ASSET

Accounting for Sustainability,
Social and Environmental Transparency

Sustainability Management Accounting

Introduction and Case Materials
Teaching Module 3

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Content

INTRODUCTION

This document includes:

1) Information about your role in Patagonia's Regional Management Team (see section WHAT TO KNOW ABOUT YOUR ROLE).

2) A detailed **description of your tasks** (see section YOUR TASKS IN DETAIL).

3) Information about Patagonia from official documents, the company website, and other relevant sources. These materials provide essential inputs for the case analysis and the development of your proposal (see CASE MATERIALS).

In addition, **in the Google Drive shared folder**, you can find:

1) **Preliminary readings** (OPTIONAL). A concise presentation introducing the key concepts of the Balanced Scorecard and Strategy Map, with practical examples to support your work on the case.

2) **Other supporting materials**:

- KPIs List: examples of indicators to guide the design of your Sustainable BSC.
- BSC Template: a ready-to-use framework for creating your Sustainable BSC.

RULES AND GUIDELINES

This case is designed for **collaborative learning**, so please **work closely as a team** and make the most of the different knowledge, skills, and experiences that each of you can contribute. Make the most of the opportunity to challenge your assumptions, discuss your ideas, listen to different perspectives, and rethink your strategy when new insights emerge.

Act as professionals and deliver on time. **Your work will be assessed by both your peers and professors** according to the following **evaluation criteria**:

- Sustainability in SM
- Quality and Structure of the Global SM
- Creativity and Originality
- Communication Effectiveness of the Pitch

Do your best to win the classroom competition!

What to know about your role

You are a young member of a **Regional Management Team at Patagonia**, responsible for contributing to the company's sustainability strategy in your assigned market.

Patagonia’s Board of Directors has asked the Regional Management Teams to assess how the company’s global sustainability strategy can be translated into measurable performance across different international markets. Your team will analyse the specific characteristics and sustainability priorities of your assigned market and identify the KPIs that best support strategic decision-making and performance monitoring.

You will then compare your perspective with those of other Regional Management Teams and contribute to a coherent global Sustainability Performance Measurement System based on the Balanced Scorecard methodology.

Your overall role is to connect regional priorities with global strategy, use management accounting tools to support strategic decision-making. See the section (“Your tasks in detail”) for more information about your assignment.

Your tasks in detail

You will work on **4 tasks:**

Task 1 – Design a Regional Sustainable BSC and Strategy Map (Wednesday)

Task 2 – Cross-market comparison (Thursday)

Task 3 – Global Strategy Map (Thursday)

Task 4 – Presentation and Evaluation (Thursday)

Each task must be **completed collaboratively within your team**, and the **requested deliverable should be prepared** to document your work.

Task 1 – Design a Regional Sustainable Balanced Scorecard and Strategy Map (Wednesday)

Take part in the Regional Management Team meeting. Design a Regional Sustainable Balanced Scorecard and (draft) Strategy Map to measure progress toward Patagonia's strategic objectives, while reflecting the specific characteristics and sustainability priorities of your assigned market.

To this end:

- Carefully read the Case materials: What to know about Patagonia and Patagonia's strategic objectives.
- Review the Regional context profile assigned to your team.
- Download the KPIs List and BSC Template from GD.
- Identify which of Patagonia's strategic objectives and ESG priorities require particular attention, also considering your market characteristics, stakeholder expectations and other relevant contextual factors.
- Assess which indicators are most relevant for measuring progress toward Patagonia's strategic objectives in a balanced way, taking into account the specific characteristics of your assigned market.
- Decide how to integrate sustainability into the BSC: 1) Add a fifth Sustainability Perspective; or 2) integrate sustainability into the four traditional BSC perspectives.
- Select a maximum of 20 KPIs and use the BSC Template to design your Regional Sustainable Balanced Scorecard. Remember: your KPI selection should reflect Patagonia's strategy, local priorities, and a coherent logic across the BSC perspectives.
- Develop a draft Strategy Map by showing the main cause-and-effect relationships among perspectives and KPIs. At this stage, a preliminary sketch is sufficient.

Time frame: 2 hours (11:15-12:45 and 13:45-14:15)

Understand the case and your market: 30 minutes

Select KPIs, design the Regional Sustainable BSC and a draft Strategy Map: 1 hour and 30 minutes.

Expected deliverable

Regional Sustainable BSC and draft Strategy Map (uploaded to the shared GD folder).

Task 2 – Cross-market comparison (Thursday)

What is common across markets, and what differs? Participate in the Cross Regional Briefing and compare the Regional Sustainable Balanced Scorecards and draft Strategy Maps developed by the different teams to identify common priorities across markets and market-specific areas of emphasis, as well as similarities and differences in the KPIs selected and cause-and-effect relationships.

To this end:

- Prepare 3 slides presentation: 1) Regional Context; 2) SBSC; 3) draft SM.
- Present your work in **5 minutes**, briefly highlighting the main strategic priorities, KPIs and cause-and-effect relationships identified, and the key reasons behind your choices.
- Listen to the other regional presentations and take note of the main similarities and differences across the different markets.

Time frame: 1 hour (8:30-9:30)

Preparing to present: 40 minutes

Groups' presentations: 20 minutes

Expected deliverable

PPT presentation (uploaded to the shared GD folder).

Task 3 – Global Strategy Map (Thursday)

Following the Regional Briefing, Patagonia's Executive Board now asks you to take a corporate perspective. You are reorganised into new mixed teams and act as a Global Strategy Team. Building on the Regional Sustainable BSCs, draft Strategy Maps and the cross-market comparison, develop a Global Strategy Map that integrates insights from the different Regional Management Teams while ensuring consistency with Patagonia's overall strategy and global sustainability priorities.

To this end:

- Start from the cross-market comparison to identify the KPIs most relevant for Patagonia's global framework, considering both its overall strategy and the local priorities emerged. **Don't forget to fully integrate sustainability into your proposal!**
- Compare the different regional perspectives represented in your new team and discuss how they can be combined into a coherent global approach.
- Connect the KPIs to develop the Global Strategy Map and to show the main cause-and-effect relationships, illustrating how improvements in one area may contribute to results in other areas and perspectives.
- Use PowerPoint, Canva or any other tool you prefer to design your Strategy Map and organise the KPIs in a clear, logical and easy-to-read structure.
- Finalise your proposal, ensuring consistency with Patagonia's strategic objectives and the main insights emerging from the regional analyses and cross-market comparison.

Time frame:

1 hour and 30 minutes (9:30-11:15, including a 15-minute coffee break).

Expected deliverable:

Global Strategy Map (uploaded to the shared GD folder).

Task 4 – Presentation and Evaluation (Thursday)

Present and defend your proposal to Patagonia's Executive Board, represented by your classmates and the professor, by clearly explaining the key choices underlying your Global Strategy Map. This task is divided into two phases.

Phase 1 – Preparing your presentation

Prepare a short presentation that clearly conveys the key elements of your Global Strategy Map to Patagonia's Executive Board.

Focus on: a brief introduction, chosen KPIs, how you integrated sustainability, the main cause-and-effect relationships represented in your SM, how your proposal supports Patagonia's strategy.

You may use PowerPoint, Canva or any other presentation tool.

Your pitch should take around **5 minutes**. The goal is not to present every detail, but to explain and justify your choices and engage the audience by highlighting the most important insights and the strength of your proposal.

Time frame: 45 minutes (11:15-12:00)

Expected deliverable: Final presentation (uploaded to the shared GD folder).

Phase 2 – Classroom presentations, discussion and evaluation

During this phase, your group plays a dual role:

- presenting your Global Strategy Map;
- discussing and evaluating the presentations of other teams.

Instructions on the evaluation process will be given in class.

The evaluations will be used to identify the winning team in each classroom.

Time frame: 45 minutes (12:00-12:45)

Expected outcome:

Presentation of the Global SM and selection of the winning team in each classroom.

CASE MATERIALS

In this section, you will find key information to support your work throughout the case.

What to know about Patagonia provides essential background on the company, its purpose, sustainability approach, global operations, and the sustainability performance measurement challenge at the centre of the case.

Patagonia's strategic objectives provide an overview of the company's main strategic priorities and serve as a common reference for all teams.

The **Regional context profiles** describe the main characteristics, ESG challenges, stakeholder expectations and sustainability priorities of the different markets. Each team will work on the profile assigned in class.

WHAT TO KNOW ABOUT PATAGONIA[1]

Patagonia, Inc. is a US-based outdoor apparel company founded by Yvon Chouinard in 1973 and headquartered in Ventura, California (USA). The company operates globally, with offices in Europe, South America, and Asia, more than 100 stores worldwide, a supply chain that spans the globe, and over 3,700 employees all over the world.

Patagonia aims to use business as a force for positive environmental and social change: "*I never wanted to be a businessman. I started as a craftsman, making climbing gear for my friends and myself, then got into apparel. As we began to witness the extent of global warming and ecological destruction, and our own contribution to it, Patagonia committed to using our company to change the way business was done.*" (Yvon Chouinard's letter, September 14, 2022). Patagonia's commitment to sustainability is deeply embedded in its business model, governance and operations. The company addresses a wide range of sustainability issues, including climate change, responsible materials and production, circularity, workers' rights, and support for environmental activism.

In 2012, Patagonia became a benefit corporation, a legal framework that allows mission-driven companies to integrate social and environmental considerations into business decisions. Patagonia is also a Certified B

[1] This case is a simplified teaching case based on Patagonia and its international operations. It draws on publicly available information but simplifies and adapts certain aspects of the company, its markets, sustainability priorities, governance, and management processes to support the learning objectives of the module. For the purposes of this case, Patagonia's organizational and governance structure has been simplified and is represented as a conventional structure with a Board of Directors, a global management team, and managers responsible for different international markets. The case should not be interpreted as a complete representation of Patagonia's actual practices, decision-making processes, or current organizational structure.

Corporation, reflecting its commitment to balancing business performance with the interests of workers, communities, the environment, and shareholders.

In 2022, nearly fifty years after its foundation, Patagonia reaffirmed its commitment to putting the protection of the planet at the heart of its mission. As the founder stated, "*Instead of extracting value from nature and transforming it into wealth, we are using the wealth Patagonia creates to protect the source.*" His commitment was unequivocal: "*I am dead serious about saving this planet.*" (Company's website).

This commitment remains central to Patagonia's current vision. In its 2025 Work in Progress Report, founder Yvon Chouinard captures it in a powerful statement: "*Earth is now our only shareholder*." The phrase reflects Patagonia's view that business success should ultimately serve the protection of the planet and support long-term environmental impact.

Patagonia's global operations and supply chain expose the company to different environmental and social challenges, stakeholder expectations, and regulatory contexts across markets. At the same time, the company needs to maintain a consistent global direction and ensure that sustainability remains integrated into its business strategy. Its 2025 Work in Progress Report highlights both the progress achieved and the challenges that remain, including supply-chain decarbonization, product end-of-life, working conditions and the broader environmental impact of its operations.

Patagonia's strong sustainability commitment does not eliminate the need for effective performance measurement. On the contrary, the complexity of its global operations requires management to identify meaningful indicators, monitor progress, and understand how sustainability performance contributes to long-term business value.

Thus, the Board of Directors has decided to review Patagonia's approach to sustainability performance measurement in order to ensure that its global sustainability strategy is effectively translated into measurable performance across different markets.

To this end, the Board of Directors aims to implement a comprehensive and balanced strategic management tool, to monitor both financial and ESG performance, and support informed decision-making through a Sustainable Balanced Scorecard and Strategy Map.

Patagonia's strategic objectives[2]

Patagonia operates as a **for-profit global business**, but does not pursue growth for growth's sake. The company aims to remain financially sound while ensuring that growth is consistent with its environmental and social purpose. In FY25, Patagonia generated approximately **$1.47 billion in revenue**. Financial performance is therefore important not as an end in itself, but as **a means of sustaining the business and supporting its broader environmental and social ambitions**. Accordingly, the following **strategic objectives** summarise the main priorities that guide the company's decisions.

1. **Develop high-quality and responsibly made products while reducing their environmental footprint.**

   Patagonia aims to design products that combine performance with lower environmental impact. This includes improving material choices, reducing harmful substances and increasing the use of recycled materials. Product quality is therefore considered both a business priority and an environmental responsibility.

2. **Extend product life and scale circular business models through repair, reuse, resale and recycling.**

   Patagonia aims to keep products in use for as long as possible and reduce the need for new resource extraction. Repair services, trade-in programmes, resale and recycling initiatives are central to this approach. Circularity is also viewed as an opportunity to develop alternative and less resource-intensive forms of business growth.

3. **Decarbonize operations and the supply chain to achieve net-zero emissions by 2040.**

   Patagonia seeks to reduce greenhouse gas emissions across its own operations and throughout its supply chain. Particular attention is given to energy use, materials, manufacturing and transportation, where most emissions occur.

4. **Ensure fair, safe and equitable working conditions for employees and workers throughout the supply chain.**

   Patagonia seeks to protect workers' rights and promote fair treatment across both its own workforce and supplier network. Priorities include living wages, safe working conditions, freedom of association, equity and inclusion. The company also works with suppliers and external partners to improve social standards throughout the value chain.

5. **Achieve responsible growth and long-term business resilience without compromising Patagonia's purpose and values.**

[2] Source: 2025 Work in Progress Report.

Patagonia does not pursue growth as an objective in itself, but seeks to develop the business in ways that remain consistent with its purpose. Growth decisions consider their environmental, social and reputational consequences as well as their financial implications. Product improvement, customer loyalty, selective market expansion and strong partnerships support long-term resilience.

6. **Use business resources and financial capacity to protect nature and support environmental action.**

   Patagonia uses part of the economic value generated by the business to support environmental protection and restoration. This includes financial contributions to grassroots environmental organisations and initiatives addressing climate, biodiversity and ecosystem protection. Environmental giving is treated as an integral part of the company's business model rather than as a separate philanthropic activity.

7. **Promote systemic change through transparency, collaboration, advocacy and responsible business leadership.**

   Patagonia seeks to influence change beyond the boundaries of its own operations. It promotes transparency, shares practices with other businesses, collaborates with industry partners and supports environmental advocacy and stronger regulation. Through these activities, the company aims to contribute to broader changes in business practices and economic systems.

Regional Context Profiles

For the purposes of this teaching case, Patagonia's international activities are grouped into three broad regional contexts: **North America, Europe and Asia**. Each region operates within Patagonia's common strategic framework, but faces different market conditions, stakeholder expectations and sustainability challenges[3].

Remember: **Your team should analyse the assigned regional context** to identify the sustainability priorities and stakeholder expectations that are most relevant in your market and should therefore receive greater attention when selecting KPIs and designing your Regional Sustainable Balanced Scorecard.

[3] Source: 2025 Work in Progress Report.

1. NORTH AMERICA

Market context

North America is Patagonia's home and most established market and plays a central role in the company's business. The United States alone accounts for 61% of Patagonia's sales, highlighting the commercial importance of the region. The region combines retail, e-commerce and wholesale activities and serves a mature customer base that is familiar with Patagonia's products, values and environmental positioning. Maintaining customer loyalty while pursuing responsible growth is therefore particularly important.

Patagonia seeks to grow without encouraging unnecessary consumption. Product quality, durability, customer experience, repair and resale can support long-term customer relationships while limiting the environmental consequences of additional sales. The company is also strengthening digital channels while continuing to use stores as spaces for customer engagement, education and community activities. Its wholesale partners also play a role beyond sales, hosting events, supporting local conservation efforts and contributing to outdoor communities.

Sustainability and stakeholder context

Employees, customers and local communities are particularly important stakeholders in the North American market. Patagonia places strong emphasis on employee well-being, equity and inclusion, offering fair compensation, benefits and opportunities for employees to take part in community and environmental initiatives. Employee voice is also encouraged through employee-led Patagonia Community Groups, which promote participation, advocacy and belonging in the workplace. The company also uses its stores, brand and relationships with customers to support local environmental organisations, promote volunteering and raise awareness of environmental and social issues. Environmental engagement also extends to initiatives that encourage employees and customers to participate actively in environmental campaigns and community action. These activities make employee engagement, community relationships and environmental activism particularly relevant aspects of Patagonia's sustainability approach in the North American region.

Management challenge

The Regional Management Team must maintain strong business performance and customer loyalty while ensuring that growth remains consistent with Patagonia's purpose. The challenge is to assess the specific priorities of the North American context and identify the most appropriate KPIs to support performance monitoring and strategic decision-making.

2. EUROPE

Market context

Europe is an important international market for Patagonia, combining retail, e-commerce and wholesale activities across countries with different cultures and consumer behaviours. The region therefore requires the company to operate across diverse national markets while maintaining a coherent brand and sustainability approach. Europe is also characterised by a particularly demanding and evolving sustainability reporting environment, where companies face complex regulatory requirements and strong expectations for transparency, accountability and credible evidence of environmental and social performance.

In this context, Patagonia has already taken steps to align its sustainability reporting with European requirements. It has used the EU Corporate Sustainability Reporting Directive (CSRD) as a reference for its first Double Materiality assessment, a process that identifies both how the company affects people and the environment and how sustainability issues may create risks and opportunities for the business. The European context therefore places particular emphasis on reliable sustainability data, transparent reporting and clear evidence of progress over time.

Sustainability and stakeholder context

Climate performance, resource efficiency and circularity are particularly relevant sustainability issues in the European context. Patagonia is working to reduce emissions across its value chain and to keep products in use for longer through repair, reuse and resale. Europe already plays an important role in these circularity efforts. Patagonia was a founding partner of the United Repair Centre, a specialised repair organisation with facilities in Amsterdam and London, which repaired 14,000 Patagonia items in FY25.

At the same time, European customers, regulators and other stakeholders increasingly expect companies to demonstrate their sustainability performance through credible data and transparent reporting. This combination of strong environmental ambitions, circular business practices and growing demands for accountability makes the European context particularly focused on measuring progress and providing reliable evidence of sustainability performance.

Management challenge

The Regional Management Team must support business development while responding to the demanding regulatory and stakeholder environment that characterises the European market. The challenge is to assess the specific priorities of the European context and identify the most appropriate KPIs to monitor performance and support strategic decision-making.

3. Asia

Market context

Asia plays a dual role for Patagonia: it includes important customer markets, such as Japan and South Korea, and is also a key region within the company's global supply chain. A large number of workers producing finished Patagonia goods are located in countries such as Vietnam — which alone accounts for almost 50,000 workers — Sri Lanka, Bangladesh, Indonesia and Thailand, while textile mills in countries including Taiwan, China and Japan are involved in fabric production and processing.

These countries differ considerably in terms of economic conditions, labour-market institutions and regulatory frameworks. Japan and South Korea are highly developed economies with mature consumer markets and relatively advanced regulatory systems, while countries such as Vietnam, Bangladesh, Sri Lanka and Indonesia are major manufacturing locations for the apparel industry and present different labour and regulatory conditions.

Sustainability and stakeholder context

Patagonia's supply chain presents significant social and environmental challenges. Working time and conditions, adequate wages, freedom of association, and forced or bonded labour are important issues, while local regulations can significantly influence progress across supplier factories. Patagonia reports different levels of progress towards living wages in Vietnam and Sri Lanka and acknowledges that more remains to be done. The company is also committed to eliminating recruitment fees paid by migrant workers, following problems identified among suppliers in Thailand and Taiwan. Environmental issues are equally important. Energy-intensive manufacturing processes, including fabric production, dyeing and drying, greenhouse gas emissions, water use, chemicals and responsible sourcing of materials require effective oversight across the value chain.

Customer and community engagement is also relevant. Patagonia uses its stores not only to sell products, but also to raise awareness of environmental issues and connect customers with local organisations and campaigns. In Japan, for example, it organised 35 local initiatives (e.g., in-store events, podcasts and interviews) to support local climate action.

Management challenge

The Regional Management Team must balance business development in a highly diverse region with the need to address the social and environmental challenges associated with Patagonia's broader value chain. The challenge is to assess the specific priorities of the Asia context and identify the most appropriate KPIs to monitor performance and support strategic decision-making.