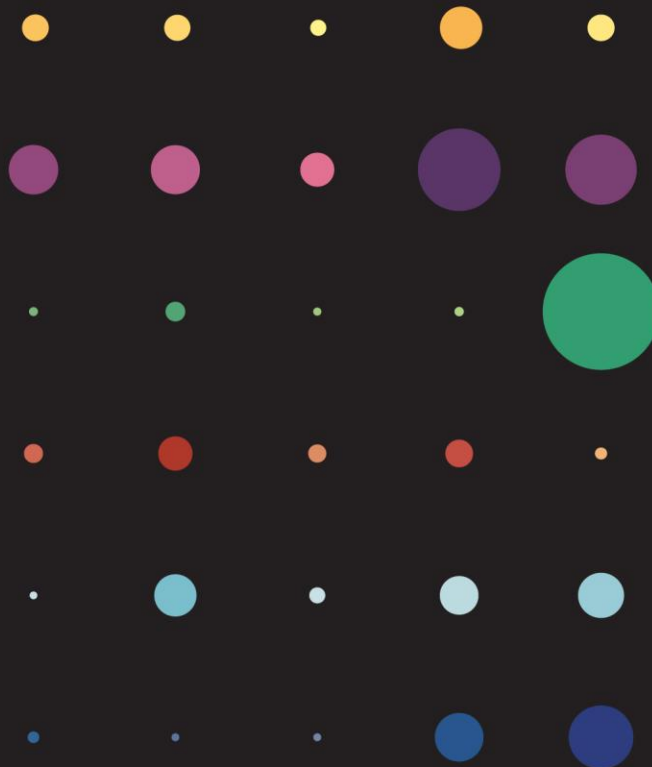




K E R I N G



CBD Business & Biodiversity Forum 2015

11 November 2015

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# Empowering premium brands

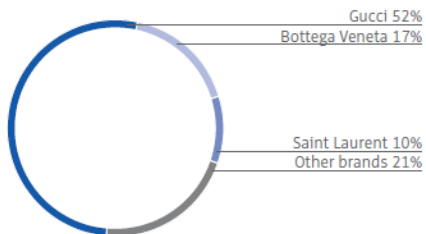
## Luxury

GUCCI · BOTTEGA VENETA · SAINT LAURENT  
 ALEXANDER McQUEEN · BALENCIAGA · BRIONI  
 CHRISTOPHER KANE · MCQ · STELLA McCARTNEY ·  
 TOMAS MAIER · BOUCHERON · DODO · GIRARD-  
 PERREGAUX · JEANRICHARD · POMELLATO · ULYSSE  
 NARDIN · QEELIN

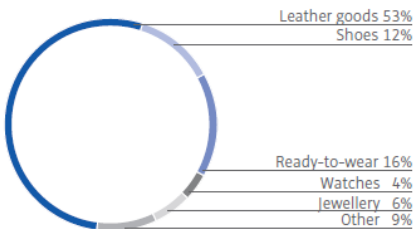
### 2011 key figures

€6,759 million  
 in revenue

Breakdown by brand



Breakdown by product category



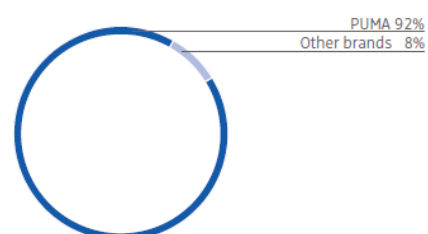
## Sport & Lifestyle

PUMA · VOLCOM  
 COBRA · ELECTRIC

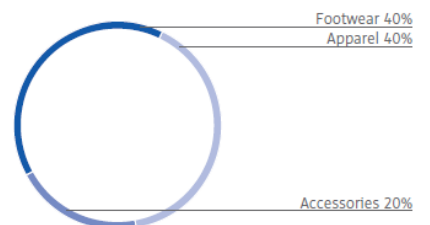
### 2011 key figures

€3,245 million  
 in revenue

Breakdown by brand



Breakdown by product category



# KERING ENVIRONMENTAL PROFIT & LOSS

## What is an E P&L?

Environmental Footprint

x

Valuation coefficients

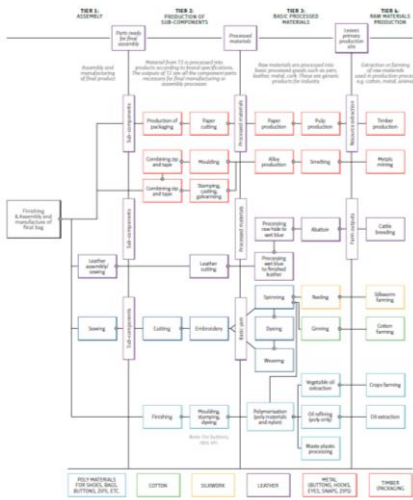
=

EP&L

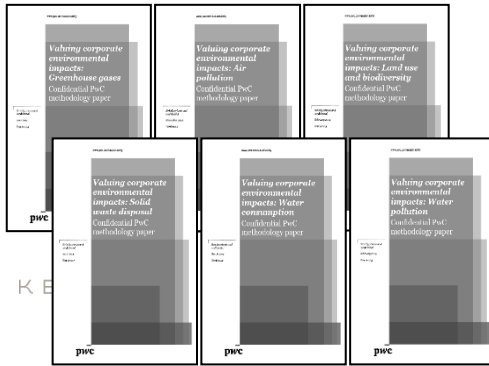
5000 SUPPLIERS  
578 PROCESSES  
107 MATERIALS  
126 COUNTRIES  
62 ENV. INDICATORS

14,190 VALUATION COEFFICIENTS  
582 STUDIES MONETIZED BY LOCATION AND IMPACT

EURO VALUE BREAKDOWN BY BUSINESS UNITS BRANDS, LOCATION, MATERIAL ETC...



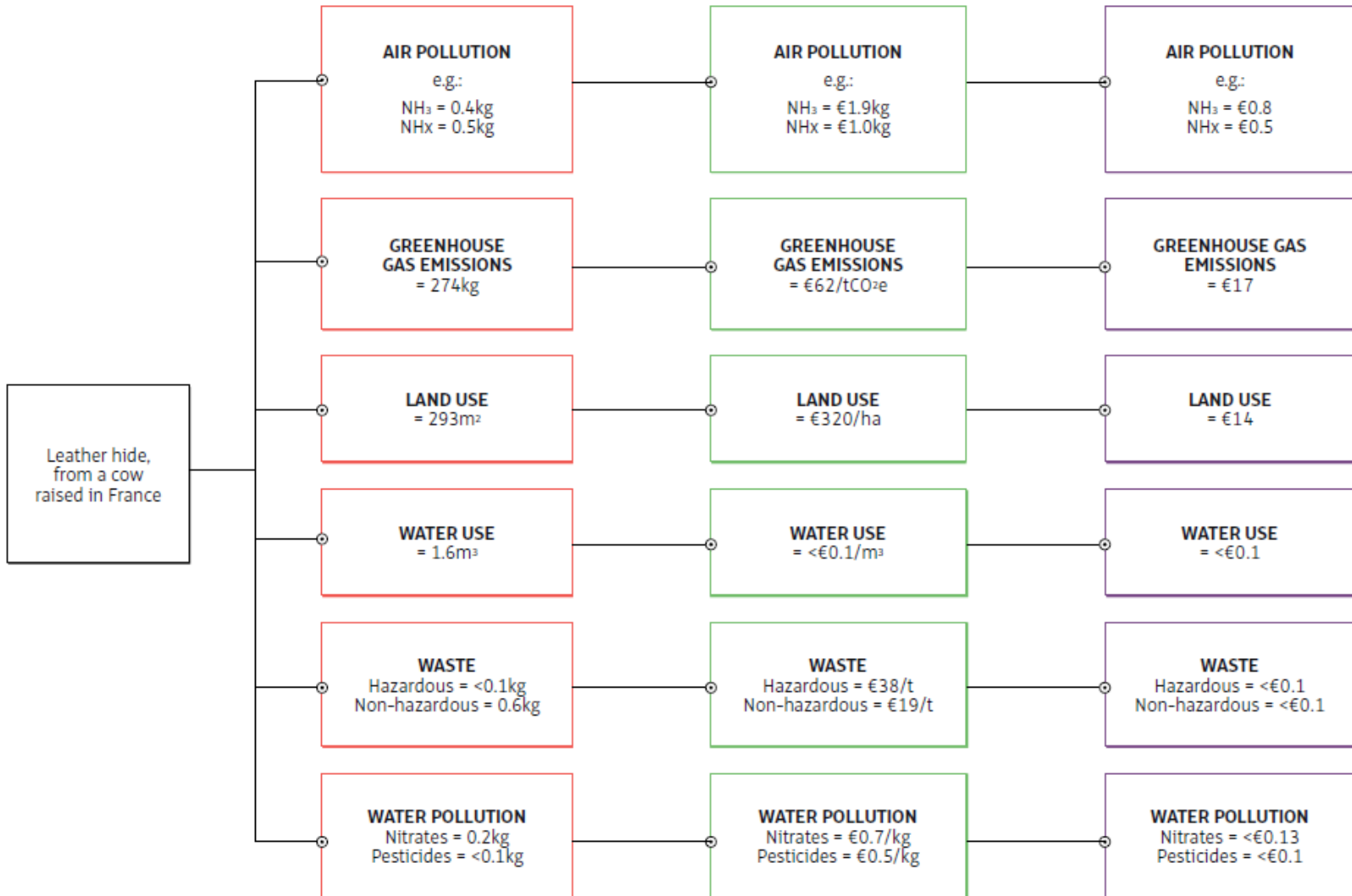
- 6 INDICATORS
- 1 INDICATOR
- 11 INDICATORS
- 2 INDICATORS
- 1 INDICATOR
- 41 INDICATORS









	TIER 0 STORE WAREHOUSE OFFICE	TIER 1 ASSEMBLY	TIER 2 MANUFACTURING	TIER 3 RAW MATERIAL PRODUCTION	TIER 4 RAW MATERIAL PRODUCTION	TOTAL IN MILLIONS
AIR POLLUTION						8% €16.2
GREENHOUSE GAS EMISSIONS						35% €772.2
LAND USE						27% €205.9
WASTE						5% €37.0
WATER CONSUMPTION						23% €173.2
WATER POLLUTION						14% €106.2
<b>TOTAL</b>	<b>7%</b> €56.0	<b>13%</b> €100.0	<b>4%</b> €31.0	<b>26%</b> €197.8	<b>50%</b> €383.7	<b>100%</b> €773.0

# What is an E P&L?





































ENVIRONMENTAL FOOTPRINT  $\times$  ENVIRONMENTAL VALUATION COEFFICIENT FOR FRANCE = E P&L RESULTS



# Valuing impacts

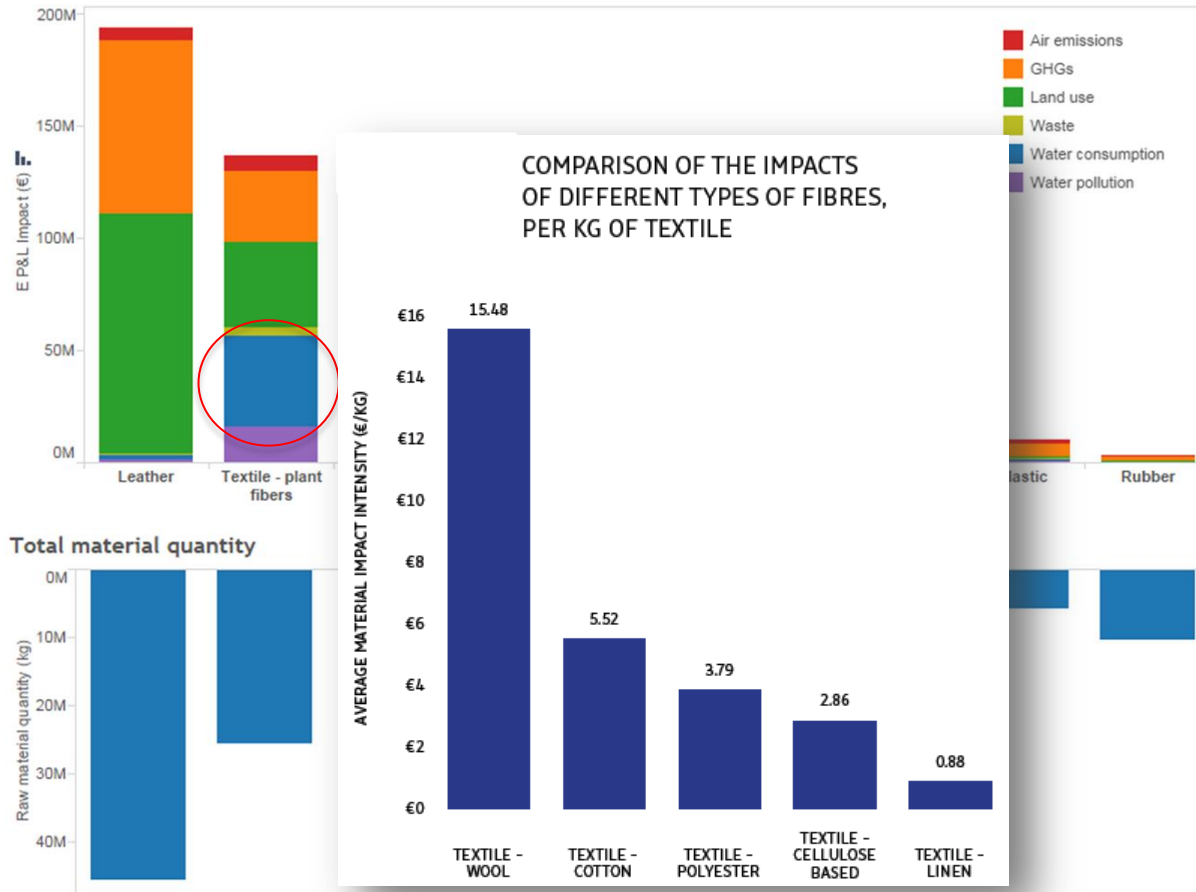
		EMISSIONS AND RESOURCE USE	ENVIRONMENTAL CHANGE	CHANGE IN WELLBEING
AIR POLLUTION		Emissions of pollutants (PM <sub>2.5</sub> , PM <sub>10</sub> , NOx, SOx, VOCs, NH <sub>3</sub> ) in kg	Increase in concentration of pollution	Respiratory disease, agricultural losses, reduced visibility
GREENHOUSE GAS EMISSIONS		Emissions of greenhouse gases (CO <sub>2</sub> , N <sub>2</sub> O, CH <sub>4</sub> , CFC's etc) in kg	Climate change	Health impacts, economic losses, change in natural environment
LAND USE		Area of tropical forest, temperate forest, inland wetland etc in hectares	Reduced ecosystem services	Health impacts, economic losses, change in natural environment
WASTE		Hazardous and non-hazardous waste in kg	Climate change, disamenity and contamination	Reduced enjoyment of local environment, decontamination costs
WATER CONSUMPTION		Water consumption in m <sup>3</sup>	Increasing water scarcity	Malnutrition and disease
WATER POLLUTION		Release of specific heavy metals, nutrients, toxic compounds in kg	Reduced water quality	Health impacts, eutrophication, economic losses

# GROUP 2013 E P&L RESULTS

	TIER 0: STORES WAREHOUSE OFFICES	TIER 1: ASSEMBLY	TIER 2: MANUFACTURING	TIER 3: RAW MATERIAL PROCESSING	TIER 4: RAW MATERIAL PRODUCTION	TOTAL IN MILLIONS
AIR POLLUTION 						8% €64,5
GREENHOUSE GAS EMISSIONS 						35% €272,2
LAND USE 						27% €209,9
WASTE 						5% €37,0
WATER CONSUMPTION 						11% €83,2
WATER POLLUTION 						14% €106,2
<b>TOTAL:</b>	7% €56,0	13% €100,0	4% €33,70	26% €197,6	50% €385,7	100% €773,0

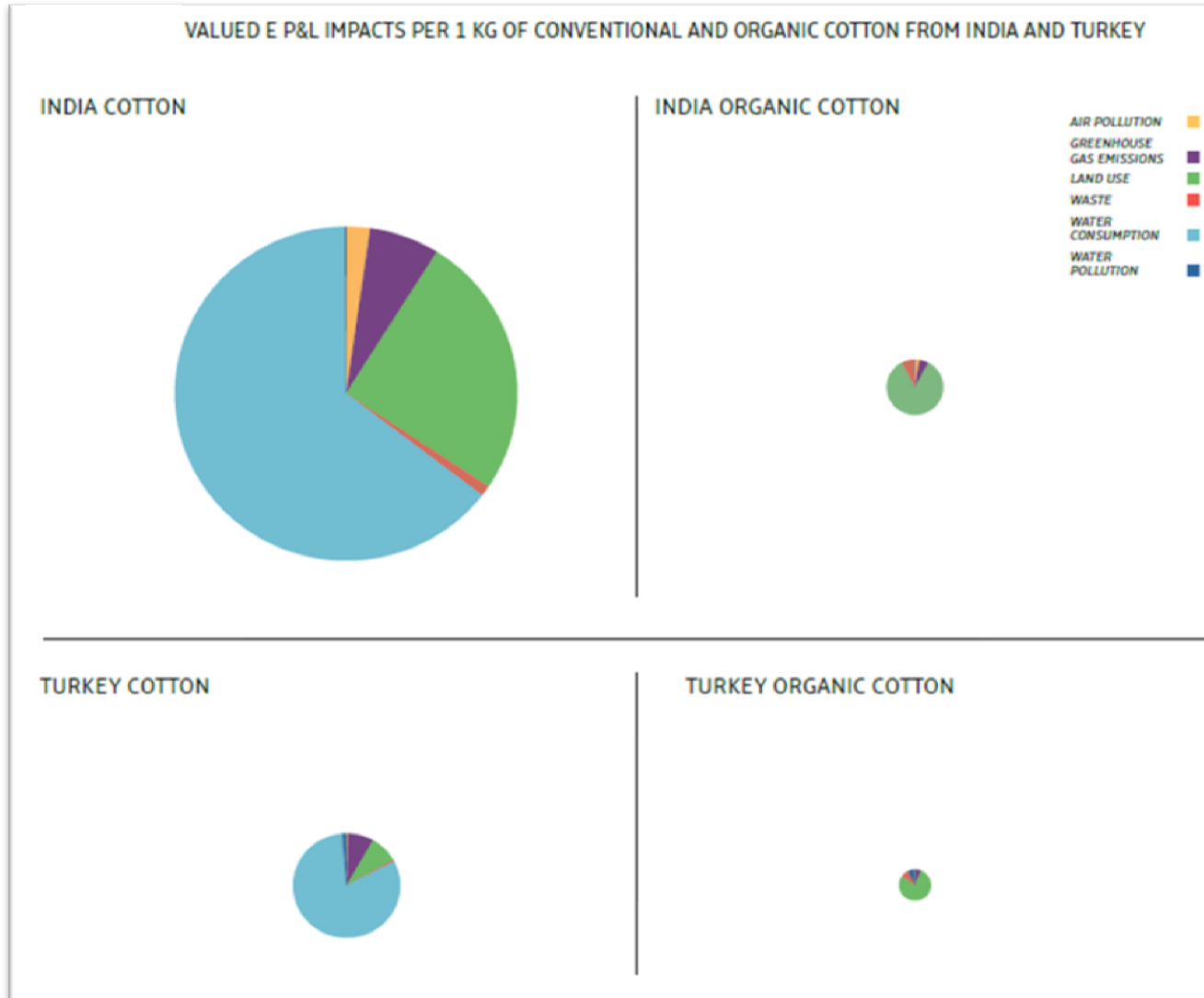
# Analysizing results

Raw Material Impacts by Type

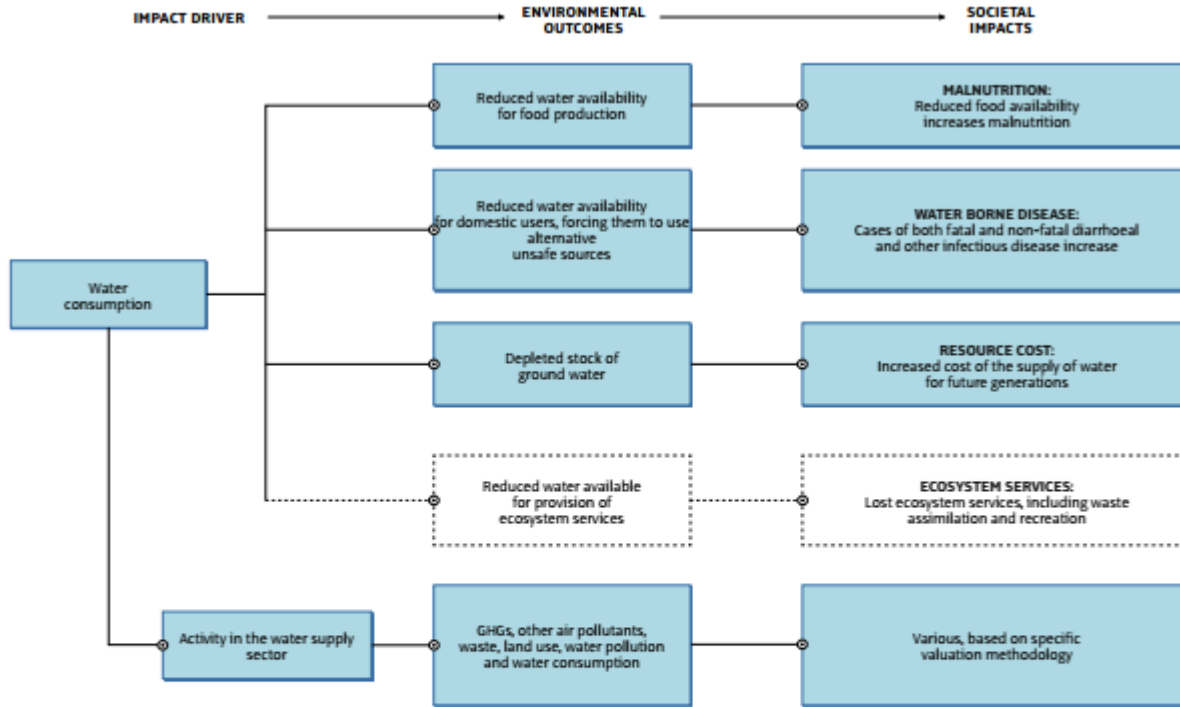




# *Example: water*

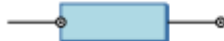


# Impact pathway water consumption

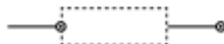


KEY

IN SCOPE



OUT OF SCOPE



(SOURCE: PWC)

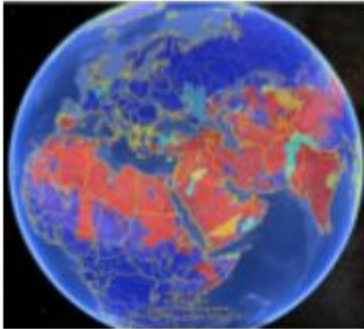


# Summary methodology for water consumption

## MALNUTRITION

- Malnutrition DALYs associated with the reduction in available fresh water for agriculture is, at the watershed level.
- Takes into account the volume of corporate water consumption, the level of water stress in the specified watershed and the water requirements for agricultural productivity.
- DALYs are valued to estimate the welfare impacts per m<sup>3</sup> of water consumption.

## Global WSI



0-no water stress (blue) to 1 – extreme water stress (red)

## RESOURCE COSTS

- Groundwater depletion rate is calculated and time to depletion estimated
- Contribution of current unsustainable groundwater extraction are calculated based on future replacement costs
- Desalinisation and transportation costs are used as a proxy for wellbeing values

## Groundwater depletion of major aquifers<sup>33</sup>



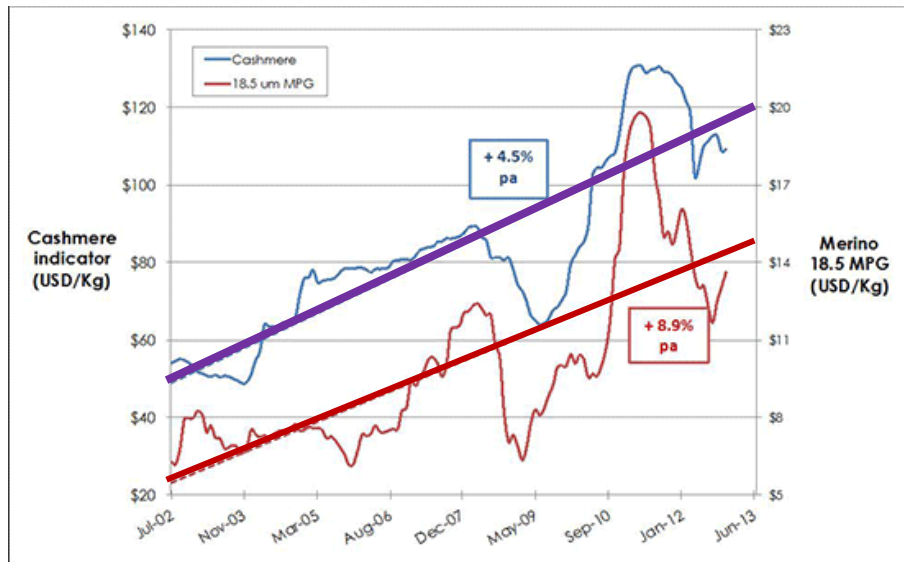
## SEASE

An econometric approach is taken to assess the influence of corporate water consumption on the prevalence of water-related disease in different countries. Quantile regression analysis is used to explain the variation in the observed DALYs per capita rate associated with water-borne infectious diseases. Separate regression relationships are derived for three groups of countries based on the level of water-borne disease. This allows the results to better match the differing country conditions. Results of the regression are used to predict the reduction in disease if corporate water use was reallocated to domestic users.

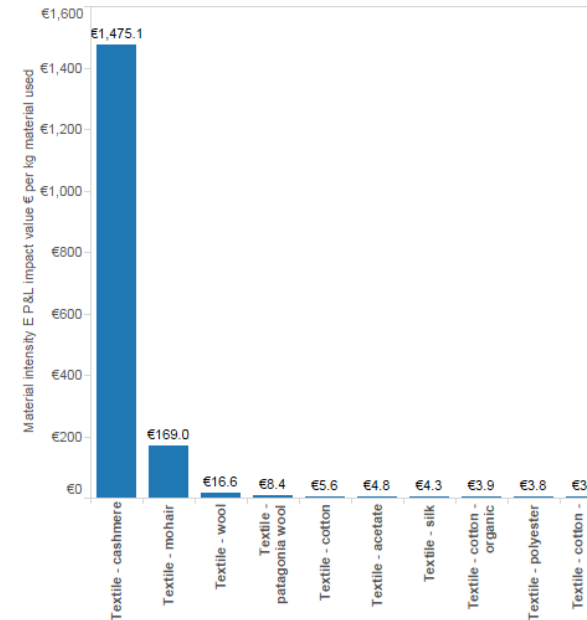


# How does this problem affect the luxury goods industry? Case study on cashmere

- Chinese government takes action for Inner Mongolia (largest production area) which restricts production with grazing restrictions for goats that produce cashmere.



Price of Cashmere and merino wools have increased 2x since 2004



Cashmere has the highest impact intensity of any luxury fabric

# Context for the E P&L

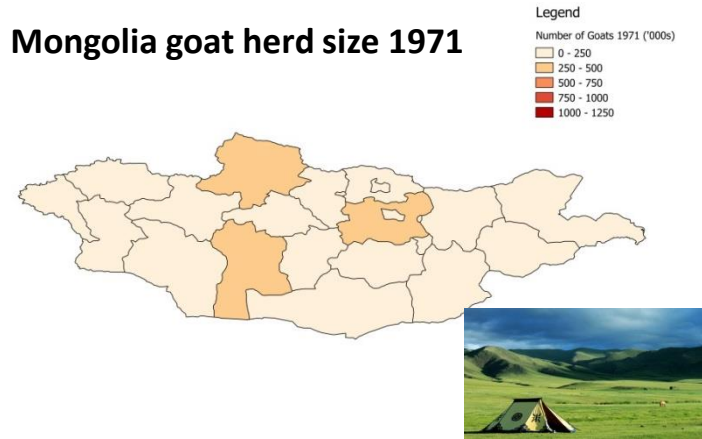
## *Case study on cashmere*

**Demand for cashmere led increases in goats in Mongolia that destroyed the land**

From:

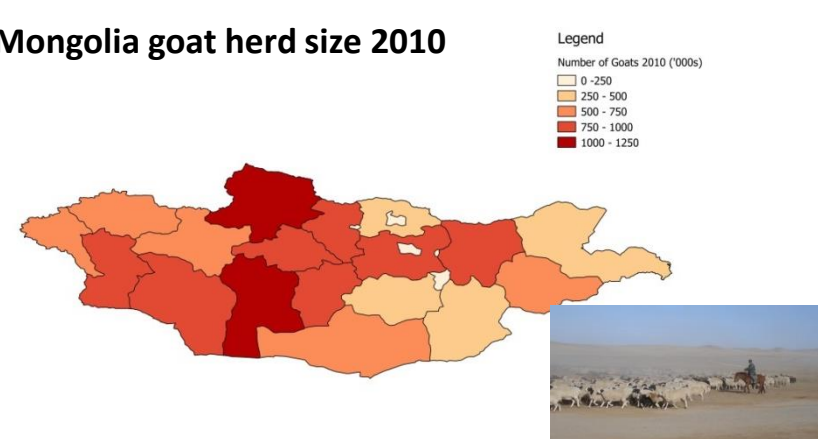
To:

**Mongolia goat herd size 1971**



**Pristine land**

**Mongolia goat herd size 2010**



**Desertification**

**Creating dust that added to pollution impacts in Beijing and eastern China**



**Government restricts grazing as a result, reducing supply and increasing price**

# Context for the E P&L

## *Case study on silk*

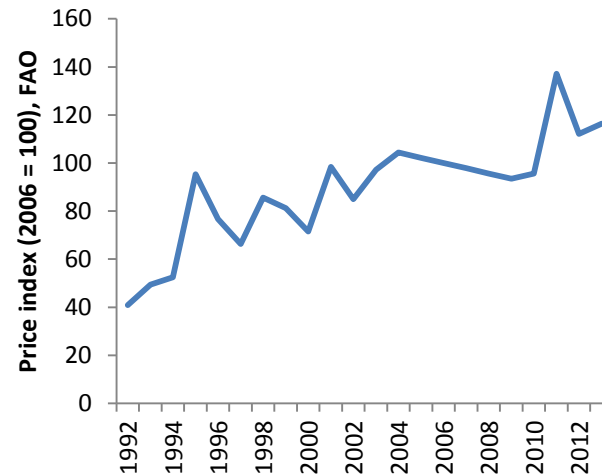
### Dust and pollution affects silk quality as well

YSL silk collection from the 60s  
impossible to replicate today

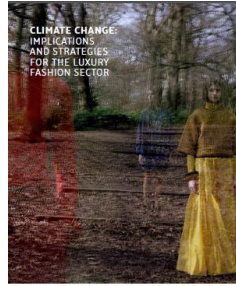


Luxury demand for high quality silk can not be met; 3x increase in price over 10 years

Price index for Chinese silk-worm cocoons, reelable

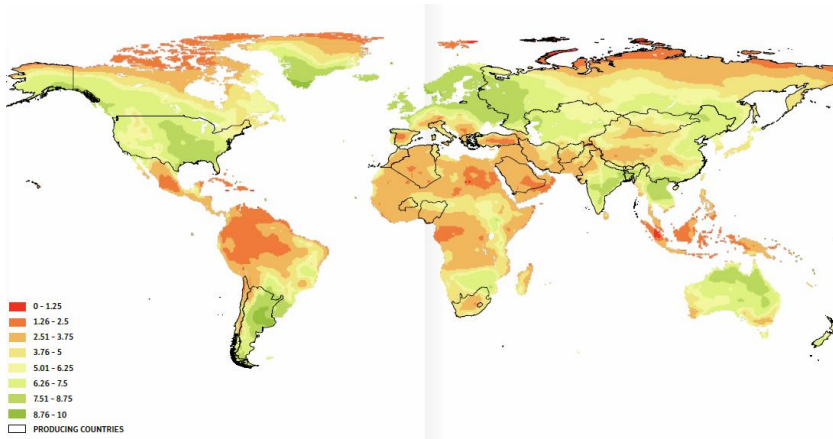


# Climate change scenarios

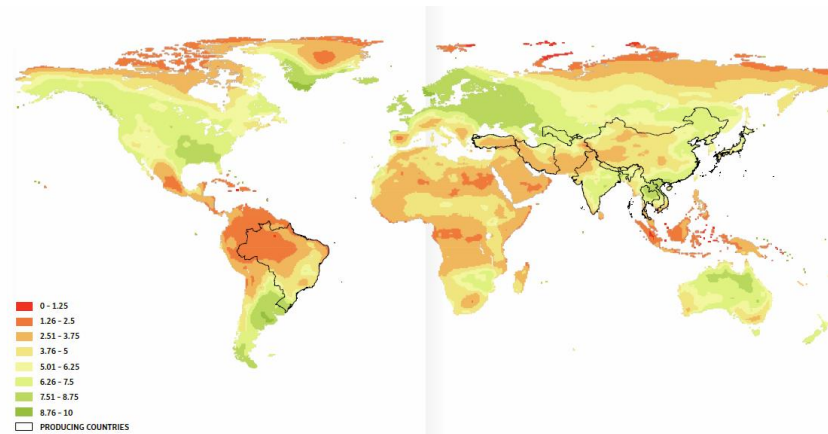


**New report issued today by Kering and BSR**  
**Climate Change:**  
Implications and Strategies for the Luxury Fashion Sector September 2015

20+ years Sheep



20+ years Silk



Empowering Imagination