



INTEGRATING SUSTAINABILITY:  
DEMONSTRATING  
**SUPER**STAINABILITY!

designportfolio

# CAN YOUR ORGANISATION BECOME SUPERSTAINABLE?

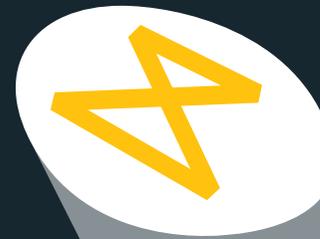


As the benefits of non-financial commitments from companies become ever clearer – including reputational enhancements, financial benefits and supply chain innovation – it has become essential to integrate sustainability into business strategies to enhance performance and achieve success.

Companies are increasingly aware of the influence of their actions, both directly and indirectly, on their stakeholders and investors are taking note of this. More and more companies have conducted materiality assessments, implemented non-financial KPIs and built successful sustainability strategies.

Sustainability strategies are becoming more about the changes you make through the power of your brand rather than the changes you make with your product and, whilst this is an encouraging step in the right direction, a tough challenge still lies ahead. How can you effectively integrate a sustainability strategy across your entire company?

The good news is it doesn't take a superhero to overcome this challenge. We're here to help you find your inner superhero by providing a five-step guide to integrating a sustainability strategy across your business, helping your company be "superstainable"!



**SUSTAINABILITY STRATEGIES ARE BECOMING MORE ABOUT THE CHANGES YOU MAKE THROUGH THE POWER OF YOUR BRAND RATHER THAN THE CHANGES YOU MAKE WITH YOUR PRODUCT.**

# 5 STEPS TO SUPERSTAINABILITY

There are five key steps that we believe form the foundations to effectively integrate your sustainability strategy across your business.

**1** ASSEMBLE YOUR  
SUSTAINABILITY  
SUPER TEAM  
P05

**2** BUILD A  
SUSTAINABILITY  
SCORECARD  
P07

**3** DEVELOP A  
TRAINING  
PLAN  
P09

**4** SPREAD  
THE  
WORD  
P11

**5** TRACK  
PROGRESS  
AND  
SHARE  
FEEDBACK  
P13

# 1 ASSEMBLE YOUR SUSTAINABILITY SUPER TEAM

The first step to integrating a successful sustainability strategy is to set up a core Sustainability Task Force (STF). This should comprise individuals across all levels of your business, from senior leaders to office personnel.

The successful integration of sustainability within a business needs a committed STF with a clear direction and strategic influence. The primary role of the STF would be to identify what sustainability means to your business and how it will be managed. A good example of this is ITV, which recently introduced a “social purpose” team to champion sustainability across the business.





**IT'S NOT ABOUT DOING THE WORK  
FOR YOUR COLLEAGUES, IT'S  
ABOUT DOING IT WITH THEM.**

Defining the roles and responsibilities of each member of the task force is crucial. Each member of the task force should be responsible for their own actions; this could be anything from collecting meaningful sustainability data, engaging with stakeholders, or drafting a communications campaign. The STF must pull together to build the business case, tracking progress and demonstrating the benefits of the sustainability strategy to the board. It's a real team effort (think Marvel's Avengers!); it's not about doing the work for your colleagues, it's about doing it with them.

# 2 BUILD A SUSTAINABILITY SCORECARD

Setting specific metrics and goals for each aspect of the sustainability strategy can help accelerate business sustainability performance. Scorecards provide a powerful framework for building and communicating a strategy.



Whilst senior management may be more focused on the cost implications of implementing sustainability practices, such as reduced energy consumption and optimising waste management, communication with the wider group and external audiences should be shaped around initiatives and benefits. This is particularly useful in attracting great talent, where individuals, especially millennials, are increasingly more drawn to working for companies that have sustainability action plans.

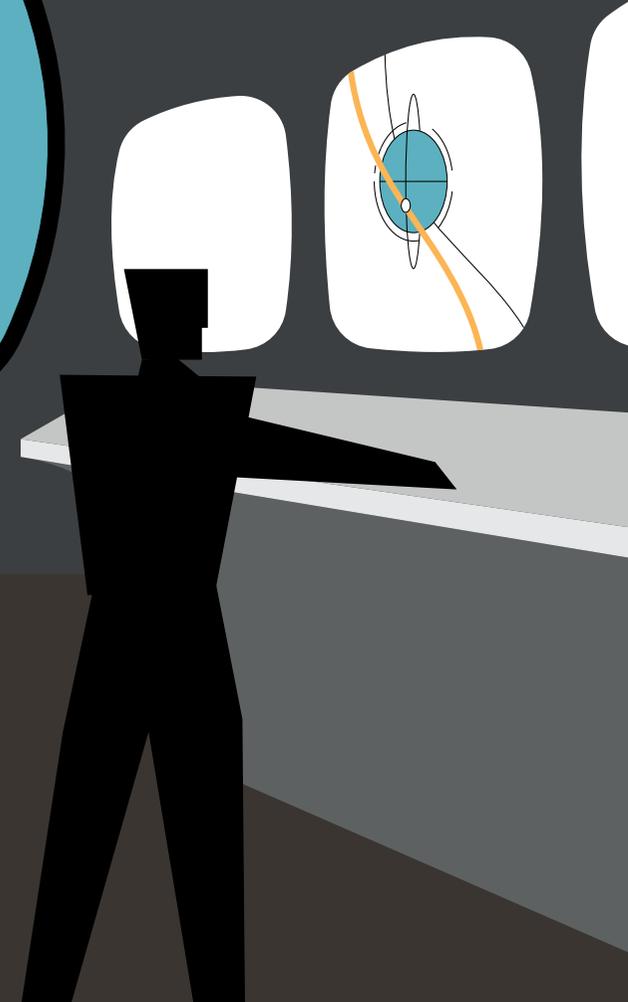
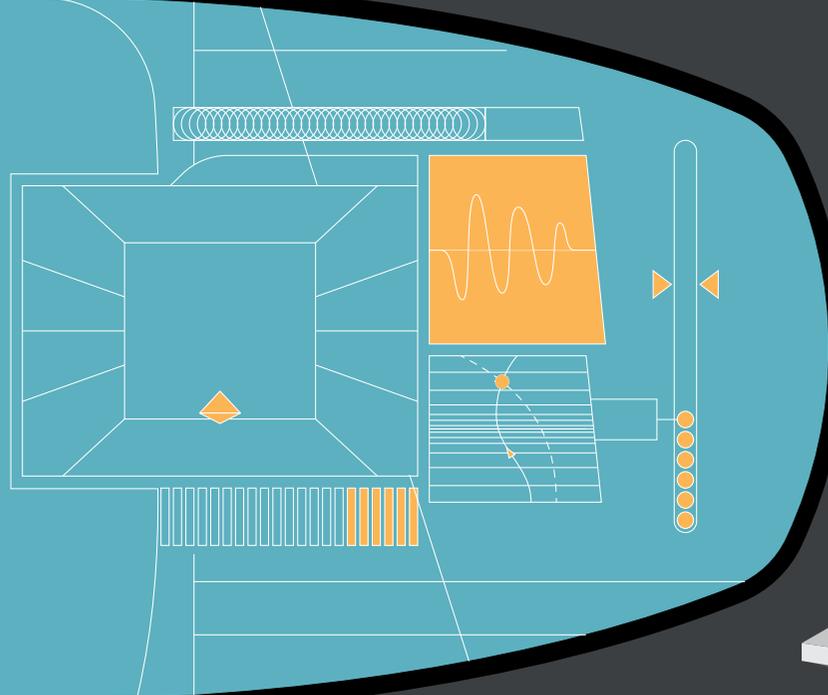
The scorecard can be used to show the goals, opportunities and KPIs for each aspect of the strategy, including current progress against set targets and good news stories from across the business. This should be reviewed regularly by the STF and communicated across the whole business and reported monthly to the executives and board.

The scorecard is a great way of engaging all stakeholders. Companies should find out who they need to engage with and the best way of engaging with them and then learn what they need from the strategy. This process is great at unlocking pockets of inspiration, such as sustainability processes and actions happening within different departments.

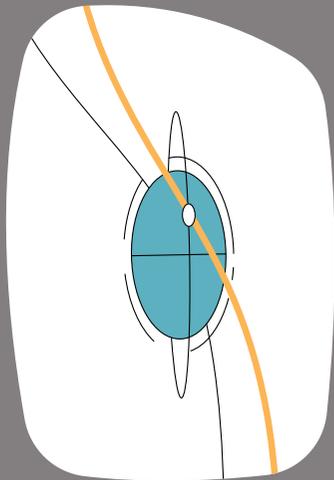
The results of the scorecard can also be built into the performance pay of the leading members of the business, such as the board and senior management, as we know “with great power comes great responsibility”. Remuneration policies can be used as a tool to ensure continued support and commitment to the strategy.

**SCORECARDS PROVIDE A POWERFUL  
FRAMEWORK FOR BUILDING AND  
COMMUNICATING A STRATEGY.**

# 3 DEVELOP A TRAINING PLAN



***TRAINING IS SUPER  
KNOWLEDGE AND WITH  
SUPER KNOWLEDGE  
COMES SUPERPOWER!***

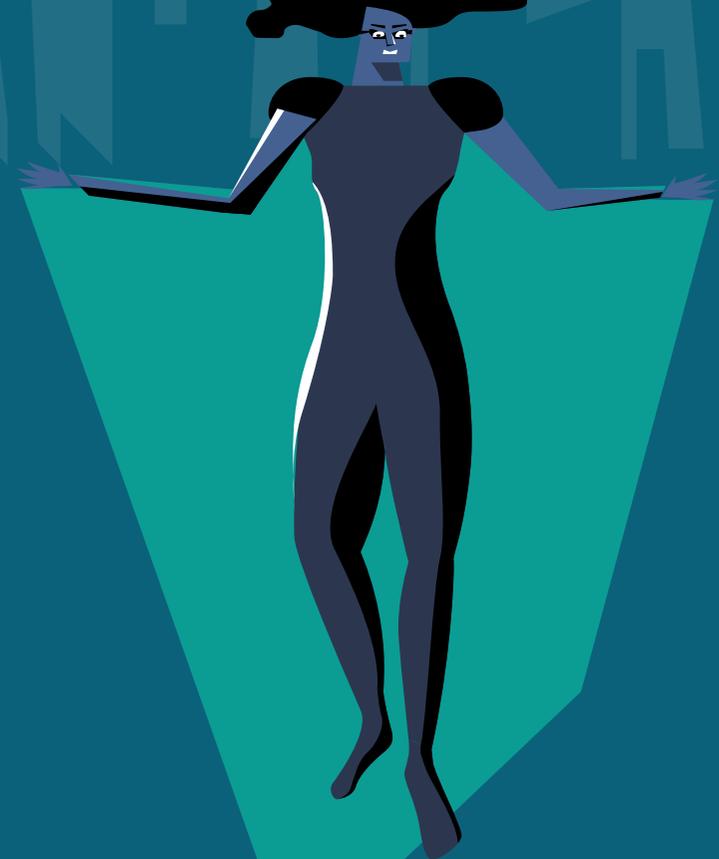


Training is super knowledge and with super knowledge comes superpower! The implementation of comprehensive training sessions can ensure employees understand the direction of the strategy, its progress, and what they can do to help make the strategy a success. Training can be rolled out in a variety of ways, from face-to-face sessions to lunch and learns and e-learning, but, whatever the chosen medium of communication, it must be tailored to your audience and be continuous.

Collaboration and discussions across teams are essential in ensuring processes and systems are in place to best meet the ambitions and goals of the new sustainability strategy.

# 4 SPREAD THE WORD

Define your vision and narrative and shout about it. Telling the company's sustainability story is integral. Sustainability is grounded in facts and figures, but it is stories that build belief.

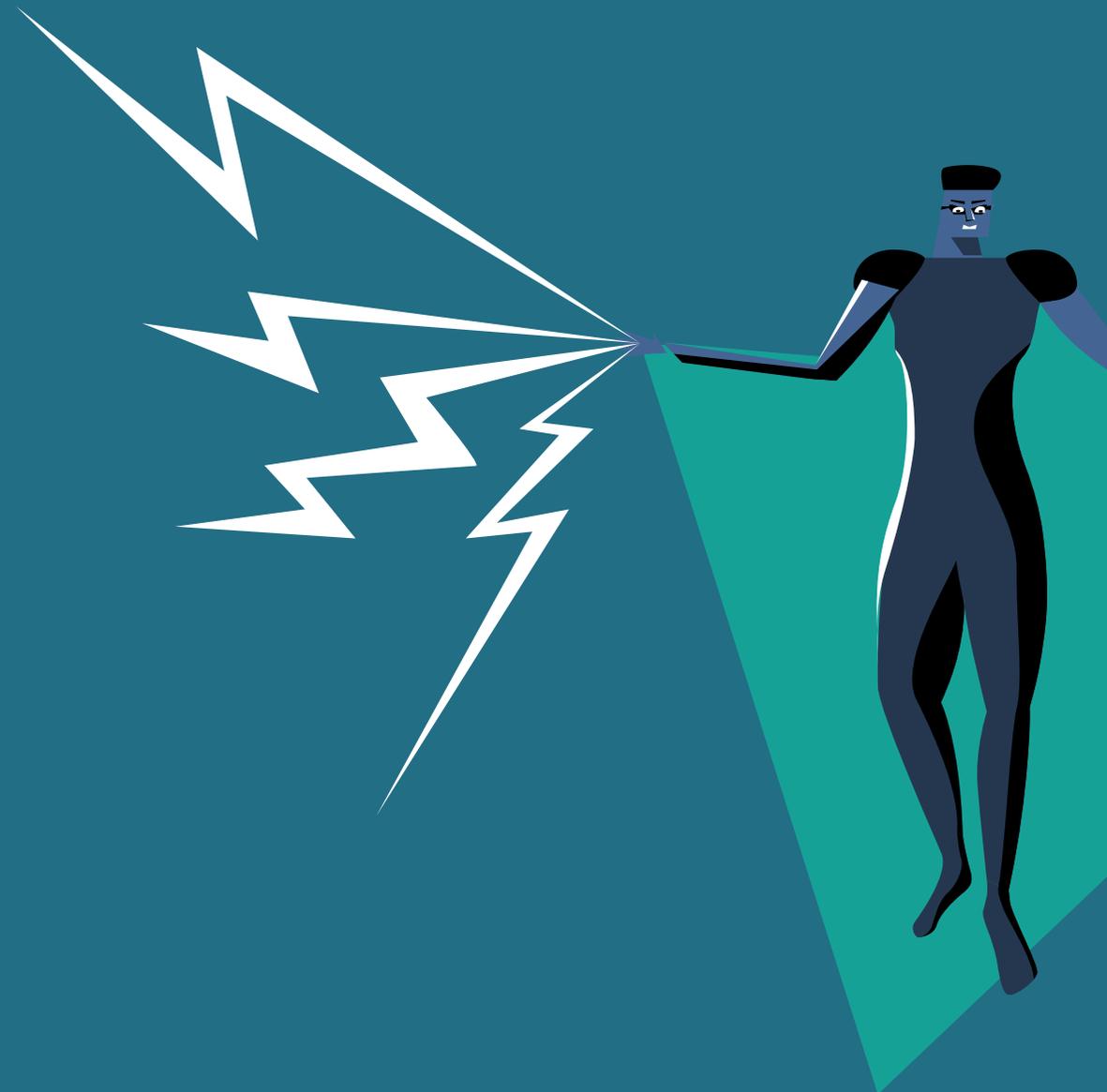


Sustainability strategies should be published and announced to the company, along with an explanation of the benefits they will bring to the business.

Communication and action must come from the top; it is paramount for senior management and the board to lead by example and ensure sustainability is a matter discussed and acted upon across all levels of the business.

Communication isn't just about talking to employees; you must ensure that your strategy is continually present by ensuring it is embedded into supplier contracts, it is addressed at team meetings and it is promoted by key "spokespeople" in the business. You must make it part of the fabric of the business for it to succeed.

The company website and annual reports can also clearly communicate the sustainability strategy, including progress towards goals and case studies on success stories. Providing this level of sustainability information can become a huge differentiator for companies, especially in winning new business, attracting talent and improving stakeholder perception.





# 5 TRACK PROGRESS AND SHARE FEEDBACK

Understanding how successful your sustainability strategy is is key. This goes beyond tracking metrics and performance against targets, to understanding how the strategy has been perceived by your key stakeholders.

A survey at the end of the first year is the best way to receive honest feedback from employees on the delivery of the sustainability strategy. The results could then feed into a materiality assessment with senior management to help identify, refine and assess the core sustainability issues for your next reporting year.

Any updates to your sustainability strategy or targets should be continuously communicated to your stakeholders. This can be done locally via emails, newsletters or staff meetings to drive employee engagement and externally through the company website to drive competitive differentiation.

Internal meetings can discuss cost savings, new initiatives, success stories and case studies and should be transparent around targets which are yet to be achieved.

The information can be used by senior management and the board to assess the link between sustainability risks and priorities. This will allow a better understanding of how certain risks can be mitigated by seizing opportunities related to more socially and environmentally focused priorities. By integrating sustainability into strategic thinking practices, companies will be able to adapt their businesses to overcome future challenges and, ultimately, gain competitive advantage.

***BY INTEGRATING SUSTAINABILITY INTO STRATEGIC THINKING PRACTICES, COMPANIES WILL BE ABLE TO ADAPT THEIR BUSINESSES TO OVERCOME FUTURE CHALLENGES AND, ULTIMATELY, GAIN COMPETITIVE ADVANTAGE.***





# GOING FORWARD

These 5 steps to superustainability are only the beginning of a process that can eventually transform a company's entire business strategy. The STF and senior management can be tasked with continually reviewing performance against KPIs and metrics to ensure that the business is on track to meet its goals. The areas of prioritisation and strategy in general would need to remain fluid to ensure they keep up with developments within the business. However, the importance of communicating these changes both internally and externally will remain paramount to ensuring all stakeholders understand the direction of the business.



**"A HERO'S WORK  
IS NEVER DONE"  
– SPIDERMAN**

# SUPERSTAINABILITY IN ACTION

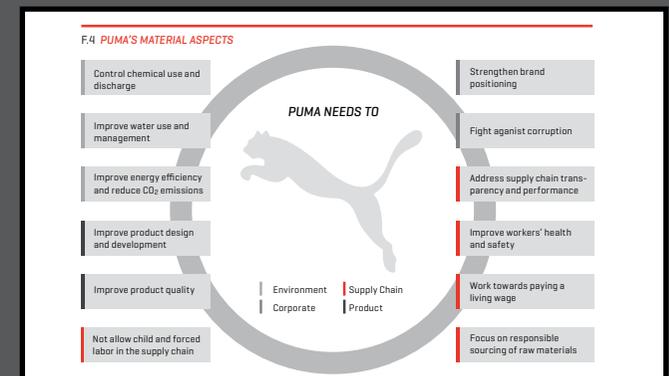
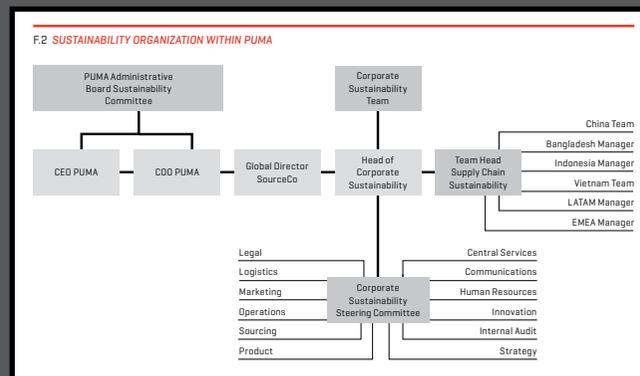
Puma provides a great example of how to report sustainability strategy integration processes to external stakeholders.

## TEAM ASSEMBLE!

It begins by providing a sustainability organisation chart which demonstrates the flow of information between key departments and the task force leaders. It explains that the key members of the structure conducted a review of Puma's list of top priorities in 2018 to inform the company strategy.

## WORKING OUT A PLAN...

It provides detailed insight into the company's approach to stakeholder engagement and defining material aspects for the business; these then form the company's sustainability strategy.



**THE SCORES ARE IN!**

Puma presents its sustainability scorecard which includes baseline performance and performance in the year as well as planned actions and future targets for 2020. Arrows are used to clearly demonstrate whether progress is on track.

**T.1 PUMA 10FOR20 SUSTAINABILITY TARGETS PERFORMANCE SUMMARY**

TARGET	BASELINE 2015	PERFORMANCE 2017	PLANNED ACTION 2018	STATUS
<b>01 Stakeholder Engagement</b>	Talks at Banz Supplier round tables	Talks in Hong Kong, supplier round tables including external stakeholders	Alternate global stakeholder meetings between Europe and Asia. Continue round tables in all major sourcing markets	On track
<b>02 Human Rights</b>	Human rights screening	Human rights assessment expanded to supply chain Employee volunteering platform operational, >17,000 hours of community engagement Partnership with Right To Play formalized	Implement suggested measures from human rights assessment Continue employee volunteering on global scale	On track
<b>03 Social Compliance</b>	All Tier 1 suppliers frequently audited Workers' complaints received and processed	Joint industry assessment tool (SLCP) piloted 27% of audits shared Number of zero tolerance issues not dealt with at the end of the year: 0	No zero tolerance issues not dealt with at the end of the year Implement joint industry assessment tool (SLCP) Increase percentage of shared audits to 50%	On track
<b>04 Health &amp; Safety</b>	OHS part of compliance audits	Fatal accidents PUMA: 0 Suppliers: 1 Injury rate PUMA: 0.72 Suppliers*: 0.61	Zero fatal accidents Average injury rate of PUMA entities below 1	Fatal accidents: not on track Injury rates: on track
<b>05 Climate Change</b>	Science-based target development announced	Science-based target submitted for review 3% interim reduction target PUMA (Scope 1&2) relative to turnover: -5% (tbc) Scope 3: -7%	Formation of industry working group on climate expansion of climate change coverage to 100%	Fatal accidents: not on track Injury rates: on track
<b>06 Chemicals</b>	Commitment to Zero Discharge of Hazardous Chemicals (ZDHC)	PFC phase 99% of production PFC-free RSL failure rate < 20.9 g/pair VOC Index for 20.9 g/pair		On track
<b>07 Water &amp; Air</b>	Start of wastewater testing and tests' results publication	ZDHC wastewater guideline implemented at core suppliers Air emissions study for Chinese suppliers completed	Expand implementation of wastewater guideline beyond core suppliers Start ZDHC project on air emissions guideline	Water: on track Air: need to speed up efforts
<b>08 Materials</b>	bluesign (polyester), Leather Working Group (leather) and FSC (paper & cardboard) certification used in significant volumes	Apparel Cotton: BCI 40% Polyester: bluesign: 47% Footwear Leather: LWG: 99% Cardboard & Paper: FSC: 95% Accessories Polyester: Bluesign: 34%	FSC: 90% LWG: 90% BCI: 40% BCI: 40%	On track
<b>09 EPGL</b>	Kering Group EPGL published (including PUMA figures)	PUMA EPGL 2016 published	Reduce EPGL value per unit of turnover	On track
<b>10 Governance</b>	PUMA Code of Ethics training with low participation rate Ethics training participation rate: 60%	PUMA Code of Ethics training participation rate: 99% (of all staff with email accounts) 353 suppliers trained in anti-corruption measures Anti-corruption section included in supplier audit tool	Ensure rate of training for PUMA staff (with email accounts) remains over 95% Expand supplier training sessions to cover 80% of all suppliers	On track

Table 1 gives an overview of our target performance. For a detailed summary of our progress towards our targets, please refer to our Sustainability Report.

\* Bangladesh, Cambodia, China, Indonesia & Vietnam

**STATUS**

Public consumer: On track

Injury rates: on track

**TARGET 2020**

Zero Discharge of Hazardous Chemicals from our supply chain

Fatal accidents: not on track

Injury rates: on track

SBT: not on track

**DOING A GREAT JOB! KEEP IT UP...**

Puma is transparent about its performance and provides both highlights and lowlights when discussing progress against targets. It is this type of transparency and honesty which helps to build stakeholder trust.

COMPANY OVERVIEW | SUSTAINABILITY

The second year of our S-KPI data collection confirmed the trends already visible in 2016:

- Our suppliers pay significantly above the minimum wage. On average, basic wages are 26% higher. When overtime and bonuses are added, the average premium is 87%;
- Good global coverage of social insurance (except China);
- Only a minority of our suppliers have collective bargaining agreements in place;
- There are low proportions of permanent workers and high staff turnover rates in several countries, most notably Cambodia, China and Mexico.

We recognize the persistent, systemic challenges in the supply chains of the apparel and footwear industry in many major sourcing countries. This year we are responding to these challenges as below:

- Weak enforcement of labor law and social insurance provisions by local authorities;
  - ▶ Start social insurance promotion program in Chinese supplier base (2017).
- Low minimum wage levels leading to increased excessive overtime;
  - ▶ Regular monitoring of wage rates in comparison to minimum wages.
- Immature industrial relations leading to tensions among many employers;
  - ▶ Freedom of association training for management (2018).
- Inadequate local infrastructure, such as transport systems;
  - ▶ Membership of the Cambodia Road Safety Initiative (2017).

- Cultural differences on the definition of good governance;
  - ▶ Anti-corruption policy as part of PUMA sourcing contracts, anti-corruption training program for suppliers, inclusion of an anti-corruption section in the PUMA audit tool (all 2017).

The choice we are facing is whether to withdraw from certain otherwise attractive sourcing markets to avoid these systemic challenges or to stay engaged. We have chosen to engage and thus try to improve the situation for the workers in our supplier factories, securing much-needed local jobs and supporting economic development in developing regions.

There is no quick fix for these challenges. Our strategy of joint action with other brands and multi-stakeholder initiatives and external organizations, such as the ILO, will continue to drive improvements over time, some of which was exemplified in 2017, together with other brands, we met a representative of the Cambodian government to discuss the need to continue the implementation of the ILO Core Conventions in our country. Initiatives like the German Partnership for Textiles have the potential to further support and accelerate this process.

**HIGHLIGHT: PUMA HAS BEEN AN ACCREDITED MEMBER OF THE FAIR LABOR ASSOCIATION SINCE 2007.**

**PUMA Vendor Financing Program**

In a bid to continue our efforts to provide an incentive to our suppliers with good compliance and sustainability ratings, the IFC and BNP Paribas have offered attractive financing conditions to our vendors who have achieved a SAFE A or B rating. This program has attracted additional suppliers from six countries.



**"GLOBAL TRADE SUPPLIER FINANCING PROGRAM IS A POWERFUL INCENTIVE TO FINANCE IN PARTICULAR FOR SMES AND CREATES A POWERFUL FINANCIAL INCENTIVE FOR SUPPLIERS TO INVEST IN BETTER ENVIRONMENTAL AND SOCIAL CONDITIONS. WE ARE GLAD TO SEE PUMA SUPPLIERS FROM CAMBODIA, VIETNAM AND CHINA JOINING THE PROGRAM AND STRIVING FOR SUSTAINABILITY. THIS IFC-PUMA PARTNERSHIP LEADS THE WAY FOR THE INDUSTRY TO FOLLOW IN FORGING CLOSER LINKS BETWEEN FINANCE AND SUSTAINABILITY."**

ETHIOPIS TAFARA, IFC, VICE PRESIDENT AND GENERAL COUNSEL

COMPANY OVERVIEW | SUSTAINABILITY

**HEALTH AND SAFETY**  
(ILOFOR20 TARGET NO. 4)

**Target Description:**  
Zero fatal accidents at PUMA and its suppliers; average injury rate for suppliers below 2 (interim target 2017), below 1.5 for PUMA. Relevant to the United Nations Sustainable Development Goal 3.

**Example:** Injury rate at PUMA (reported in People@PUMA section)  
Average injury rate at core Tier 1 suppliers

T.5 INJURY RATES OF MAJOR PUMA SOURCING COUNTRIES

	Injury Rate 2017	Injury Rate 2016
Bangladesh	0.7	2.6
Cambodia	1.2	0.7
China	0.5	0.7
Indonesia	0.4	1.0
Vietnam	0.4	0.4
Average	0.6	1.1

PUMA actively promotes the health and safety of its workforce. For details on our corporate OHS performance, please refer to the People@PUMA section of this report.

**LOWLIGHT: WE MISSED OUR ZERO FATAL ACCIDENTS TARGET IN 2017**

Sadly, we missed our zero fatal accidents target in 2017; in a tragic accident at one of our Bangladeshi suppliers, a worker fell into a wastewater treatment basin during sampling and could not be rescued.

A tragic event led us to accelerate our Zero Fatal Accidents target. In 2017, we trained our entire global sustainability team in professional risk assessment. We also trained safety inspectors, who regularly visit our suppliers to identify potentially dangerous situations at factory level.

We successfully collected risk assessments from 99% of our core T1 suppliers and plan to expand this work in 2018.

We also identified road accidents as another potential source of fatal accidents and continued to engage with other brands in Cambodia through a working group in order to improve road safety for commuting employees.

The injury rates for Bangladesh (0.7), China (0.5) and Vietnam (0.4) reported for our core Tier 1 suppliers in our three largest sourcing countries reduced compared to our first data collection in 2016 and were below our target rate.

**Building Safety**  
In 2016, the Accord on Fire and Building Safety in Bangladesh continued working to prevent fires, building collapses and other



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- Corporate reporting
- Corporate websites
- Branding
- Investor presentations
- Video and multimedia
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