SUSTAINABILITY: SOURCING

Recent comments from Puma's executive chairman make it clear that demands from the sports brand for improvements in environmental performance from its suppliers of leather, natural rubber and cotton are intensifying.

Puma puts pressure on raw materials suppliers

Puma's persistent push towards a more sustainable supply chain continues. The company announced a new series of commitments on sustainability, its S-Index, in April 2010 and published its first environmental profit and loss account to much acclaim in November 2011.

Now its executive chairman and former chief executive, Jochen Zeitz, has raised the subject of sustainability again, this time emphasising the role that Puma's suppliers, rather than the sports brand itself, must play. He travelled to Rio de Janeiro at the end of June for the global conference on the environment that the United Nations organised to mark the twentieth anniversary of the original Rio Summit. There, he got into conversation with the *Financial Times* and made fiercely critical remarks of his company's raw material suppliers, with particularly harsh messages for the tanners that supply Puma's leather. In its environmental profit and loss account, Puma said that 57% of all environmental impacts are associated with the production of raw materials, natural rubber and cotton as well as leather, but it was the main material for the sports company's main product line, shoes, that seemed to be occupying his thoughts most during the June visit to Brazil.

In his remarks to the *Financial Times*, Mr Zeitz said: "I think eventually we'll have to look at alternative materials, there's no question about it. We should eat less meat, all of us, and we should use less leather, I mean that's reality. We all know that cattle and beef are among the biggest contributors to carbon emissions." He pointed out that Puma now has a meat-free Monday policy in its staff restaurants. Not everybody shares his personal point of view.

Unfair criticism of cows

In the days following the report from Rio, the FT published a letter from the authoritative publication *World Leather* pointing out that Mr Zeitz's criticism of cows here is less than entirely fair. An influential academic from the University of Colorado, who acts as a consultant to the US beef and cattle industry, Dr Temple Grandin, has made the point that much of the agricultural land on the face of the earth is unsuitable for growing crops and that allowing cattle, sheep and goats (the mainstays of the leather industry) to graze there is the best way of using that land to grow food.

Furthermore, she insists that a correctly used rotational grazing system is an effective way of encouraging plant growth on land unsuited to growing crops, which in turn helps capture more carbon from the atmosphere. "Ruminant animals that eat grass are not the environmental wreckers that some people say they are," the Colorado-based academic wrote in an essay for the *New York Times* earlier this year. She suggested good cattle farming may compare favourably with rice production. Although it is a hugely important food source in many parts of the world, Dr Grandin said rice paddies, with their warm, waterlogged soil, are likely to account, along with coal-fired power stations and landfill sites, for 80% of methane emissions. Cows, meanwhile, are offsetting their own carbon emissions by eating grass on grazing land and stimulating new carbon-capturing plant growth.

Amazon alert

Jochen Zeitz's other objections to leather are particularly relevant to Brazil, where he had the conversation with the FT. For three years now, campaign group Greenpeace has been arguing that there are links between illegal deforestation in Amazon regions and the global leather industry. It says the hides of cows farmed on the deforested land are going to tanneries that supply prominent footwear and fashion brands around the world. Greenpeace's continued

A new Puma Wilderness line of apparel, footwear and accessories inspired by the landscape and climate of Africa featured in its spring-summer 2012 collection. Primarily sourced and produced in Africa, with a long-sleeve shirt made from Fairtrade cotton and a Terrae Mid Africa boot with a distressed suede upper developed and produced entirely in Africa.

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accusations against one meat and tanning group, JBS, landed it in a Brazilian court in June. JBS refuted each of a series of specific criticisms in a document in which the campaign group named JBS suppliers that it said were raising cattle on illegally cleared Amazon land. JBS said that the information was incorrect and a judge agreed, ordering Greenpeace to stop its campaign in Brazil or face a *daily* penalty of $25,000 in damages.

Apart from deforestation, cattle ranches in the Amazon have faced criticism for their treatment of indigenous peoples, another detail that Puma has picked up on. But for some time now, the Brazilian government has been monitoring the situation in its Amazon regions very carefully and has started publishing a list of farms that breach its protocol. The major tanning groups have access to the list and know which sources of hides to avoid. For this reason, practically the entire Brazilian leather industry has no connection whatsoever to illegally deforested land.

Sourcing options

WSA has suggested to Puma that if the efforts of Brazilian tanners to convince it that their leather is environmentally sound are failing, it could safely source most of its leather from other parts of the world. European raw material would probably cost it more money, but something else that would be exceptionally interesting would be if Puma decided to state a preference for sourcing African leather, as the S-Index does with regard to African cotton (see panel).



Atlético Madrid striker Radamel Falcao scored two goals and was voted best player in the 2012 Europa League Final wearing Puma v1.11 boots, with an upper made from "a supersoft premium lightweight microfibre material" rather than leather.

Puma

A repeat of earlier messages

The company's corporate communications director, Kerstin Neuber, insists that Mr Zeitz's comments only repeat earlier messages on this subject. Puma's analysis shows that the biggest sources of environmental impact in its value chain are not its core operations but the companies it calls its tier-four suppliers, those involved in producing raw materials for Puma shoes and clothes from natural resources. Tier four of the supply chain represents materials in their raw state, for example cotton plants, raw hides and rubber trees. "Leather and cotton production require significant quantities of water, land, herbicides, insecticides and fertiliser," Puma says. "These inputs into the fourth tier can cause significant problems such as diminishing local



Consumers are helping Puma's recycling efforts by putting used shoes in special bins at its stores in Germany.

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water supplies, deforestation, affecting ecosystem genetics and balance, soil erosion, methane production, eutrophication, soil contamination and water pollution. These problems can then lead to flooding, reduction of biodiversity, decrease in agricultural productivity and the pollution of drinkable water supply; everything is inter-connected."

Ms Neuber explains that by 2015, 50% of the brand's international collections will be manufactured according to the S-Index, using more sustainable materials such as recycled polyester, that take into account "the enormous environmental impact of raw material production". Puma will also investigate opportunities to address the impact of suppliers through "innovative development of more sustainable materials and products". The company says it has been researching for alternative materials and "more environmentally friendly methods of raw material sourcing" for some time. It wants to work with other industry players to pursue these aims and says it requires "the engagement of the whole industry to implement sustainable production and cultivation practices". Alternatives include the use of substitute and recycled materials if it can do so without any loss in quality. It also said it wants "more sustainable production of conventional materials" and warned that it will terminate the contracts "of suppliers and countries that do not guarantee to refrain from clearing rainforests for the cultivation of raw materials".

Parent pressure

As far as we can tell, the threat of terminating contracts is a new development and a tightening of the pressure on the Puma supply chain. It seems well within the bounds of possibility that a new set of core sustainability targets published by Puma's majority shareholder, the PPR Group, at its annual general meeting in April may have helped set the new tone.

PPR says the targets apply across its luxury and sport and lifestyle brands. There is plenty in the document that taps into Puma's previous pronouncements, including reducing carbon, waste and water by 25%. It also mentions monitoring of suppliers, saying: "PPR will be monitoring performance, with a priority focus on the sourcing and suppliers of raw materials, evaluating all our key suppliers a minimum of every two years." None of this is surprising if you take into account the name of the PPR group's chief sustainability officer, Jochen Zeitz.

Domestic comfort

The targets for leather say that if the source is domestic livestock (principally cattle, sheep and goats), it must come from "responsible and verified sources that do not result in converting sensitive ecosystems into grazing lands or agricultural lands for food production for livestock". If it's more exotic skins such as snake or crocodile, suppliers must use skins from "verified captive breeding operations or from wild, sustainably managed populations".

However, the PPR targets say nothing of trying to find a substitute for leather, which is good news for a number of its big-name leathergoods and footwear brands, including Gucci, Bottega Veneta, Sergio Rossi and Brioni. In fact, the material that is to be eliminated by 2016 (at the latest) is one that many brands have used in an attempt to find a substitute for leather, mostly for price reasons, PVC. When Jochen Zeitz spoke in June of wanting to replace leather altogether, he was clearly expressing a personal point of view. The PPR Group loves leather, provided it comes from suppliers who do things the right way.

The Puma Super Atom football boot from 1952, the first boot with screw-in studs and, naturally, a leather upper.

Puma



S-Index linked

At the time of the launch of the Puma Sustainability-Index (S-Index) in April 2010, the company had already been collecting environmental key performance indicators from all its offices and stores worldwide for five years and this helped it lay out what it recognised immediately as "ambitious targets" to be achieved by 2015. It has committed to reducing carbon, energy, water, and waste by 25%, and to developing 50% of its international product collections in footwear, apparel and accessories according to the targets by that time.

For footwear, the stipulations mentioned in the S-Index say that shoes will contain no harmful substances, will be designed to reduce materials and use more than 50% sustainable materials (including organic cotton, recycled PET, recycled cotton, chromium VI-free leather, recycled rubber, natural rubber, bio EVA and bio PU and TPU).

For its apparel collections, the S-Index likewise commits the company to design its clothes with a reduction in materials in mind and to use more than 50% sustainable materials and no harmful substances. Sustainable materials it wants its suppliers to use to make its clothes include organic cotton, cotton made in Africa, recycled polyester, Tencel, Modal, recycled polyamide, recycled polypropylene, linen, wool, bamboo, hemp and PLA fibre (Ingeo).

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