

ENVIRONMENTAL PROFIT & LOSS (EP&L)

2021 Group Results



KERING


KEY DEVELOPMENTS FOR 2021

Since 2012, we have been measuring our full environmental impacts as a Group every year and monitoring our progress in becoming more sustainable using our pioneering Environmental Profit & Loss (EP&L) accounting. Continuing to integrate its findings into our day-to-day operational decisions and strategy, we recognize its extraordinary value in influencing our product design, sourcing decisions, and manufacturing research and development.

To leverage the EP&L even further, we have continued to enhance and fine-tune its methodology and scope of coverage. As an example, we have added the downstream impact of product use and end-of-life to the analysis starting from the 2020 Group EP&L. We have also strengthened our approach to better cover digital technology and its associated impacts, especially since it is a fast-growing area which is also energy intensive.

Our ambition at Kering is to ensure that the EP&L is “best in class” and we will continue to drive further enhancements in the upcoming years and open source our methodology, while reporting on the progress to meet our reduction targets. To support this ambition, we are accelerating the convergence between financial and environmental reporting, especially through:

- The alignment of the EP&L production timeline with the financial one, allowing Kering to publish its 2021 EP&L results together with 2021 financial results outlined in our Universal Registration Document
- The audit of EP&L data and processes by third-party Statutory Auditors, further ensuring the robustness of the process and the quality of the data

Staying true to our open-source mindset, we are disclosing for the first time not only the EP&L impacts valued in € but also our absolute eKPI metrics before they have been monetized, providing the overall footprint of the Group in terms of GHG emissions (metric tons CO_{2e}), other air emissions (metric tons), land use (hectares), waste production (metric tons), water use (cubic decameters) and water pollution (metric tons). This provides greater transparency around the Group’s footprint for our many stakeholders.

WHAT IS AN EP&L?

An Environmental Profit and Loss (EP&L) account is a business management tool providing an in-depth analysis of the resulting impacts a company’s activities have on the environment, which also helps decision makers consider this valuable information alongside traditional financial metrics. Kering’s pioneering EP&L measures and values in economic terms the environmental impacts across our own operations and entire supply chain. In doing so it helps us:

- Translate environmental impacts into a language business understands
- Compare between different types of impact
- Facilitates comparison between brands and business units

As a result, we can:

- Analyze luxury products from cradle to grave
- Identify the most significant drivers of impacts in our business
- Understand the impact of everyday decisions
- Develop more robust business policies to address the risks and opportunities presented by environmental challenges
- Implement targeted projects concerning choice of materials, or development of new manufacturing processes, for example
- Monitor progress of our sustainability strategy, while forecasting and preparing for the future
- Be transparent with our stakeholders

For more details on our EP&L methodology, see our Methodology paper¹.

OUR 2021 GROUP EP&L RESULTS

Within our sustainability strategy we included quantifiable targets to reach by 2025, under the three themes of CARE, COLLABORATE and CREATE. As an example, a cornerstone of CARE is the target to reduce our EP&L footprint by 40% across our supply chain by 2025, relative to growth, using a 2015 baseline.

Kering's 2021 Group EP&L is estimated to be € 562M. This includes the impact of consumer product use and end of life, which represents € 40M.

For the sake of year-on-year comparisons and consistency, we chose to compare and assess 2021 results against 2019 EP&L figures, instead of 2020, due to the various challenges during the COVID-19 pandemic, including temporary and/or partial closure of production facilities, logistics platforms and store networks in 2020.

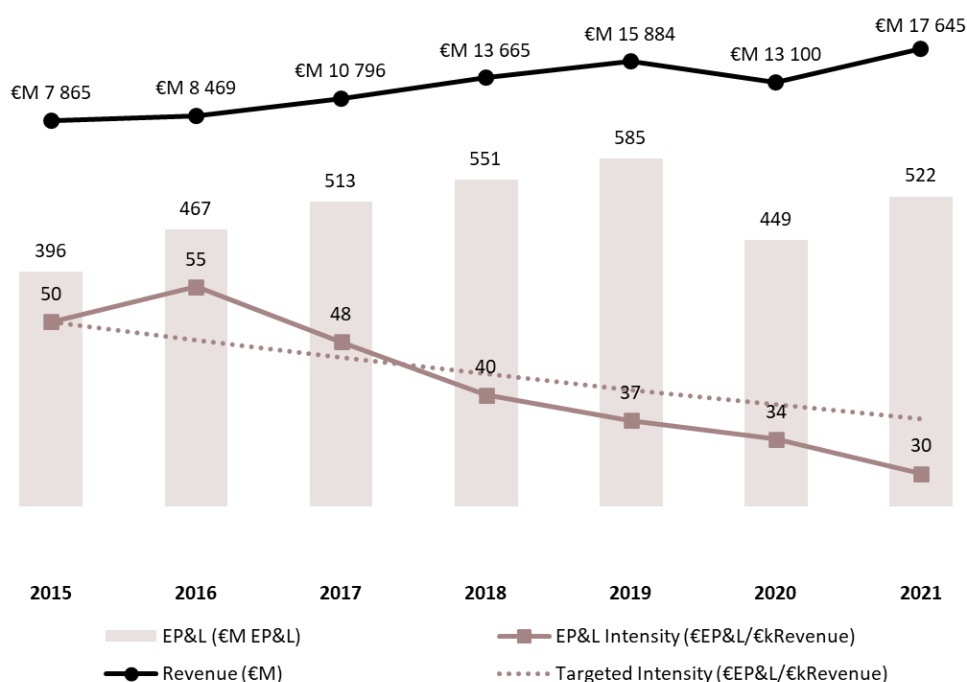
On a comparable basis, Kering's 2021 Group EP&L amounted to € 522M (excluding impacts related to consumer product use and end of life), decreasing it by 11% in absolute terms compared to 2019. This result reflects the efficacy of the Group's sustainability efforts, which has a key focus on responsible sourcing policies and improving manufacturing and processing efficiencies, while also seeking optimum sustainable management of our sites and activities, such as using green energy.

Looking at the bigger picture of the Group EP&L results and achievements, **the EP&L intensity has decreased by -41% between 2015 and 2021, attaining Kering's EP&L target 4 years ahead of time².**

¹ [Click here for the *Kering EP&L Methodology paper*](#)

² *Kering committed to reduce its EP&L intensity by 40% before 2025, with a 2015 baseline.*

Evolution of the EP&L impacts relative to revenue



Revenue: € Million

EP&L Intensity: EP&L € per €1,000 revenue (Intensities based on proforma EP&L results calculated using the 2021 methodology, excluding use phase and end of life).

Targeted reduction in EP&L intensity: We have targeted a 40% reduction in our EP&L intensity by 2025, with a 2015 baseline. This trajectory is shown in the chart in dotted line and leads to an EP&L intensity of 31 (€EP&L/€kCA) in 2025.

Figure 1: Evolution of EP&L proforma, revenue, and target from 2015 to 2021

This result marks an exciting moment in Kering's sustainability journey. As we continue our efforts to become more sustainable as a Group, Kering now has the opportunity to be even more ambitious and define bold targets for the next chapter of our strategy. In 2021, Kering already initiated this momentum through the revision of our Climate Strategy³ working towards the Paris Agreement target of limiting global temperature increase to below 1.5°C and embracing a net-zero vision by 2050. For the upcoming years, we'll be focusing on innovative science-based work to meet this ambition and to cover the other environmental dimensions in the EP&L: water, land, waste and air pollution while caring for our planetary boundaries.

³ [Click here for the Kering Climate Strategy](#)

EP&L impacts across tiers divided by impact area

















































	End of life	Use phase	TIER 0 Stores, warehouses, offices	TIER 1 Assembly	TIER 2 Manufacturing	TIER 3 Raw material processing	TIER 4 Raw material production	TOTAL
AIR EMISSIONS 								8% €48M
	10 T	2 249 T	3 947 T	989 T	1 744 T	1 918 T	6 347 T	17 204 T
GHGs 								37% €206M
	8 814 TCO ₂	229 711 TCO ₂	477 398 TCO ₂	154 548 TCO ₂	243 006 TCO ₂	265 671 TCO ₂	1 002 842 TCO ₂	2 381 991 TCO ₂
LAND USE 								31% €172M
	0 Ha	194 Ha	3 081 Ha	3 287 Ha	3 242 Ha	1 722 Ha	288 146 Ha	299 673 Ha
WASTE 								6% €35M
	3 807 T	48 415 T	122 578 T	156 838 T	243 259 T	79 051 T	37 932 T	691 879 T
WATER CONSUMPTION 								6% €35M
	4 dam ³	3 530 dam ³	16 374 dam ³	5 591 dam ³	6 688 dam ³	5 127 dam ³	18 617 dam ³	55 977 dam ³
WATER POLLUTION 								12% €67M
	0 T	141 T	563 T	89 T	88 T	324 T	3 085 T	4 290 T
TOTAL IN MILLIONS	0,2% €1	7% €39	14% €77	5% €28	8% €43	9% €53	57% €322	100% €562M

Figure 2: 2021 EP&L results across tiers and environmental indicators (both in valued and eKPI figures)

Looking at our impact across our value chain, we can see that the impacts related to our direct operations (Tier 0 – stores, warehouses, offices) are still limited, making up 14% of the total impact. The biggest part of our impacts is related to our supply chain (Tier 1 to 4 assembly, manufacturing, sourcing) representing 79% of our total impacts. The impacts associated with the consumer use phase and end of life for products are quite limited, accounting for 7% of total impacts and almost exclusively concentrated in the product use phase.

GHG emissions and land use represent our biggest environmental impacts and are respectively responsible for 37% and 31% of our EP&L footprint. In 2021 and in absolute figures, they correspond to 2,381,991 tons of CO₂ and 299,673 hectares, driven primarily by leather use.

Leveraging changes across the supply chain is a long-term process and, in many cases, will not yield immediate results. However, with the vast knowledge gained from the EP&L, we have shifted our efforts and focus areas. As an example, we have been creating programs to promote sustainable best practices and innovating across our supply chain.

Furthermore, since the supply chain is difficult to influence as one Group alone, we are collaborating with our peers, and across sectors, to drive positive change. As just two examples, The Fashion Pact and the Watch & Jewellery Initiative 2030 are initiatives we established that are focused on collaborating with peers and scaling innovative models around some of the biggest sustainability challenges in our industry. We launched the Fashion Pact in 2019 after French President Emmanuel Macron gave Kering's Chairman and CEO François-Henri Pinault a mission to bring together the leading players in fashion and textile with the goal of reducing the environmental impact of our industry. Since then, it has gone from strength to strength, bringing together more than 250 brands representing more than one third of production volumes in the fashion and textile industry. In 2021, the Fashion Pact continued to build its structure and by the end of the year it was supervising a total of 14 projects already launched or in the process of launching.

Replicating this successful model, Kering launched the Watch & Jewellery Initiative 2030 with Cartier in 2021, with Chanel, Montblanc, Rosy Blue and Swarovski joining just six months later. Our aim is to bring together the watches and jewellery players to work side by side on a number of ambitious and common goals focused on three areas: building climate resilience, preserving resources, and fostering inclusiveness.

EP&L contribution of major groups of raw materials and quantity of consumption

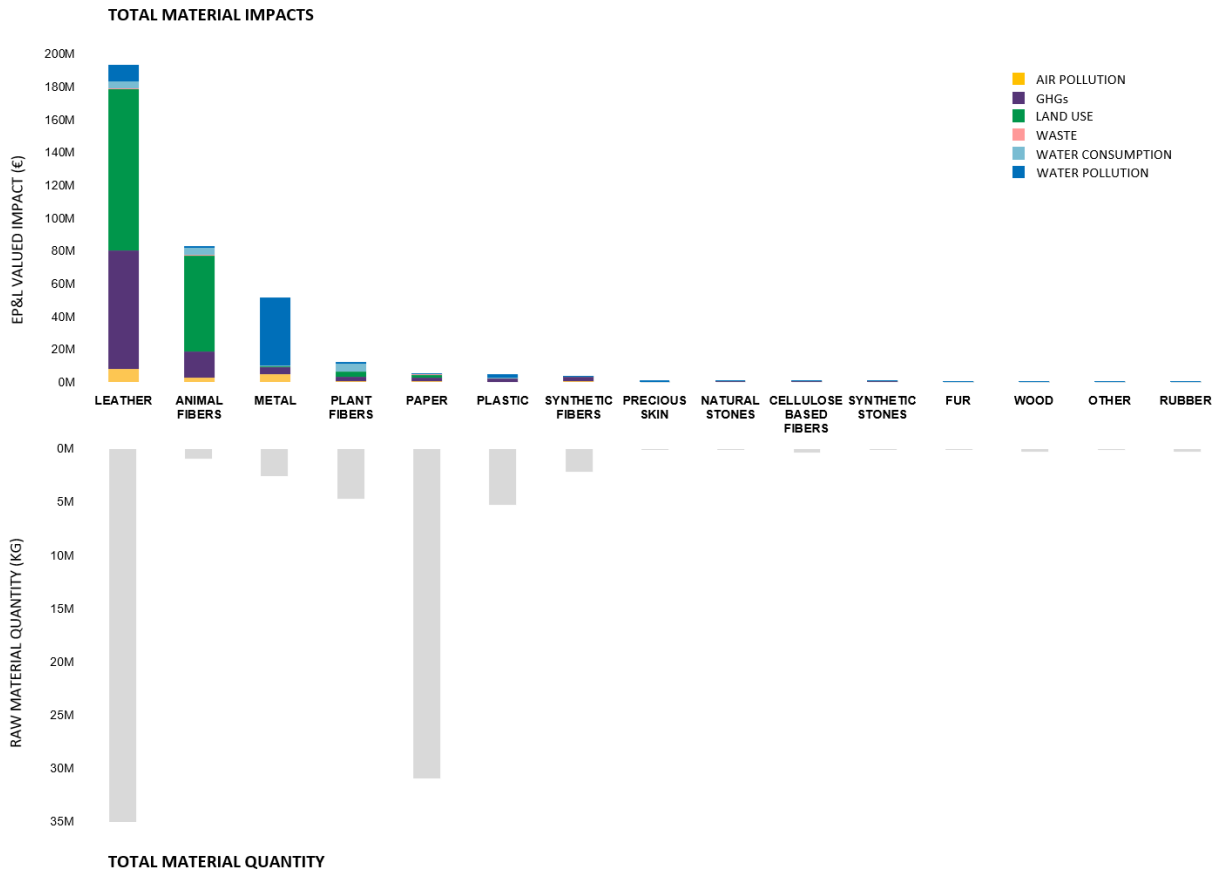
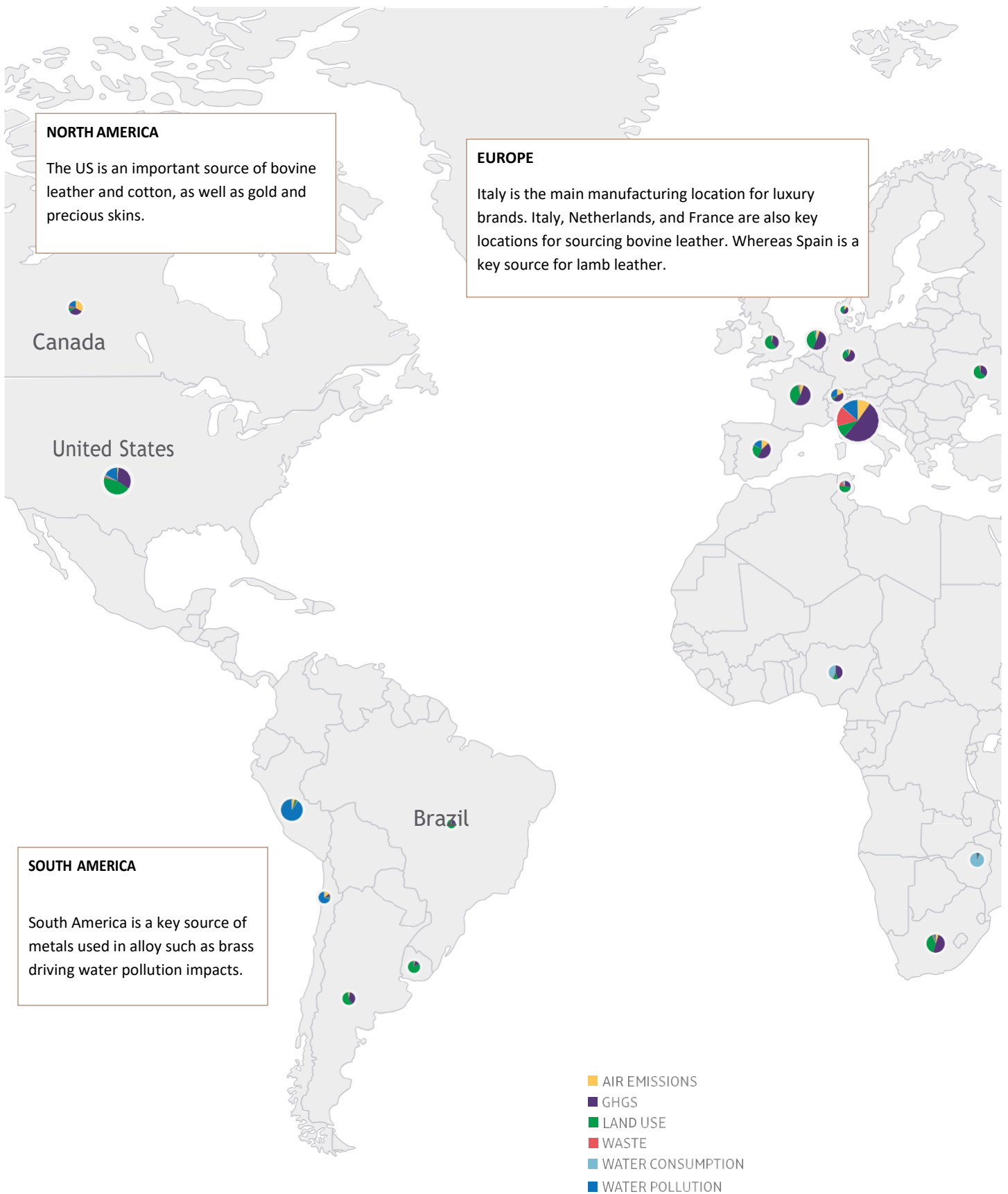
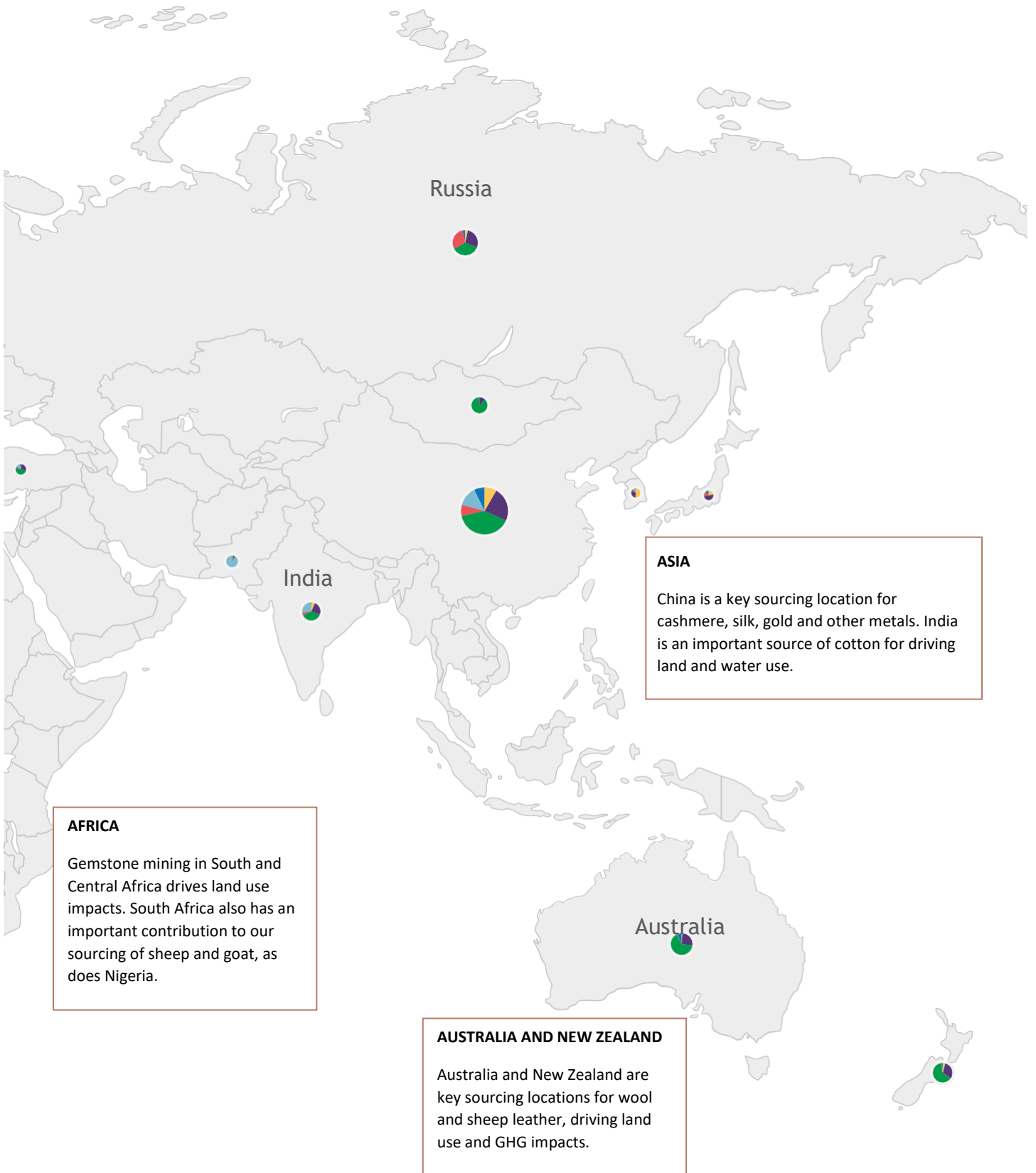


Figure 3: 2021 EP&L impacts (in €EP&L) and quantity of consumption (in kilograms) by raw material group

On the Group level, amongst the raw materials we use, leather continues to be the major driver of impacts, followed by animal fibres, such as wool and cashmere, and metals, such as brass and gold. These last two material categories offer significant possibilities to leverage impact reduction and change. Proactively making small-scale changes in sourcing options, such as replacing materials with recycled alternatives, can result in real EP&L savings.

Figure 4: 2021 EP&L impacts by geography and main drivers





UNDERSTANDING 2021 VS 2019

The COVID-19 pandemic led to temporary and/or partial closure of production facilities, logistics platforms and store networks in 2020. It is therefore more consistent to compare 2021 impacts with 2019. The figures below are presented in a comparable format, excluding impacts related to a product's consumer use phase and end of life.

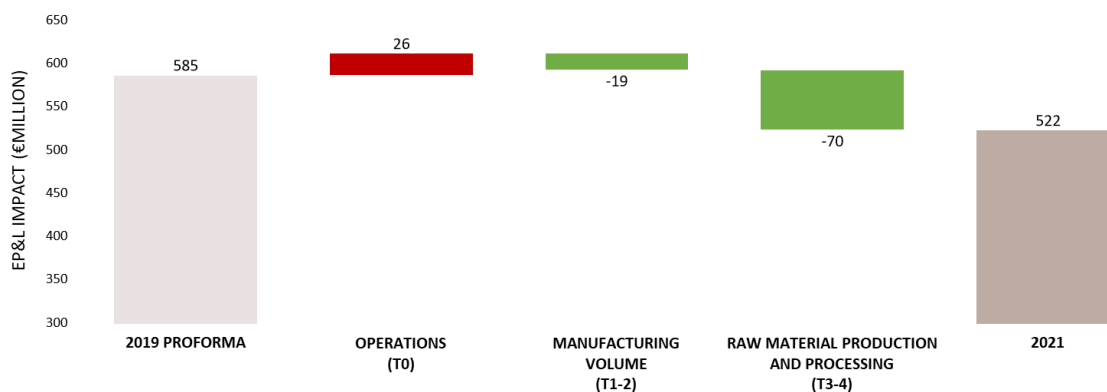


Figure 5: 2021 EP&L results, showing relative influences of changes since 2019 proforma results

TYPE OF ACTIVITY	CHANGE	REASON FOR CHANGE
OPERATIONS	+ €25.5MILLION	Increased investments and opening of new stores explain the growth of T0 impacts compared to 2019.
MANUFACTURING	- €19.1MILLION	Impacts related to manufacturing are nearly constant between 2019 and 2021. Nevertheless, our programs to support suppliers in transitioning to low impact solutions, such as Clean by Design are contributing to the improvement of manufacturing footprint between these two years.
RAW MATERIALS PRODUCTION AND PROCESSING	- €69.6MILLION	Our continued efforts around sourcing strategies and sustainable material procurement have been driving the reduction of our footprint linked to raw material production and processing. The total raw material volume used was stable between 2019 and 2021.

A key priority underlining our 2025 Sustainability Strategy continues to be focused on reducing the impacts of the raw materials we use in our products. To support our efforts, basic principles and guidelines on responsible sourcing, known as the **Kering Standards**⁴, were defined in 2012. These principles were revisited in depth and extended in 2017 to give fuller details of the Group’s raw material sourcing and manufacturing process requirements. They cover the key materials used by the Group, representing more than 95% of purchasing volumes, namely leather and precious skins, fur, wool, cotton, silk, synthetic fibers, paper, wood, plastic, feathers and down, cellulosic fibers, gold, diamonds, colored gemstones and silver, and include the Group’s main production processes, namely tanning, the various stages of textile manufacture and leather work.

The Kering Standards follow “best practices” and criteria imposed by the Group and adhered to by our suppliers in five key areas: traceability, use of chemicals, social impact, environmental impact and animal welfare, describing the minimum requirements for Group suppliers in each of these five areas, as well as the more demanding requirements that suppliers will have to meet by 2025.

As a first in the luxury industry, the Kering Standards are public and can be downloaded in English, Italian and French from the Group’s website.

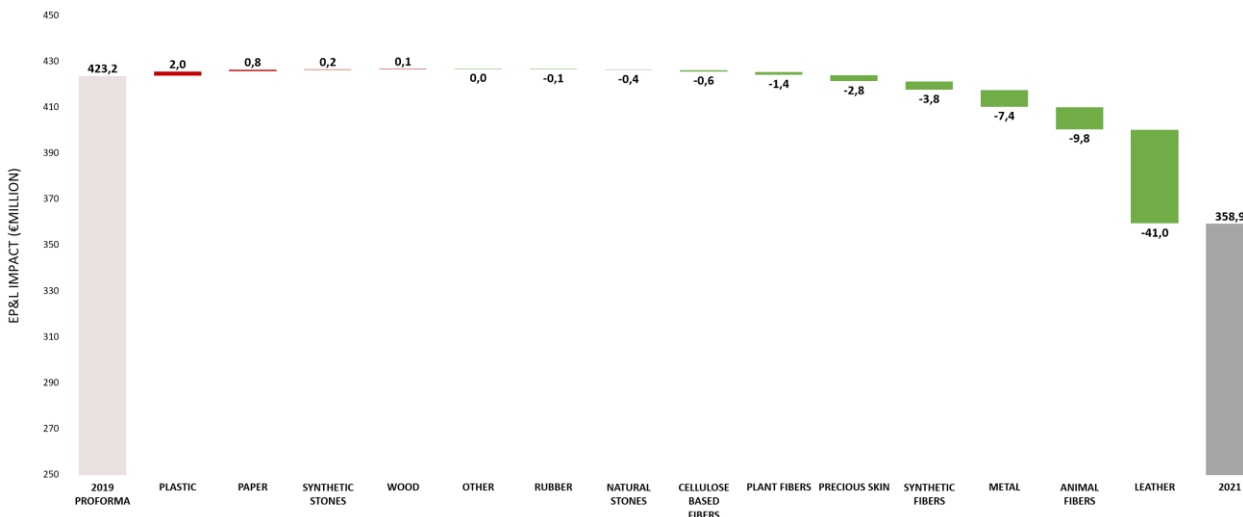


Figure 6: Changes in raw material impacts in the supply chain since 2019 proforma results

On top of applying these ambitious standards across our supply chain, Kering started to invest beyond our own regions of operations. As agriculture is one of the main drivers behind our environmental impacts and is currently a major driver of biodiversity loss and climate change, we want to support the transformation of agriculture from a ‘problem’ to a powerful nature-based solution. To achieve this transformation, **Kering and Conservation International launched the Regenerative Fund for Nature**, with

⁴ [Click here for the Kering Standards](#)

the aim of transforming 1,000,000 hectares of crop and rangelands into regenerative agricultural spaces over the next five years.

On the one hand, the Fund seeks to show how nature, climate change and livelihoods can change for the better, thanks to transforming agricultural practices. On the other, it strives to support new more sustainable supply chains and sourcing approaches in the fashion industry by upscaling quality and quantity of regenerative raw materials. Lastly, the Fund ultimately aims to provide concrete outcomes in terms of biodiversity and climate change, while at the same time supporting animal welfare and rural livelihoods by deploying the latest scientific tools and methods.

In practice, our Regenerative Fund for Nature will provide grants to farming communities, project leaders, NGOs and other stakeholders who are ready to test, prove and scale regenerative practices, which focus on working in harmony with natural ecosystems. The first grantees we announced in 2021 are a diverse and powerful inaugural portfolio, each project standing out for innovative approaches. Overall, the projects, focusing on cashmere, cotton, leather, wool, represent 840,000 hectares which will ultimately be transformed into regenerative agricultural spaces, engaging and supporting 60,000 people around the globe.



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DISCLAIMER

The Environmental Profit & Loss (EP&L) account issued by Kering is the product of a methodology developed by Kering to measure the impact of an economic activity on the environment, applying financial metrics. The EP&L is one among other manifestations of Kering's commitment to protect the environment and leadership in sustainability. As such, Kering aims to share the methodology and tool hereby published with the general business community so as to make sure they will be improved and benefit to other actors in their own efforts to minimise the impact of their own industrial and economic activities on the environment.

Because of its nature the EP&L cannot achieve the accuracy of financial results nor can it be subjected to financial audits. For any financial information about Kering, readers should refer to Kering's Universal Registration Document and other published information (regulated information disclosed as such).

As a result, the EP&L in no way reflects nor has any impact on Kering's past, present or future financial performance. In particular, the EP&L does not create any liabilities, implied costs or any rights to offset any amounts contained therein, nor does it trigger any provisions and neither does it result in any off-balance sheet commitments.

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