

# Kering

ACKNOWLEDGE  
PRIORITISE  
SET STRATEGY & GOALS  
TRACK

## GHG EMISSIONS



## Background on Kering

Kering is a French luxury goods holding company founded in 1963 and headquartered in Paris, France. Kering's brands, which include Alexander McQueen, Balenciaga, Brioni, Gucci, Puma, Volcom, and Saint Laurent Paris, are distributed in 120 countries. The company employs 35,800 people globally and had reported revenues of €12 billion in 2016. Kering is a publicly listed company on the Euronext stock exchange in Paris.

## How did Kering come to start thinking about context?

Between 2008 and 2010, the French government adopted two environmental laws, referred to as Grenelle and Grenelle II, aimed at solidifying the country's commitment to sustainable development<sup>1</sup>. One of the sections within the two laws, Section 225, introduced a mandatory requirement for private sector companies within France to begin implementing corporate social responsibility (CSR) reporting<sup>1</sup>. As Kering contemplated how it would respond, Marie-Claire Daveu, Kering's Chief Sustainability Officer, notes "we wanted to help catalyse a movement within each company to make incremental environmental improvements over time, not simply create another unsexy reporting requirement<sup>1</sup>." Kering did not believe that a company could make improvements on its sustainability without a deep and quantified understanding of its current sustainability performance<sup>1</sup>. This led Kering to engage [PricewaterhouseCoopers](#) (PwC) in 2011 to support the development and trialing of its [Environmental Profit and Loss](#) (EP&L) methodology within its subsidiary company [Puma](#)<sup>1</sup>.

Ahead of COP21 in Paris in late 2015, Kering reasserted the need for the private sector to support diplomats in negotiating a deal that would help the world limit a long-term global temperature rise of 2°C with Jochen Zeitz, a Kering Board member, commenting that "if we

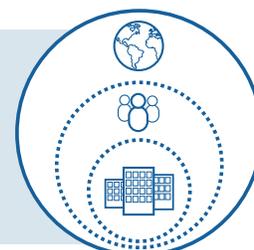
<sup>1</sup> Corporate Knights (2016). The French Connection. Accessed at: <http://www.corporateknights.com/magazines/2016-best-50-issue/the-french-connection-14654520/>

can lend a voice while the negotiations are going on, we will certainly do so<sup>2</sup>.” Additionally, in 2015, Kering signed up to the [We Mean Business](#) campaign for climate action which encourages companies to act against climate change<sup>3</sup>. Then in 2016, Kering entered a period of evaluation and analysis of the results of its EP&L trials aimed at supporting it in redefining its sustainability goals<sup>4</sup>. Kering was the first luxury goods company and the first French company to have its GHG emissions goal verified by the [Science-Based Targets initiative](#)<sup>5, 6</sup>.

## What does context look like at Kering?

### 1 ACKNOWLEDGE the need to operate within global, regional, and/or local socio-ecological thresholds.

GHG EMISSIONS



GHG emissions: Kering’s [2025 Sustainability Strategy](#) commits the company to *Care* about the impact it has on the planet, climate, and natural resources; *Collaborate* for the good of its employees, suppliers, and clients; and *Create* ideas that safeguard heritage and empower future generations<sup>7</sup>. Kering references the importance of thresholds within its sustainability material, and while Kering’s Chief Sustainability Officer has publicly said that “contributing to combatting climate change and respecting planetary boundaries in the way we do business is a priority for us,” this stronger level of commitment to respect planetary boundaries is not yet reflected in the company’s formal sustainability reporting<sup>6</sup>. Kering does commit to developing a platform where it can work with its value chain to share best practices and support them in implementing new sustainability practices<sup>1, 8</sup>.

<sup>2</sup> Bloomberg (2015). The Corporate World Has a Soft Climate Accord, If It Wants One. Accessed at: <https://www.bloomberg.com/news/articles/2015-12-09/the-corporate-world-has-a-soft-climate-accord-if-it-wants-one>

<sup>3</sup> Climate Week NYC (2015). Press Release: Net-Zero Goal Is Needed For The World, And Is Good For Business. Accessed at: <http://www.climateweeknyc.org/news-media/net-zero-goal-is-needed-for-the-world-and-is-good-for-business>

<sup>4</sup> Kering (2016). Press Release: Kering Recognised As One Of The Global 100 Most Sustainable Corporations In The World By Corporate Knights. Accessed at: <http://www.kering.com/en/press-releases/kering-recognised-as-one-of-the-global-100-most-sustainable-corporations-in-the-world>

<sup>5</sup> Science-Based Targets initiative (2016). Global luxury group, Kering, commits to industry- and country-leading carbon reduction targets. Accessed at: <http://sciencebasedtargets.org/2016/12/14/global-luxury-group-kering-commits-to-industry-and-country-leading-carbon-reduction-targets/>

<sup>6</sup> Kering (2016). Press Release: 1st Luxury Group with Certified Science-Based Targets. Accessed at: <http://www.kering.com/en/sustainability/news/1st-luxury-group-with-certified-science-based-targets>

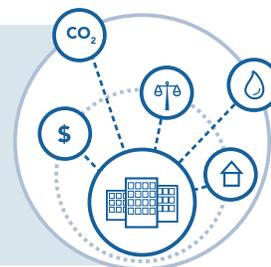
<sup>7</sup> Kering (n.d.). Sustainability. Accessed at: <http://www.kering.com/en/sustainability>

<sup>8</sup> Kering (n.d.). Strategy 2025 – Collaborate. Accessed at: <http://www.kering.com/en/sustainability/2025-strategy/collaborate>

Other thresholds: Kering acknowledges the importance of other socio-ecological issues including air quality, land-system change, waste, water quantity/quality, and gender equality but does not yet discuss their associated thresholds.

## 2 Transparently understand and **PRIORITISE** a set of focus areas in relation to key socio-ecological trends at the global, regional, and/or local level.

GHG EMISSIONS



GHG emissions: Kering is of the view that business needs to recognise and account for the impacts that it has beyond its own operations and throughout its value chain<sup>9</sup>. Kering uses its EP&L tool to make the invisible business impacts visible, quantifiable, and comparable<sup>10</sup>. The EP&L tool has been made open-source and aims to express business impacts in monetary terms to allow Kering to consider environmental impacts alongside conventional business costs in a way that more effectively embeds sustainability into its business decisions<sup>11, 12</sup>. Kering also states that the tool allows it to develop better sustainability policies, improve its engagement with its value chain, and be more transparent with its stakeholders<sup>12</sup>.

François-Henri Pinault, Kering's CEO, commented that the EP&L tool has helped Kering highlight not only climate related risks but also the next wave of business opportunities that will allow it to thrive while continuing to mitigate its impacts on the planet<sup>3</sup>. An example of the output of the Kering EP&L tool is illustrated in Figure 1. The EP&L tool helps Kering demonstrate its understanding of the impacts that it is having on various environmental thresholds and how these are related to not only its business activities but also the activities of its value chain. Along with reporting on the results of the EP&L tool, Kering also outlines the actions that it is taking in response.

<sup>9</sup> Kering (n.d.). EP&L FAQs. Accessed at: <http://www.kering.com/en/sustainability/faqs>

<sup>10</sup> Kering (n.d.) Environmental Profit and Loss. Accessed at: <http://www.kering.com/en/sustainability/epl>

<sup>11</sup> Kering (n.d.) Environmental Profit and Loss – Motivation. Accessed at: <http://www.kering.com/en/sustainability/motivation>

<sup>12</sup> Kering (2015). EP&L – 2015 Group Results. Accessed at: [http://www.kering.com/sites/default/files/kering\\_group\\_2015\\_environmentalpl\\_0.pdf](http://www.kering.com/sites/default/files/kering_group_2015_environmentalpl_0.pdf)

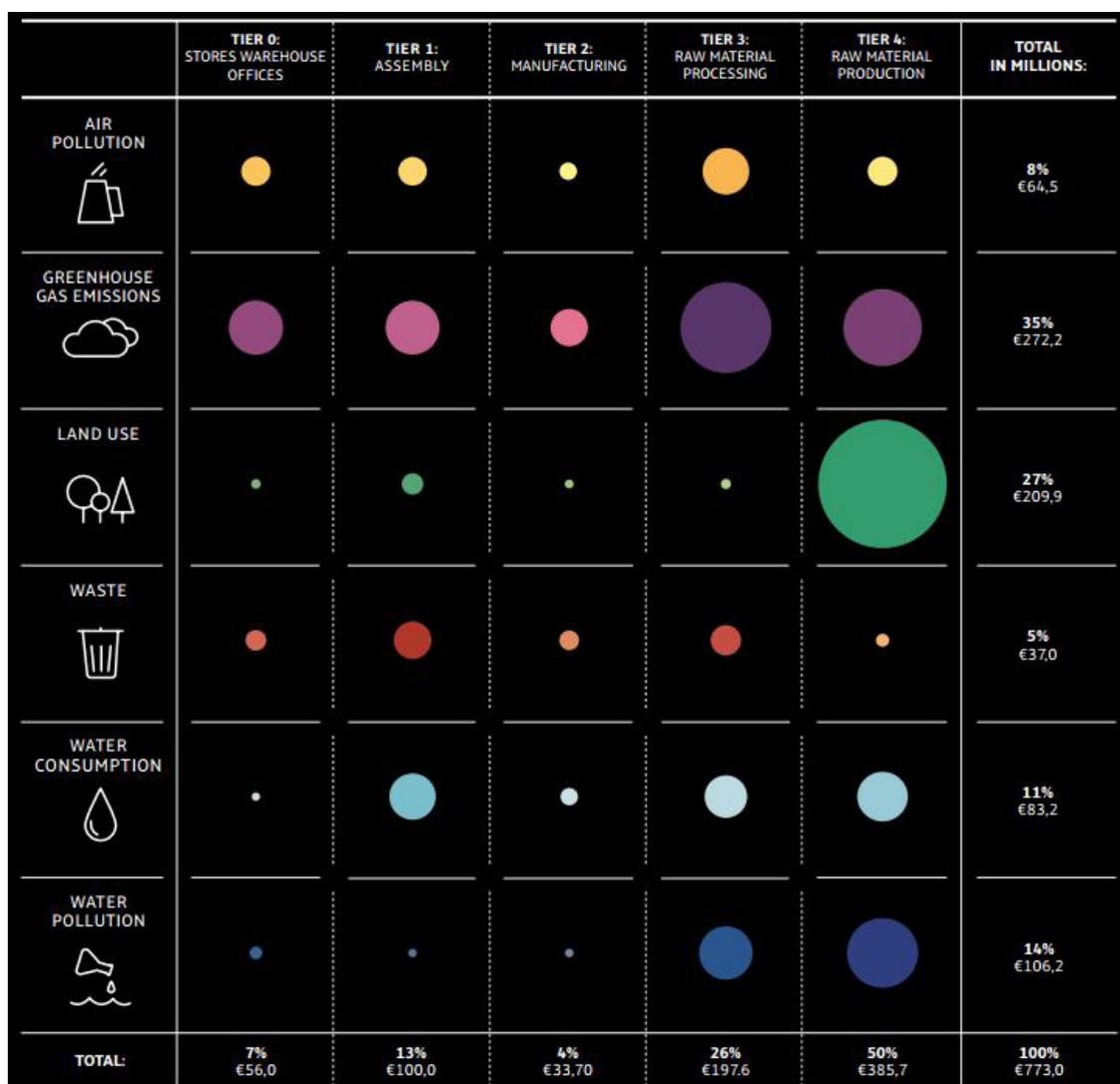


Figure 1: Summary of Kering's EP&L Group Results from 2015<sup>13</sup>.

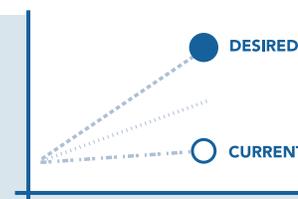
GHG emissions: Figure 1 illustrates that the largest environmental impact that Kering has through its business activities is from its GHG emissions (37% of its total impacts).

Other thresholds: Kering prioritises other socio-ecological issues including air emissions, land use, waste, water consumption, and water pollution but does not yet discuss their associated thresholds.

<sup>13</sup> Kering (2013). Environmental Profit and Loss: Methodology. Accessed at: [http://www.kering.com/sites/default/files/document/kering\\_epl\\_methodology\\_and\\_2013\\_group\\_results\\_0.pdf#page=24](http://www.kering.com/sites/default/files/document/kering_epl_methodology_and_2013_group_results_0.pdf#page=24)

### 3 SET STRATEGY AND GOALS by transparently articulating the current performance gap and what portion of this gap the business will address.

GHG EMISSIONS



GHG emissions: Kering has committed to reducing its scope 1, 2, and 3 emissions by 50% by 2025 from a 2015 baseline. In addition, Kering has committed to further reducing the scope 3 emissions generated from purchased goods and services by 40% in the same timeframe<sup>5</sup>. Kering used its EP&L tool as the basis for determining its current performance in relation to GHG emissions and has been very transparent in sharing the approach it took to get its results<sup>13</sup>. While Kering demonstrates that it has a good understanding of its GHG emissions and those from its value chain, it has yet to disclose what methodology and assumptions it used to determine what the gap is between its current performance and the level of performance that is needed to operate within the GHG emissions threshold, or how it derived its contextual GHG emissions goal.

Other thresholds: Kering has not yet set contextual goals in relation to any other thresholds.

### 4 Transparently TRACK performance against realistic trajectory targets.

GHG EMISSIONS



GHG emissions: Kering has reported annually on its GHG emissions since 2012<sup>14</sup>. These reports include a comparison between the GHG emissions from the current reporting year and the previous year but don't yet illustrate the progress Kering is making against its GHG emissions goals (either previous goals or its current contextual goal). Kering has yet to use these reports to develop realistic trajectory targets that could be used to monitor its progress towards its contextual GHG emissions goal. Additionally, Kering has yet to set metrics that could be used to evaluate its influence on companies in its value chain with respect to their efforts to reduce GHG emissions.

Other thresholds: Kering reports its performance against other socio-ecological issues including air quality, land-system change, waste, water quantity/quality, and gender equality but does not yet report its progress in conjunction with their associated thresholds.

<sup>14</sup> Kering (n.d.). Stakeholder Reporting. Accessed at: <http://www.kering.com/en/sustainability/stakeholders-reporting#anchor0>

## What is the road ahead for context at Kering?

The EP&L tool has helped Kering prioritise environmental trends within its business operations and to fine tune the actions that it is taking within these priority areas<sup>10</sup>. The EP&L tool has also highlighted other potential areas of focus within Kering's operations, one of these being a need to gain a better understating of the impacts attributed to customer use of its products<sup>10</sup>. This is one of the areas in which Kering is currently piloting further studies within its subsidiary companies to determine how it can help reduce these impacts<sup>10</sup>.