (PU), PUMA had already achieved their targets by the end of 2018. They have increased their level of ambition for certified cotton and polyester from 50% to 90%, and added OEKO-TEX to the list of applicable certification standards for polyester. The material sourcing teams instructed and motivated

the material vendors to purchase more sustainable cotton and certified polyester where feasible.

- The initiatives taken so far has resulted in 82% cotton from the Better Cotton Initiative and organic cotton, and 98% certified polyester in the apparel ranges and exclusive use of certified polyester in their accessories division.
- They have piloted water-based PU which is more sustainable in 2018 and so far have sold approximately 300,000 pairs of sneakers using water-based PU. Due to high in cost, they have restricted the use of PU.

Environment Profit and Loss (EP&L) Impact

- In 2011, PUMA became the first company to implement the Environmental Profit and Loss Account – the EP&L. With this, they treat the environment as an equal partner who bills them for providing clean water and air, restoring soils and the atmosphere, and decompose waste.
- An Environmental Profit and Loss Statement summarizes the externalized (not directly paid) cost to society caused by the environmental impact of an organization.
- PUMA pledges to regularly publish updated PUMA EP&L data and introduce industry aligned product sustainability tools for design and development

Health and Safety

- PUMA ensures safe working conditions for their own employees and the indirect employees at their manufacturing partners. In 2015, they aimed at zero fatal accidents and also set a target to reduce the number of work-related accidents.
- Apart from the ongoing auditing program, which includes occupational health and safety assessments, they have also implemented the Building Safety Program in countries where they have identified a risk. In addition to this they have conducted risk assessments at all major manufacturing partners.
- From 2015 till the end of 2019 their building safety assessment program covered the following countries:

Country	No Factories	Comments
Bangladesh	11	Part of our ongoing membership of the Bangladesh Accord ↗
India	8	In partnership with Asia Inspection
Indonesia	4	In partnership with Asia Inspection
Pakistan	6	In partnership with Elevate

- Their efforts have succeeded in achieving zero fatal accidents for the years 2018 and 2019, as well as slightly reduced accident rates at the core suppliers.

Country	Injury Rate 2017	Injury Rate 2018	Injury Rate 2019
Bangladesh	0.7	0.3	0.3
Cambodia	1.2	3.2	0.5
China	0.8	0.8	0.5
Indonesia	0.4	0.3	0.2
Vietnam	0.4	0.3	0.3
Average	0.6	0.6	0.5
Fatal Accidents	1	0	0

Governance

Compliance Management System

- PUMA is a sports company having its presence globally, which aims at sustainable growth and innovation. PUMA recognizes the legal and reputational risks inherent in running a global business in a fast-paced environment where laws and customs differ from country to country. In accordance with the Corporate Governance Report, PUMA has set up a Compliance Management System (CMS) to systematically prevent, detect and address violations in the areas of corruption, money laundering, conflicts of interest, antitrust law, fraud and embezzlement.

Code of Ethics

- The PUMA Code of Ethics sets out the principles governing all their actions and values. It contains rules on the handling of conflicts of interest, personal data, and insider information, and prohibits anti-competitive behavior as well as corruption in any form withing the organization

Anti-Corruption Measures

- PUMA, they have a zero-tolerance approach regarding bribery and corruption in any form, and this is clearly communicated to the employees by top level management. Prevention of bribery is one of the key aspects of the Compliance Management System.
- They also ensure to implement the Anti-Corruption measures at PUMA suppliers. the PUMA Vendor Code of Conduct comprises a paragraph on Ethical Business Practices and the PUMA supplier compliance audit tool includes several questions on Anti-Corruption.
- Each year, they train their suppliers on Anti-Corruption measures during the Supplier Round Table Meetings. As a result, they increased the training coverage among the Core Suppliers from 93% to 99% in 2018

PUMA's Sustainable Ambitions for 2025

- **Human Rights:** Ensure to embed human rights and compliance to ILO Core Conventions in all the operations and suppliers. Making a positive impact on communities where PUMA is present.
- **Climate:** Taking a leading and challenging role in Climate Action within the industry and implementing the existing science-based greenhouse gas reduction target.
- **Circularity:** Adopting a more circular business model.
- **Products:** Ensuring 90% of the products contain more sustainable materials and components.
- **Chemicals:** Eliminating the discharge of all hazardous chemicals from their supply chain.
- **Plastic and the Ocean:** Joining forces on reducing plastic pollution.
- **Water and the Air:** Meet industry good practice on waste-water quality and air emissions to 90% at PUMA core suppliers.
- **Biodiversity:** Celebrating biodiversity by using certified and traceable materials.
- **Health and Safety:** Reducing injury rates significantly to achieve zero fatal accidents and injury rates below industry average.
- **Fair Income:** Mapping and improving wage practices in major sourcing countries.
- **EP&L:** Commit to publish our EP&L and reduce its value relative to sales year on year.

CONCLUSION

Sustainability is an issue of concern and Puma has successfully understood this problem as well as it has taken major steps towards it in the past and continues to do it even in the future to create a real positive impact on the environment. Puma is a responsible company which sets its goal for every year and aims to achieve it with all the possible efforts. In line with their “Forever Faster” transformation, PUMA has refined its global sustainability strategy that balances three dimensions—Economic, Social, and Environment to achieve sustainable business goals and development. The new strategy includes a drive to mainstream sustainability, create impact and ensure industry alignment.

Puma made some substantial impact in 2019 as well as 2020 which includes commitment and agreement of a Science Based Carbon Emission Target along with a significant reduction of greenhouse gas emissions by investing into renewable energy and renewable energy at PUMA and its supplier’s facility, the social compliance program got re-accredited by the Fair Labor Association, achieved zero fatal accidents at PUMA and its finished goods suppliers, simultaneously for the second year in a row, ensuring 90% of the products contain more sustainable materials and components, removing the discharge of all hazardous chemicals from their supply chain and many more. The company now is all set to make much greater impact and achieve all its sustainability missions even in the future successfully.

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