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Postgraduate Dissertation

Examining Sustainable Supply Chain Practices in the Luxury  
Fashion and Jewellery Industry: A Case Study of Kering

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Supervisor: Georgia Skintzi

Patras, Greece, February 2024

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## Abstract

This dissertation investigates the adoption of sustainable supply chain practices within the luxury fashion and jewellery industry, employing a focused examination of the multinational industry giant Kering. With a professional background in the supply chain sector and a keen interest in sustainable development, the researcher aims to explore the dynamics of integrating sustainable practices within these intricate supply chains.

The study emphasizes the growing importance of sustainability in contemporary business strategies and its relevance in the fashion and jewellery sector context. It delves into Kering's sustainable supply chain initiatives, analyzing the challenges, innovations, and implications for the luxury industry. The researcher draws upon a comprehensive review of relevant literature, encompassing scholarly works on sustainable supply chain management, corporate social responsibility, and luxury brand management, to provide a thorough understanding of the subject.

Through an in-depth examination of Kering's practices, this thesis aims to contribute insights into the integration of sustainability within supply chains, offering practical implications for businesses operating in the luxury fashion and jewellery industry sector. The findings of this research seek to inform industry practitioners, policymakers, and academics, providing a valuable resource for advancing sustainable practices within the broader landscape of global luxury supply chains.

### **Keywords:**

Sustainability, Supply Chain, Environment, Social and Governance (ESG), Luxury Fashion, Corporate Social Responsibility, Sustainable Development, ESG Ratings, ESG Score

## Περίληψη

Η διπλωματική διατριβή εξετάζει την υιοθέτηση βιώσιμων πρακτικών στην εφοδιαστική αλυσίδα στη βιομηχανία της υψηλής μόδας και κοσμημάτων, εξετάζοντας την πολυεθνική εταιρεία Kering, η οποία αποτελεί έναν γίγαντα στην υπό μελέτη βιομηχανία. Έχοντας επαγγελματικό υπόβαθρο στον τομέα της εφοδιαστικής αλυσίδας και έντονο ενδιαφέρον για τη βιώσιμη ανάπτυξη, ο ερευνητής στοχεύει να εξετάσει τη δυναμική της ενσωμάτωσης βιώσιμων πρακτικών σε αυτές τις περίπλοκες εφοδιαστικές αλυσίδες.

Η μελέτη τονίζει την αυξανόμενη σημασία της βιωσιμότητας στις σύγχρονες στρατηγικές των επιχειρήσεων και την ιδιαίτερη σημασία της στο πλαίσιο του κλάδου τους ρουχισμού και των κοσμημάτων. Εξετάζει τις πρωτοβουλίες της Kering για να εξασφάλιση της βιωσιμότητας της εφοδιαστικής της αλυσίδας, αναλύοντας τις προσκλήσεις, τις καινοτομίες και τις επιπτώσεις στη βιομηχανία αυτή. Ο ερευνητής διεξάγει εκτενή ανασκόπηση της σχετικής βιβλιογραφίας, περιλαμβάνοντας επιστημονικά έργα για τη διαχείριση βιώσιμης εφοδιαστικής αλυσίδας και την εταιρική κοινωνική ευθύνη προκειμένου να παρέχει μια πλήρη κατανόηση του θέματος.

Μέσω μιας εμπειριστατωμένης εξέτασης των πρακτικών της Kering, αυτή η διπλωματική διατριβή στοχεύει στο να συμβάλει στην κατανόηση της ενσωμάτωσης της έννοιας της βιωσιμότητας στις εφοδιαστικές αλυσίδες, προσφέροντας πρακτικές συνέπιες για επιχειρήσεις που δραστηριοποιούνται στον κλάδο της υψηλής μόδας, του ρουχισμού και των κοσμημάτων. Τα ευρήματα αυτής της έρευνας αποσκοπούν στα να ενημερώσουν τους επαγγελματίες του κλάδου και τους ακαδημαϊκούς, παρέχοντας έναν αξιόλογο πόρο για την προώθηση βιώσιμων πρακτικών εντός του ευρύτερου πεδίου των παγκόσμιων εφοδιαστικών αλυσίδων.

### Λέξεις κλειδιά

Βιωσιμότητα, Εφοδιαστική Αλυσίδα, ESG, Περιβάλλον, Υψηλή Μόδα, Εταιρική Κοινωνική Ευθύνη, Βιώσιμη Ανάπτυξη, ESG Ratings, ESG Score.

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## List of Abbreviations and Definitions

<b>AI</b>	Artificial Intelligence
<b>CBD</b>	Convention on Biological Diversity
<b>CE</b>	Circular Economy
<b>CNN</b>	Convolutional Neural Networks
<b>CO</b>	Carbon dioxide
<b>CoC</b>	Code of Conduct
<b>CSR</b>	Corporate Social Responsibility
<b>EC</b>	European Commission
<b>EP&amp;L</b>	Environmental Profit and Loss
<b>ESG</b>	Environmental Social and Governance
<b>EU</b>	European Union
<b>G&amp;A</b>	Governance and Accountability Institute Inc
<b>GCA</b>	Global Commons Alliance
<b>GHG</b>	Greenhouse Gas
<b>GRI</b>	Global Reporting Initiative
<b>IPBES</b>	Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services
<b>ISO</b>	International Standards Organization
<b>KPI</b>	Key Performance Indicators
<b>MIL</b>	Material Innovation Lab
<b>NGO</b>	Non-Profit Organization
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>PRI</b>	Principles for Responsible Investment
<b>SASB</b>	Sustainability Accounting Standards Board
<b>SBTN</b>	Science Based Targets Network
<b>SC</b>	Supply Chain
<b>SCC</b>	Sustainable Consumption and Production
<b>SCM</b>	Supply Chain Management
<b>SCoC</b>	Supplier Code of Conduct
<b>SDG</b>	Sustainable Development Goals
<b>SMO</b>	Social Movement Organizations

<b>SSCM</b>	Sustainable Supply Chain Management
<b>TBL</b>	Triple Bottom Line
<b>TCFD</b>	Task Force on Climate-related Financial Disclosures
<b>UN</b>	United Nations
<b>UNEP FI</b>	United Nations Environment Programme Financial Action Facility
<b>WEF</b>	World Economic Forum

# Introduction

## 1.1 Background

In contemplating the subject for this dissertation, my main goal was to delve into a topic that genuinely mattered – not something to tick off my Master’s program, but an exploration with real-world implications. I wanted it to go beyond the usual academic exercise, capturing the essence of today’s fashion scene while offering insights into where it might be headed in terms of sustainability.

Coming from a supply chain and logistics professional background - with a profound passion for fashion lasting for more than I can remember – my journey led me to the realization that the fashion industry extends far beyond the end product on a shelf. It’s a vast global industry deeply entwined with the business side of things. Beyond the creative process, there’s a bottom line: fashion isn’t just about clothes and accessories but plays a significant role in our daily lives and the global socio-economic tapestry.

While some may perceive sustainability as a fleeting trend within the media, the fashion world, and the broader business world, it is fundamentally the cornerstone for safeguarding high quality of life for future generations. In a world characterized by perpetual change and globalization with effects worldwide, we need to grasp and respond to the current needs to nurture an ongoing and positive trajectory of sustainable development for all businesses.

## 1.2 Objectives and Research Questions

The changing landscapes in the socio-economic environment and the ongoing shifts in the business world bring sustainability to the forefront of public attention. In the present market context, there’s a buzz around Corporate Social Responsibility (CSR), the necessary implementation tools, and the resulting accountability.

Climate change, nature deterioration, social inequality concerning employment, the COVID-19 pandemic, and the changing expectations of the role of organizations have all drastically impacted

the business environment. All these crises have further exposed existing imbalances in terms of equality and economic opportunities. To ensure ongoing success, companies must prioritize sustainable value creation, considering the requirements of both people and the planet. Strengthening their resistance and enhancing their license to operate through a greater commitment to continuous, sustainable value-creation is critical to achieving this.

This thesis explores what sustainability means in the current era and how sustainability practices are measured and applied in the global luxury fashion industry. The goal is to assess how well the industry is adopting these practices, pinpoint the challenges faced, and suggest areas for improvement. Understanding the importance of sustainable development and how it can boost profitability and responsible economic growth is a key focus. To closely examine the challenges and opportunities tied to moving towards a more sustainable future, we have incorporated a detailed case study focusing on Kering, which is recognized as one of the industry's leading sustainable companies. Kering is a global luxury group with an impressive portfolio of renowned fashion houses. Beyond its reputation for high-end fashion, Kering has made substantial contributions to sustainability practices in the industry.

Over the years, Kering has demonstrated a solid commitment to Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) principles. The company has consistently worked to minimize its environmental footprint, promote fair labor practices, and engage in ethical business operations. Kering's dedication to sustainability is reflected in its commendable CSR and ESG scores, which show a positive trend over time.

In summary, Kering stands as one of the leaders in the luxury fashion sector not only for its iconic brands but also for its substantial contribution to sustainability. The company's strategic adjustments to its supply chain underscore its commitment to fostering a more sustainable and responsible future in the fashion industry.

### 1.3 Limitations

While this dissertation contributes to understanding the adoption of sustainable supply chain practices within the luxury fashion and jewellery industry, there are several limitations that should

be acknowledged. The primary focus of this dissertation is Kering. The findings may not be directly generalizable to smaller or different companies within the luxury fashion and jewellery industry, as their operational contexts, resources, and approaches to sustainability may differ significantly.

The reliance on data directly obtained from Kering's website may introduce a source bias. While Kering provides a wealth of information on its sustainability initiatives, the lack of independent verification may raise questions about the objectivity and completeness of the data. Also, the reliance of the case study only on secondary data gathered from Kering's public documents and the lack of primary data collection limits the depth of understanding regarding the stakeholder's perspectives and the internal dynamics of the company.

Although the initial intention was to also compare Kering's sustainability practices with those of its competitors, this study does not include such a comparative analysis. Future research could explore how Kering's sustainability efforts compare to its industry peers, providing a more comprehensive understanding of the company's standing within the sector.

The study suggests the possibility of future research comparing Kering's sustainability efforts with its competitors. Expanding this comparison could offer a more nuanced understanding of industry trends and best practices in sustainable supply chain management within the luxury sector.

Despite these limitations, this dissertation offers valuable insights into the integration of sustainable practices within luxury fashion and jewellery supply chains, with a specific focus on Kering. The findings contribute to the academic discourse on sustainable supply chain management and provide practical implications for industry practitioners and academics interested in advancing sustainability with the broader landscape of global supply chains.

#### 1.4 Significance of the Study & Relevance

This thesis brings originality and contribution by focusing on sustainable supply chain management and ESG practices in the luxury fashion industry. The in-depth case study on Kering provides unique insights into a leading global player's strategies, highlighting real-world practices.

This research provides practical insights for industry leaders and stakeholders seeking to enhance sustainability in the luxury fashion supply chain. It explores the intersection of corporate social responsibility and sustainability, particularly within the context of a leading luxury company. It contributes to the growing literature on sustainability and supply chain management in a sector known for its significant environmental and social impact. Finally, it established a benchmark for future research, identifying areas for improvement. And opportunities for comparative analysis. This study holds significance for academia, industry practitioners, and companies in the luxury sector, providing a valuable resource for advancing sustainable practices within the industry.

## 1.5 Thesis Structure

This thesis consists of a total of three (3) main chapters.

*Chapter 1* introduces the background, objectives, and research questions, emphasizing the study's scope and limitations. It highlights the significance of the research and outlines the thesis structure, providing a concise overview of the subsequent chapters.

*Chapter 2*, the literature review, explores Sustainability and Corporate Social Responsibility, including implementation strategies and principles for defining report content. It also delves into the sustainability concept in the luxury fashion industry, addressing challenges and best practices. Additionally, it provides an overview of sources and initiatives related to sustainability reporting. This concise review sets the stage for understanding essential concepts pertinent to the thesis.

*Chapter 3*, the Case Study on Kering, provides an insightful exploration of the history and evolution of the company. It focuses on Kering's ESG and biodiversity strategy, detailing key components such as Kering Standards, the Kering Climate Fund for Nature, and the Initiative "Coming Full Circle." The chapter further examines the supply chain and critical stages of the value chain within the company and sheds light on the sustainability practices and progress made by Kering until 2023. This in-depth case study enriches the understanding of Kering's approach to sustainability within the luxury fashion industry.

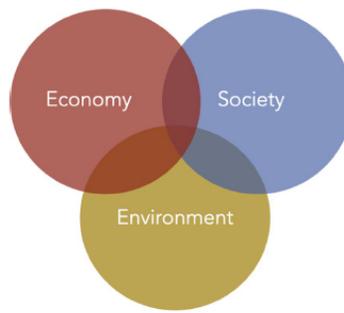
Finally, to ensure the study's relevance, the last chapter, *Conclusions*, integrates the results of the periodic updates on Kering's sustainable strategies and findings, providing an up-to-date perspective on the company's progress in aligning its supply chain practices with the SDGs.

## Literature Review

### 2.1 Sustainability and Corporate Social Responsibility

The concept of sustainability has evolved over time, and various books and reports have contributed to shaping the understanding of sustainability and how it should be approached. While it is challenging to pinpoint a single starting point, some key publications and reports have played a significant role in developing sustainability principles. One of the first turning points was the publication “Limits to Growth” in 1972 by the Club of Rome, which explored the consequences of exponential economic and population growth on a finite planet and highlighted the importance of sustainable development (Meadows et al., 1972). One more influential document was the publication “Our Common Future,” also known as the Brundtland Report, published by the World Commission on Environment and Development, which introduced the widely accepted definition of sustainable development as *“development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”* (United Nations, 1987).

The world is going through a change triggered by anthropogenic changes that have put the planet in a crisis. The term Anthropocene is now embraced to signify the diverse ways in which human activities have profoundly impacted the Earth’s system, justifying the introduction of a new geological epoch. (Crutzen & Stoermer, 2000). In this new era, the balance between the three components of sustainability – the environment, the economy, and society – has been upset, with the latter two overpowering the former in scale. This has inhibited the achievement of sustainable development; almost four decades after the Brundtland report, sustainable living has yet to become a reality for humanity (Bastianoni et al., 2022). Since its inception, sustainable development has been considered an interaction between biological/resource systems, the economy, and the social system (Barbier, 1987). This practice is often depicted with three intersecting circles representing the three elements, with the area of intersection symbolizing sustainable development (Figure 1) (Barbier, 1987).



*Figure 1: The "usual" representation of sustainability (Barbier, 1987)*

The same idea is described in the Triple Bottom Line (TBL) of People, Planet, and Profit, a term introduced by John Elkington in 1998 that has influenced the sustainability world of research ever since (Elkington, 1998). To achieve success in a triple-bottom-line development, a company must ensure positive returns in all three aspects. According to Elkington (1998), merely reducing the level of negative outcomes is not deemed a solution to the environmental and societal issues outlined in the Millennium Development Goals (MDGs).

This concept supports the notion that sustainability needs to combine economic and social objectives with environmental protection. However, according to Bastianoni et al. (2022), it has revealed three significant vulnerabilities: First, it is a static depiction that doesn't consider the temporal aspect of sustainability as the Brundtland Report proposed. Second, it suggests that if the indicators of economic performance, social status, and environmental protection are good, the system is sustainable. However, even though these indicators are enhanced in many countries, we cannot argue that sustainable development has grown since 1987. Last, except in the intersection of the three circles where all sustainability requirements are fulfilled – which is almost unattainable – it suggests that the social, economic, and environmental components of sustainability are somehow interchangeable or commutable. This interchangeability of environmental, social, and economic components is usually referred to as “weak” sustainability (Gutes, 1996) and has demonstrated its inability to tackle emerging problems effectively.

There is no single definition for sustainable business practices. However, some researchers define business sustainability as the integration of sustainable principles into organizations, essentially aligning business objectives with sustainability goals (Lee & Saen, 2012). It is widely agreed that

a sustainable business is financially viable, holds itself responsible for its impact on society, and is eco-friendly (Chungyalpa, 2019). The social and environmental aspects are significant and help to make sustainable businesses stand out from traditional for-profit businesses (Chungyalpa, 2019).

Every business leaves a direct economic footprint to its employees, suppliers, and the countries where it operates, as well as an indirect economic footprint through monetary flows throughout supply chains and beyond (United Nations Global Compact, 2010). Businesses that foster greater economic inclusivity within their supply chains can contribute to additional economic development and, consequently, economic development, with its subsequent effects on socioeconomic progress and the environment, emerges as a crucial component of sustainability (United Nations Global Compact, 2010). Organizations can benefit from sustainable business practices in a variety of ways. Table 1 lists some of the major advantages of such practices (Whelan & Fink, 2016; GRI, 2023):

**Table 1: Benefits from Sustainable Business Practices**

- 
- Entering new markets
  - Enhancing productivity, cutting down on expenditures, and bettering overall organizational effectiveness
  - Measuring and evaluating sustainability practices in relation to applicable policies, regulations, standards and private or public disclosures
  - Benchmarking performance in comparison to other businesses or sectors
  - Regulating and reversing the damaging effects on the environment, society and governance
  - Fulfilling the requisitions of key stakeholders for businesses to conduct themselves in a responsible, moral and ethical manner
  - Creating a strong brand identity, cultivating goodwill, developing excellent reputation and fostering customer loyalty
  - Being in sync with the environmental and social issues of the present times and achieve long-term managerial and strategic goals
  - Allow those outside of the organization to comprehend the genuine worth and tangible and intangible assets
-

### 2.1.1 Implementation Strategies

In recent years, sustainability reporting has become a common practice due to new regulations and standards, such as the Nonfinancial Information (NFI) Directive in Europe (2014/95/EU) and the proposed Corporate Sustainability Reporting Directive (2021/0104 (COD)). Additionally, investors find sustainability-oriented firms viable investments (Durand et al., 2019; Yang et al., 2021).

In 1992, a few decades after the Brundtland Report, the Rio Earth Summit took place in Rio, resulting in the Rio Declarations, which set twenty-seven principles and responsibilities for the following years. Subsequently, at the beginning of the new millennium, the MDGs were agreed upon by global leaders who joined forces in the United Nations, which provided the agenda of quantifiable challenges that should be met by 2015 (United Nations, 2015). These challenges revolve around 17 goals, each accompanied by multiple indicators delineating pathways to attain them (United Nations, 2015). Annually, representatives provide updates on their advancements at the High-Level Political Forum, urging both developed and developing nations to take action to foster prosperity and environmental protection (United Nations, 2015).

In December 2015, the Paris Agreement was embraced by 196 nations in a bid to fight climate change and adjust to its consequences. It was the world's initial thorough climate accord and demanded that every nation decide, plan, and frequently report its contribution to diminishing global warming (Klaus et al., 2023). The Paris Agreement forced extra costs on companies, especially in the energy, manufacturing, utilities, and transportation sectors (Klaus et al., 2023).

In 2018, institutional investors controlling a collective 5 trillion USD in assets encouraged the Securities and Exchange Commission (SEC) to set new rules regarding public companies' ESG disclosure via a petition (Williams & Fox, 2018). In the last ten years, a significant number of governments, organizations, and international institutions, such as the UN, OECD, G20, IOSCO, Worldwide Federation of Exchanges, and ISO, have discussed how to promote non-financial reporting to value corporate environmental and social risks and support global sustainable development (Bartels et al., 2016; UNCTAD - United Nations Conference on Trade and Development, 2019; United Nations, 2021; OECD, 2017; SSE, 2018; ISO, 2018).

Businesses use sustainability reporting to make public data concerning environmental, social, and governmental issues, with a particular emphasis on the notion of sustainable growth (Minutiello & Tettamanzi, 2022). Business sustainability implementation is guided by several different standards and certifications, such as ISO 26000 (ISO, 2023) for social responsibility, GRI for organizational disclosure for impact on the environment, economy, and people (GRI Standards, 2023), SA8000 standard (SAI, 2023) for doing business ethically and with respect for employees while upholding the highest social standards, and AA1000 for auditing (AccountAbility, 2023).

As of 2020, the countries that signed the Paris Agreement must submit Nationally Determined Contributions (NDCs) that they intend to achieve, which the government authorities will prepare (United Nations, 2015). These NDCs will blueprint and communicate the countries' post-2020 climate action plans. For the planet to achieve the desired goals set out by the Paris Agreement, it is essential that all countries take serious action. These steps are necessary to reach the global peak of greenhouse gas (GHG) emissions as soon as possible and to make rapid reductions afterward by means of the best available science (United Nations, 2015).

Additionally, in September 2020, the World Economic Forum (WEF) and the International Business Council (IBC) partnered with the BIG Four accounting Firms (Deloitte, EY, KPMG, and PwC) to create a unified set of ESG standards for 2021 implementation. Under this collaboration, a White Paper called "Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation" was issued. A collection of 21 core and 34 extended performance indicators, organized under four pillars aligned with the SDGs and principal ESG domains: Principles of Governance, Planet, People, and Prosperity (World Economic Forum, 2020).

From a managerial point of view, companies should ensure that their information is available in an up-to-date, easy-to-access, and effective manner. (Invernizzi et al., 2022). Goodman (1994) argued that three ideas create the basis of corporate communications: stakeholders, identity, and reputation. Stakeholders form their opinions regarding the corporate reputation of a company by the company's behavior, accomplishments, and accumulated information and experience over time

(Balmer & Greysier, 2003). Thus, it is significant to understand how businesses have introduced sustainability reporting, as well as the strategies they have chosen to use.

### 2.1.2 Principles for Defining Report Content and Quality

Organizations can express their stance on sustainability through various channels, including branding, social media marketing, and CSR reports (Karasek & Bryant, 2012). To reduce the gap in knowledge between the organization and its stakeholders, it is essential to make a clear signal about the organization's dedication to sustainability (Ching & Gerab, 2017). Such reports include quantitative and qualitative information on the organization's environmental and social progress over the reporting period.

Sustainability reports are expected to offer a thorough and balanced description of their corporate sustainability performance, although they fall short of achieving this goal (Hahn & Lulfs, 2014). Given the voluntary nature of most reporting, the information presented tends to be selectively chosen, raising concerns about the accuracy and comprehensiveness of the claims (Evangelinos & Skouloudis, 2014). Recognized as the “de facto global standard” (KPMG, 2022), the Global Reporting Initiative (GRI) serves as a multi-stakeholder forum aimed at addressing information gaps in sustainability reporting by offering guidance for voluntary sustainability disclosure, thereby enhancing legitimacy.

Considered the most comprehensive reporting framework (KPMG, 2022), the GRI establishes a common language for stakeholders and organizations. The GRI's objective for organizations is to report both positive and negative contributions to sustainability, ensuring transparency and completeness in the process (Hahn & Lulfs, 2014). The framework operates on two main principles within its categories: reporting content and reporting quality (Wells et al., 2021). Reporting content is guided by stakeholder inclusiveness, context, materiality, and completeness, whereas reporting quality is assessed based on criteria such as balance, comparability, accuracy, timeliness, clarity, and reliability (Wells et al., 2021). The following table (Table 2) assembles the principles for defining report content and report quality as they are reflected in the “Consolidated Set of the GRI Standards” (GRI, 2023).

**Table 2: Principles for defining report content**

<b>Principle</b>	<b>Description</b>
Stakeholder inclusiveness	The organization must recognize its stakeholders and disclose the way in which has addressed their reasonable expectations and interests
Sustainability context	The report should showcase the organization’s performance within the broader context of sustainability
Materiality	The report should address elements that mirror the organization’s noteworthy economic, environmental, and social impacts and share the evaluations and decisions of stakeholders.
Completeness	The report must encompass the discussion of material aspects and their boundaries in a manner adequate to capture substantial economic, environmental, and social impacts.

**Table 3: Principles for defining report quality**

<b>Principle</b>	<b>Details</b>
Balance	The report should showcase both positive and non positive aspects of the organizations's performance, facilitating a reasoned evaluation of its overall effectiveness
Comparability	The organization should consistently choose, compile and disclose information. The presented information should be structured in a way that allows stakeholders to analyze shifts in the organization's performance over time and facilitates comparative analysis with other organizations.
Accuracy	The disclosed informaiton must be accurate and detailed enough for stakeholders to evaluate the organization's performance.
Timeliness	The organization sjould adhere to a consistent reporting schedule, ensuring that informaiton is accessible in a timely manner for stakeholders to make well-informed decisions.
Clarity	The oraganization should present information in a way that is clear and handy for stakeholders utilizing the report
Reliability	The organization must collect, document, compose, analyze, and publish information and processes involved durin the report formation in a manner that allows scrutiny and establishes the quality and significance on the information.

### 2.1.3 Legitimacy Theory

To understand the concept of legitimacy, the broadly used definition is Suchman's (Crossley et al., 2021), which refers to a widespread perception or assumption that the actions of an entity align with the socially constructed systems of norms, and values, beliefs, and definitions, being considered as desirable, proper, or appropriate (Suchman, 1995). Due to the adaptability of the term, it can be adjusted to suit the social and environmental context (Crossley et al., 2021).

Legitimacy theory suggests that firms that encounter a lot of public scrutiny are more likely to use sustainability disclosures to demonstrate their legitimacy to stakeholders (Michelon, 2011). This theory is characterized as a systems-based approach that centers on the connection between communications and disclosures between organizations, people, and groups (Michelon, 2011). Legitimacy theory states that the survival of an organization depends on legitimacy, meaning that if the values and norms of the organization do not reflect those of its stakeholders, it may lead to a perception of illegitimacy (Suchman, 1995). Lindblom suggests that when a company is seen as not operating legitimately, the demand for their goods and services may decrease or be eliminated altogether (Lindblom, 1994), and other researchers point out that the brand of the organization can be seriously impacted by violating a social contract (Wells et al., 2021).

Therefore, it can be seen as an integral component of a corporation's overall business strategy to establish and uphold its legitimacy (Roca & Searcy, 2012). This involves publishing information to mitigate any adverse news that might become available to the public (Wells et al., 2021). Organizations can be seen as lacking in legitimacy if any significant incidences have been linked to their supply chains, for instance, incidents concerning animal cruelty or unethical working practices (Wells et al., 2021). Behaviors that may have been acceptable or ignored in the past are commonly not tolerated now. Stakeholders are demanding sustainability from organizations with a greater awareness of environmental issues (Wells et al., 2021).

Values and norms are constantly evolving, and organizations must be able to adapt and be responsive to the changes needed (Perks et al., 2013). If the values and norms of the company do not coincide with those of society, it can result in stakeholders perceiving a gap in legitimacy (Deegan & Rankin, 2002). To address this legitimacy gap, organizations will implement corrective

measures by selectively disclosing information. This can involve adjusting operations to match better the public expectations, as well as informing relevant stakeholders about the changes made, which in turn can help build a positive image of the organization – a practice known as substantive management (Ashforth & Gibbs, 1990). On the flip side, (Lindblom, 1994) observes that organizations might attempt to alter stakeholder’s perceptions without making actual behavioral changes. They may also manipulate perceptions by diverting attention from the problem, a practice known as symbolic management (Ashforth & Gibbs, 1990).

Kolk (2004) poses the issue of whether the actions taken by organizations align with their stated plans. In these selective disclosures, presenting a relatively mild impact under the guise of transparency could be interpreted as greenwashing (Marquis et al., 2016), potentially harming the brand or failing to address the legitimacy gap if exposed. Greenwashing is presented as a frequently encountered form of selective disclosure in which companies “mislead consumers about their actual environmental performance” (Delmas & Burbano, 2011) to cultivate an inaccurate sense of transparency and accountability. Marquis et al., 2016). This form of greenwashing at the firm level stands apart from product-level greenwashing, a widespread marketing strategy where companies amplify or obscure the environmental benefits of a particular product or service to enhance sales (Delmas & Burbano, 2011).

## 2.2 Sustainability in the Luxury Fashion Industry

Luxury has no single definition; however, “Luxus” – taken from the Latin – stands for excess, lasciviousness, and extravagance, as mentioned in the Oxford English Dictionary. It is associated with exclusivity, frequently not necessary and hard to acquire, exemplary craftsmanship, charisma, perfection, prestige, sophistication, design aesthetic, and heritage (Berry, 1994; Phau & Prendergast, 2000; Atwal & Williams, 2009; Ozdamar-Ertekin, 2019). The enduring connections of luxury with ostentation and excessive consumption reveal a potential conflict with sustainability. Therefore, many believe that sustainability and luxury cannot coexist or are complete opposites. The prevailing belief was that a luxury product did not need a “sustainable” label to achieve better sales (Joy et al., 2012). Luxury is associated with personal gratification, whereas sustainability is connected to moderation and ethics (Naderi & Strutton, 2015). However, it has become apparent to luxury brands that many financially capable customers are taking into

account environmental factors when making purchases (Garcia-Torres et al., 2017; Kapferer & Michaut-Denizeau, 2014). Thus, a change in paradigm is occurring: luxury companies are emphasizing sustainability, and the idea of “sustainable luxury” is becoming a popular topic (Kunz et al., 2020).

Kunz et al. (2020) conducted a systematic review that identified three major domains of research: the first delves into issues concerning harm, supply chain, and communication; the second encompasses questions related to Corporate Social Responsibility (CSR) and the sustainable practices of luxury producers; the final stream concentrates on consumers, exploring the impact of their characteristics on sustainable luxury purchases, the compatibility between luxury and sustainability from the consumer perspective, and the consumerism paradox. As a result, luxury brands have been progressively integrating environmentally friendly approaches into their operations (Kang & Sung, 2022) while striving to uphold their exclusive branding.

Despite the ongoing economic challenges, the international apparel industry maintains a robust growth trajectory. In 2023, the worldwide luxury fashion market reached a valuation of US\$ 245.5 billion (IMARC Group, 2023), and during FY2022, the Top 100 Luxury Goods Companies collectively generated total sales amounting to US\$ 347 billion (Deloitte, 2023). According to “The State of Fashion 2023” report (BOF and McKinsey & Company, 2023), “sustainability presents the biggest opportunity in 2023,” which was cited as the most important by fashion executives by 16%. Twenty-five percent of UK consumers indicated that their purchasing choices were influenced by sustainability, showing a broader trend across various regions and underscoring the increased significance of sustainability marketing for fashion companies and brands (BOF and McKinsey & Company, 2023).

The fashion sector is multifaceted and heterogeneous, incorporating a broad spectrum of activities. The fashion industry heavily depends on various participants throughout its supply chains for the extraction of materials or substances used in the production, processing of the materials into making the end products, and the timely distribution of the final products. According to Fletcher (2014), achieving sustainability in the fashion industry necessitates a holistic approach, emphasizing the interdependence of every phase in the production process. Consequently,

organizations must assess the effectiveness of their supply chains in addressing sustainability challenges (Fletcher, 2014).

It has been claimed that the fashion sector is not taking sufficient responsibility for its actions against sustainability problems, such as the discussion of climate change, and the misuse of natural resources, because of their manufacturing and marketing schemes (Claudio, 2007). For instance, cotton production necessitates a large amount of water as it takes 19,000 liters to manufacture a single set of jeans and a T-shirt. This is a noticeable concern, especially considering the scarcity of clean water in certain parts of the world (Claudio, 2007; Thorisdottir & Johannsdottir, 2019). Around 50 percent of fiber production is sourced from oil-based polyester, whose manufacturing process mainly depends on water, land, and fertilizers and contributes to around 25 percent of the industry's carbon emissions (BOF and McKinsey & Company, 2023).

The industry is responsible for environmental issues, most notably an issue regarding the disposal of unsold clothes. The clothing life cycle is influenced by industry strategies, leading to the disposal of relatively new garments not because they are not in good condition but due to becoming unfashionable (Claudio, 2007). In this context, there is a call for the industry to adopt a more responsible approach to environmental issues (Thorisdottir & Johannsdottir, 2019), especially given the industry's reliance on linear models, which externalize environmental impacts (Kerr & Landry, 2017). The essence of the linear models is "take, make, dispose" (Ellen MacArthur Foundation, 2013, page 6).

Businesses extract materials, use energy and labor to make a product and sell it to end customers, who eventually dispose of it once it ceases to fulfill its intended purpose. Despite notable advancements in enhancing resource efficiency, any system rooted in consumption rather than the sustainable utilization of resources leads to substantial losses throughout the entire value chain (Ellen MacArthur Foundation, 2013). It is crucial to embrace a circular business model by switching from the *linear model* to a sustainable one that creates closed-loop supply chains through a collaborative relationship with external partners.

The endeavor to achieve sustainability and facilitate a green transition in the luxury industry is a journey that aligns with the United Nations Sustainable Development Goals (SDGs) and the Fashion Pact, signed in October 2020, by numerous companies in the sector to battle against climate change and create opportunities for better and inclusive growth (Deloitte, 2022). The next step in this direction is to embrace a circular model. As per the Ellen MacArthur Foundation, implementing a circular model has the potential to reduce Greenhouse emissions by 22% to 44% by the year 2050, in contrast to the existing linear economy model (Ellen MacArthur Foundation, 2021).

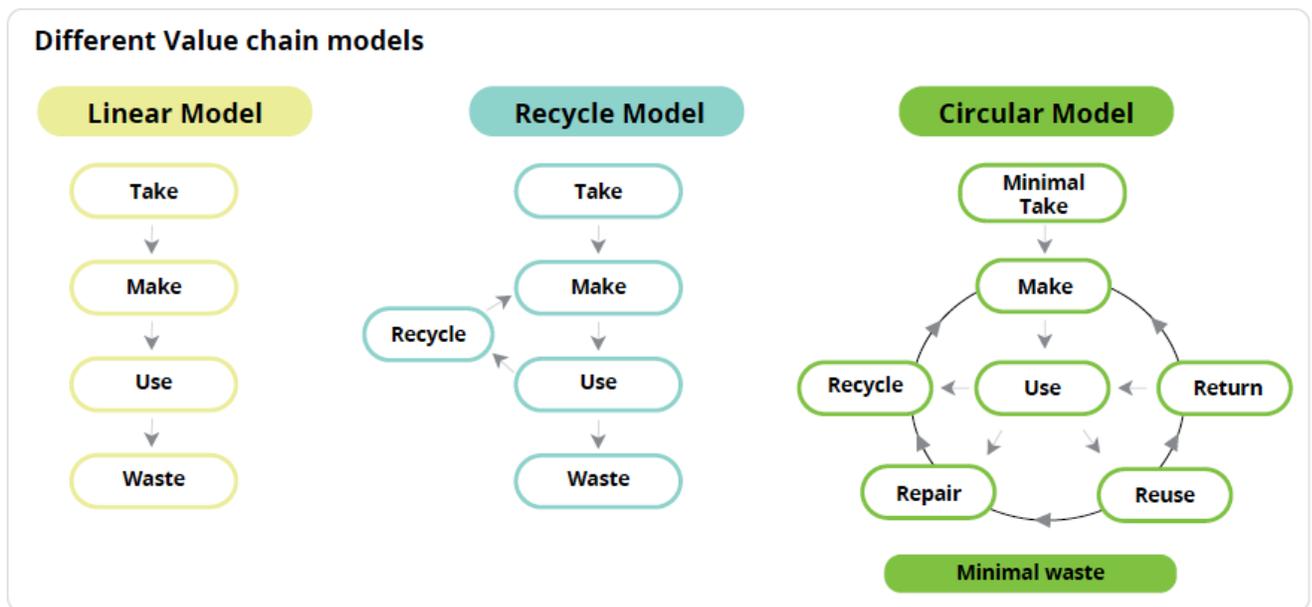


Figure 2: Different Value Chain Models (Deloitte, 2022)

Based on the classical definition, a circular economy is a designed economic system capable of self-regeneration, utilizing two categories of materials: organic or renewable materials intended for reuse at the end of their life cycle and technical or non-renewable materials designed to circulate between production and consumption without significant loss of in terms of quality or value (Commoner, 1971; Dryzek, 2013). This model stands in contrast to the linear model of the industrial economy, which uses resources and then discards them; thus, the circular economic system challenges the vision of mass consumerism by incorporating continually renewed production factors (Jacometti, 2019; Ellen MacArthur Foundation, 2016). The foundation of the

circular economy is grounded in three fundamental principles, according to the Ellen MacArthur Foundation (2016), and as shown in Figure 3 below:

1. The first principle involves safeguarding and improving natural capital by managing finite stocks and maintaining equilibrium in renewable resource flows. This could entail actions such as substituting fossil fuels.
2. The second principle focuses on getting the utmost value out of resources by circulating products, parts, and materials with the greatest efficiency during both technical and natural cycles – for example, swapping products and extending the lifespan of products.
3. The last principle aims to enhance system effectiveness by identifying and eliminating adverse externalities, including pollution, impacts from global warming, toxins, and negative health effects caused by the use of resources.

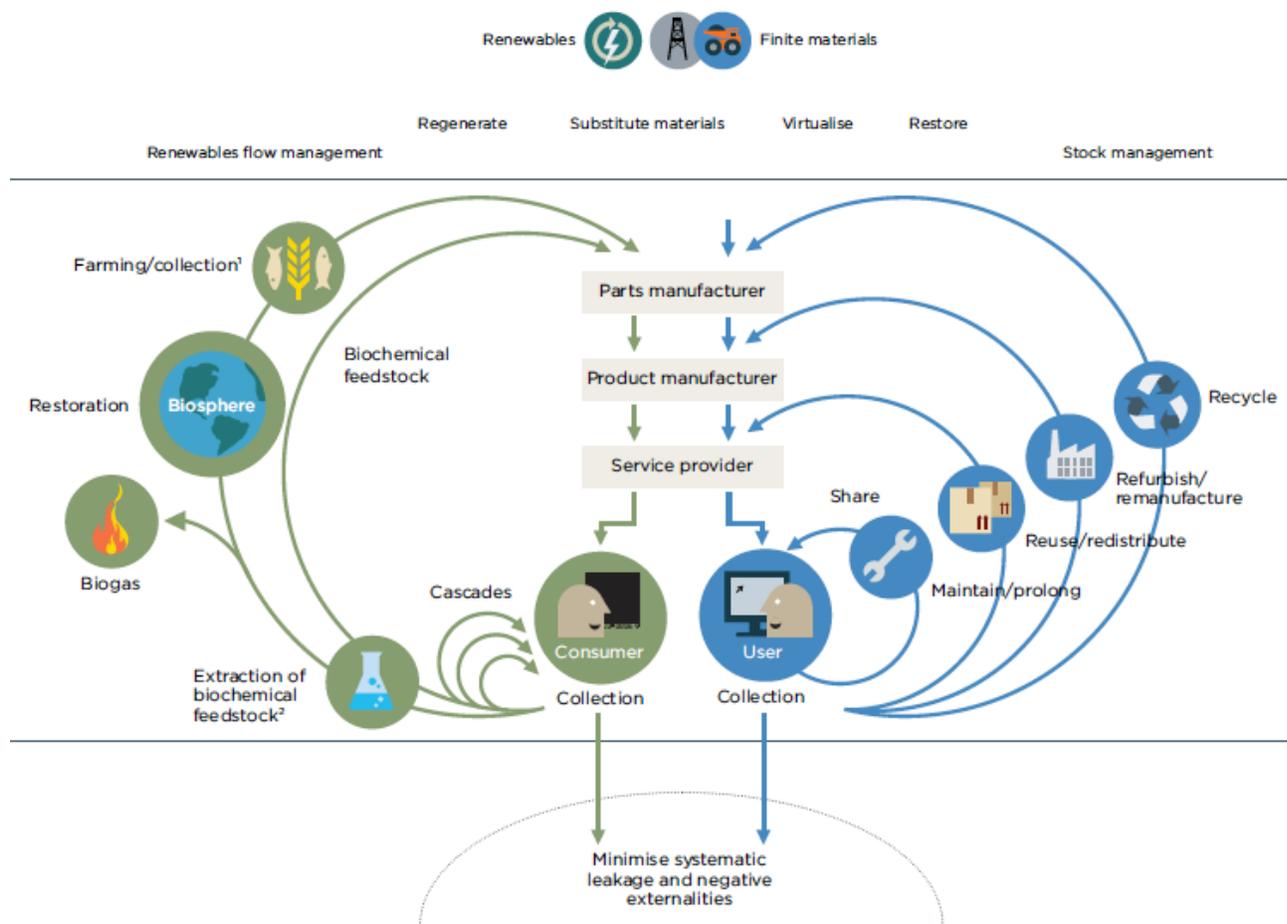


Figure 3: The Circular Economy - An industrial system that is restorative by design (Ellen McArthur Foundation, 2016)

### 2.2.1 Major Sustainability Challenges

Recognizing and promptly responding to these challenges has become imperative for luxury fashion companies, prompting the adoption of sustainability models. The industry has had a great deal of criticism in recent times for allegedly allowing dangerous working conditions in their factories, offering disproportionately low wages, and perpetuating gender inequality (Hussain & McColl, 2020).

In terms of social issues, two levels of difficulties can be identified:

The first is a business-oriented approach according to which the business must take the appropriate measures to ensure the safety of all staff, improve their standard quality of living within the company and ensure these arrangements take place across all the supply chain (Hussain & McColl, 2020).

The second is a market-oriented approach, which argues that to safeguard the welfare of society, the focus should be extended beyond the individual firm to encompass the entire market or industry. For this to be accomplished, companies within a certain market must keep a consistent check on consumer attitudes and behaviors, changes in governmental regulations and policies domestically and internationally, and remain vigilant to emerging technological innovations (Hussain & McColl, 2020).

Regarding environmental challenges, the luxury industry relies on maintaining continuous access to unique natural resources, which face threats from factors such as diminishing biodiversity, climate change, population growth, and overconsumption (Tello & Yoon, 2008).

Regarding economic challenges, engaging in the circular economy is the foremost economic difficulty that the luxury sector must engage in (Matthews, 2018).

### 2.2.2 Best Sustainability Practices

Researchers have suggested multiple actions and initiatives pertaining to environmentally conscious manufacturing and sustainable supply chains. These can be categorized into three

essential groups: the adoption of new operational technologies (such as implementing end-of-pipe technologies), the improvement of green materials (such as implementing eco-efficient product development and life-cycle appraisal procedures), and the incorporation of green processes across the supply chain (Vachon & Klassen, 2008; Yang et al. 2017). Certainly, within the fashion industry, an increasing number of enterprises like Veja and Patagonia are embracing diverse green practices such as the utilization of eco-friendly raw materials, repurposing and recycling of materials, obtaining green certifications, and offering sustainable products (De Brito, Carbone, & Blanquart, 2008; Yang et al. 2017).

Nonetheless, according to a report from the Greenpeace Organization, it is highlighted that the luxury industries continue to demonstrate insufficient motivation towards becoming green (Greenpeace International, 2014). Moreover, research revealed that the fashion industry faces a deficiency in legislation and regulations since existing laws pertaining to textile manufacturing primarily focus on general practices such as minimizing carbon emissions (Caniato, Caridi, Crippa, & Moretto, 2012).

Lately, there has been a growing relationship between technology and sustainability in the luxury fashion and jewellery industry. Artificial Intelligence (AI) holds the promise of enhancing the embrace of sustainability-focused approaches within the luxury sector, facilitating more effective and conscientious supply chain practices. Using algorithms powered by AI, it is possible to analyze supply chain data to pinpoint inefficiencies and areas requiring enhancement (Deloitte, 2023). This encompasses streamlining transportation trips to decrease emissions, overseeing energy consumption during the production stage, and finding environmentally friendly sourcing alternatives for materials (Deloitte, 2023).

AI-driven analysis plays a crucial role in enabling companies to forecast demand with precision, thereby diminishing instances of overproduction and excess inventory, which not only reduces waste but also minimizes resource consumption (Deloitte, 2023). For instance, Kering, in an effort to minimize unsold inventory at the conclusion of each season, is dedicating resources to AI for enhanced sales forecasting and thus optimizing both the manufacturing and the distribution process (Kering, 2022a). Machine learning models are employed to enhance Kering's capacity to predict

seasonal demand and current trends, effectively minimizing potential forecast errors (Kering, 2022a). Special emphasis is placed on items prone to generating excess inventory, aligning with the Group's commitment to a circular economy strategy (Kering, 2022a).

One more methodology is introduced that relies on Convolutional Neural Networks CNNs to classify various fiber materials to advance the waste classification, to categorize diverse materials such as glass, plastic, and organic matter, utilizing images captured from smartphones (Ramos et al., 2023). Advanced waste sorting capabilities integrate CNNs with robotic technology and utilize sensors and mechanical grippers; the robot consistently monitors the flow of waste and autonomously conducts sorting tasks (Ramos et al., 2023). These pioneering applications not only provide answers for eco-friendly waste disposal but also align with overarching sustainable objectives.

Another tangible application of AI in promoting sustainability within the luxury fashion industry involves tracking the entire life cycle of a luxury product. AI enables monitoring of usage, maintenance, and the possibility of recycling and repurposing (Deloitte, 2023). With a comprehensive knowledge of a product's life cycle, luxury brands can make well-informed decisions regarding recycling, refurbishment, and resale, thereby helping the practical application of the circular economy (Deloitte, 2023). Also, sensors and AI algorithms can track without interruption energy consumption and allow for real-time adjustments to effectively minimize energy waste in the production process and in stores, decreasing the company's carbon footprint (Deloitte, 2023).

### 2.3 Overview of Sources and Sustainability Reporting Initiatives

Many researchers have questioned, "How do companies report"? Every method of sustainability reporting offers a distinct viewpoint. While these frameworks and initiatives maintain their individuality, they often complement each other, as outlined in a collaborative statement released in 2020 (Governance & Accountability Institute, 2023; CDP, CDSB, GRI, IIRC, and SASB, 2020). Consequently, it is typical for companies to harmonize their sustainability reporting with not just one but potentially all these initiatives.

The **GRI Standards** were created in 1997 by the Global Reporting Initiative (GRI). This framework allows any organization, regardless of size or nature (private or public), to comprehensively acknowledge and disclose their effects on the economy, environment, and people in a consistent and trustworthy manner. The GRI Standards are “a modular system of interconnected standards” (GRI, 2023), offering a comprehensive overview of an organization’s material topics and their approach to managing impacts.

The GRI Universal Standards apply to all organizations and contain the: “GRI: Foundation” that highlights the purpose of the GRI Standards, the “GRI 2: General Disclosures,” which includes reports referring to details about a company’s structure and reporting activities, and the “GRI 3: Material Topics” that outlines the process through which an organization can identify the most pertinent topics related to its impacts (GRI, 2023) (Governance & Accountability Institute, 2023). For example, a Standard related to Supply Chain is the “GRI 204: Procurement Practice” (GRI, 2018).

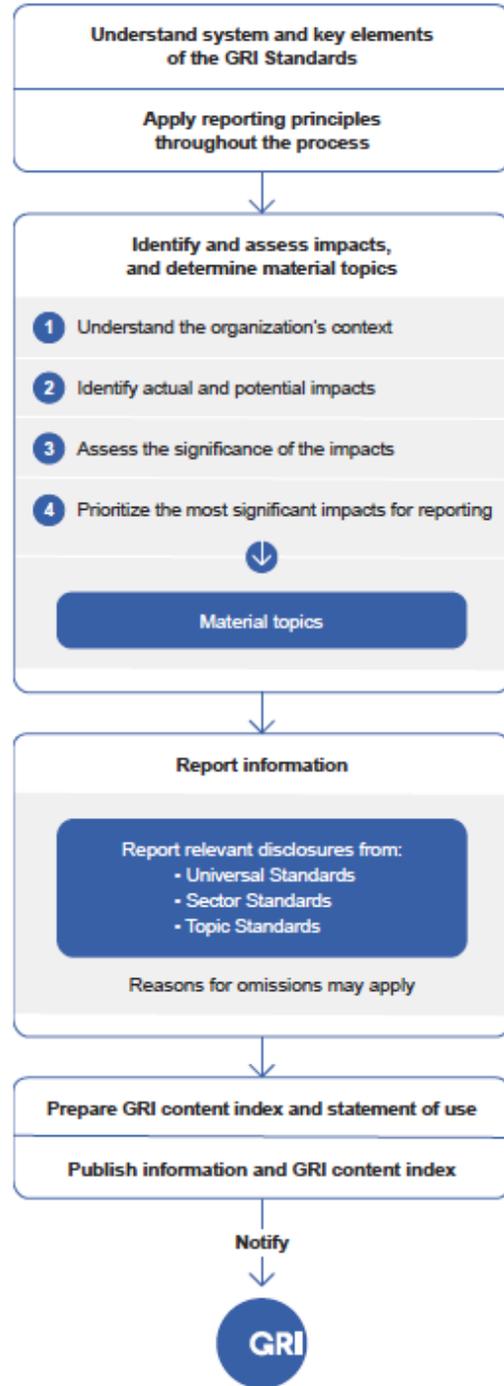


Figure 4: Reporting using GRI Standards (GRI, 2023)

The **Sustainability Accounting Standards Board (SASB)** created the SASB Standards to promote structured and disciplined reporting by publicly traded organizations on ESG performance, along with the disclosure of financially significant sustainability information. They pinpoint the sustainability-related concerns with the most significant impact on investor decision-making across 77 industries (Governance & Accountability Institute, 2023; (SASB, 2017).

**Environment**

- GHG emissions
- Air quality
- Energy management
- Fuel management
- Water and wastewater management
- Waste and hazardous materials management
- Biodiversity impacts

**Social capital**

- Human rights and community relations
- Access and affordability
- Customer welfare
- Data security and customer privacy
- Fair disclosure and labeling
- Fair marketing and advertising

**Human capital**

- Labor relations
- Fair labor practices
- Diversity and inclusion
- Employee health, safety, and wellbeing
- Compensation and benefits
- Recruitment, development, and retention

**Business model and innovation**

- Lifecycle impacts of products and services
- Environmental and social impacts on assets and operations
- Product packaging
- Product quality and safety

**Leadership and governance**

- Systemic risk management
- Accident and safety management
- Business ethics and transparency of payments
- Competitive behavior
- Regulatory capture and political influence
- Materials sourcing
- Supply chain management

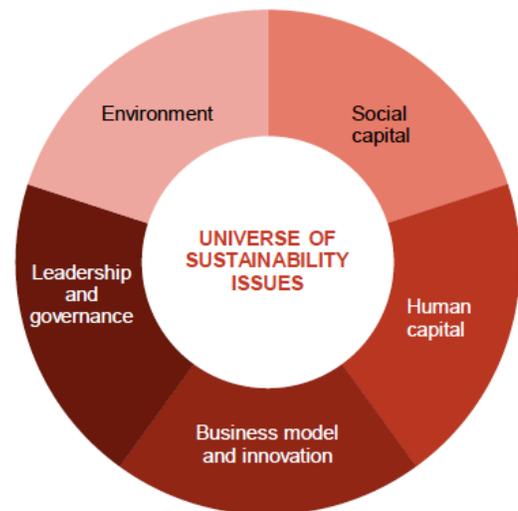


Figure 5: SASB Universe of Sustainability Issues (SASB, 2017).

The global supply chain of the Apparel, Accessories, and Footwear industry has been implicated in negative environmental contributions, such as excessive resource consumption, pollution, and social issues like labor exploitation. These challenges underscore the importance of the SASB Framework in the industry (SASB, 2017).

In 2015, the Financial Stability Board of the G20 nations established the **Task Force on Climate-related Financial Disclosures (TCFD)** to assess how the financial sector can address issues related to climate change and also to decrease the release of greenhouse emissions and speed up the shift toward a more carbon-free economy (Task Force on Climate-related Financial Disclosures

- TCFD, 2017). Two years later, the TCFD Recommendations outlined ways to improve and expand companies' reporting of information related to climate-related matters, such as more efficiently disclosing any risks or opportunities associated with climate. The TCFD is organized around four main components of how organizations operate: governance, strategy, risk management, and metrics and targets (Task Force on Climate-related Financial Disclosures - TCFD, 2017).



Figure 6: Core Elements of Recommended Climate-Related Financial Disclosures by TCFD (2017).

- Governance: How the organization manages the climate-related risks and opportunities it faces.
- Strategy: The effects of climate-related risks and opportunities on the company's strategy, operations, and financial planning.
- Risk Management: The system created by a company to recognize, evaluate, and take care of any risks related to climate.
- Metrics and Targets: The tools used to evaluate and analyze the climate-related risks and opportunities.

**CDP** is a non-profit entity with the largest data collection regarding carbon emissions, water consumption, deforestation, plastic use, and supply chain involvement from corporations, governments, and cities (CDP, 2023). This information is usually gathered through surveys, typically for the benefit of investors and customers, and is made open to the public. The CDP aligns with the TCFD reporting guidelines and will embrace the IFRS S2 Standards from 2024 onwards, which focuses on climate-related hazards and opportunities (CDP, 2023). As of 2023, more than 18,700 companies have disclosed through CDP, and more than 740 financial institutions support CDP's requests for data collection (CDP, 2023). Results from a survey found that 70% of companies indicated that disclosing their environmental data through CDP encouraged them to take additional steps to safeguard the environment, and in 2022, a post-disclosure survey revealed that 73% of the companies disclosing through CDP were enabled to be better equipped for the future (CDP, 2023).

As noted in Chapter 2.1.1, in 1992, the UN Environment Program’s Financial Action Facility (UNEP FI) announced that financial institutions should include three aspects of the environment: social responsibility and corporate governance (ESG) in their strategic decision-making. In 2006, the concept of ESG was revealed for the first time in a seminar hosted by the prominent Goldman Sachs bank (Guo, Kassim, & Zhang, 2023). The three words that ESG stands for – environmental, social responsibility, and governance, make up a new investment ideology that not only evaluates the financial standing of the businesses but also takes into account how the business manages itself and the positive impact it has on both the environment and society (Berg et al., 2022). The increased acclaim of ESG and sustainability investing and the increased emphasis by regulators, capital markets, businesses, and the public have led to the emergence of a variety of ESG rating systems (Guo et al., 2023). Acting as a tool to minimize the data disparity between investors and companies, ESG ratings can assist investors and the public in recognizing the potential ESG perils and the advantages of corporations (Li & Polychronopoulos, 2020).

In the ESG field, there is a plethora of rating agencies that offer an extensive range of data, ranging from those that assess ESG factors like carbon emissions rating or gender diversity to those that measure multiple ESG parameters. Understanding where to start when assessing these agencies is a challenging job, and there is no single public source or list that provides a complete view of data providers (Li & Polychronopoulos, 2020).

Investors are increasingly recognizing the significance of ESG data in shaping voting decisions and as a central point for direct interaction with organizations. (Ho & Park, 2019). A crucial factor behind this shift is the acknowledgment that adept handling of environmental and social risks is integral to robust corporate governance and plays a role in fostering sustained governance and profitability (Ho & Park, 2019). Governments and regulators now understand the requirement of ESG risk disclosure for shaping public policy. This includes topics such as businesses and financial institutions working towards sustainable development goals, government dealing with global threats like climate change and cybersecurity threats, and creating “sustainable finance” policies to enable capital markets to direct capital to more environmentally conscious uses (European Central Bank, 2023; Ho & Park, 2019).

Considering the inclination towards brand-building and greenwashing, several Social Movement Organizations (SMO) have endeavored to establish more uniform reports to foster increased trust and legitimacy. These reports are commonly linked to a specific framework or standard, such as the GRI Standards or the UN Principles for Responsible Investment (PRI) framework. As illustrated in Figure 7, numerous organizations provide standards and frameworks, as well as a supplementary set of ranking and rating bodies that concentrate on assessing the implementation of ESG activities in comparison to a risk metric (GRI, 2022).

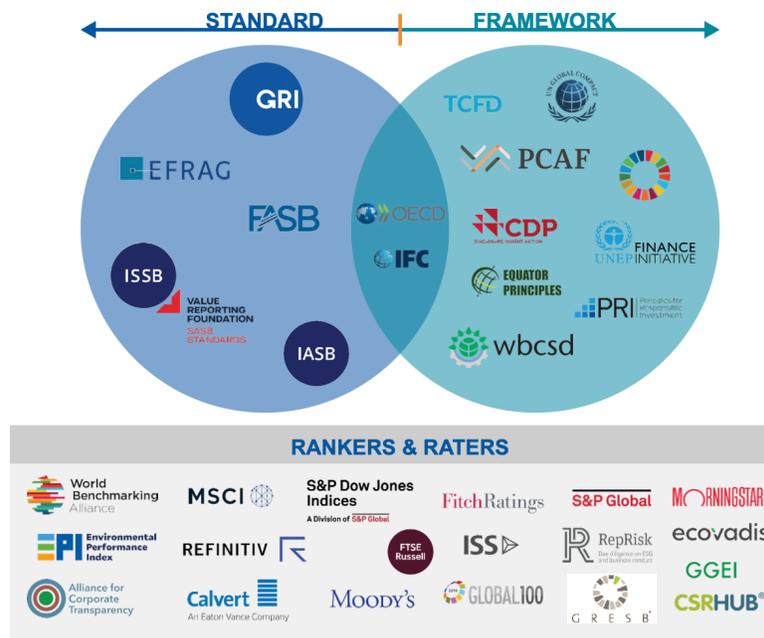


Figure 7: Standards and Frameworks (GRI, 2022).

## Case Study: Kering

### 3.1 History and Evolution

Kering is a leading global luxury Group that manages the development of a series of renowned Houses in Fashion, Leather Goods, and Jewellery. In the collection of their prestigious Brands, you can find Gucci, Saint Laurent, Bottega Veneta, Balenciaga, Alexander McQueen, Brioni, Boucheron, Pomellato, DoDo, Qeelin, as well as Kering Eyewear. Established in 1962 in Rennes, France, by Francois Pinault as a company specializing in wood trading, the Group has undergone continuous development and transformation, eventually achieving its exclusive focus on luxury as a pure player in 2018 (Kering, 2023). In 2022, Kering generated revenue of 20.4 billion euros and had 47,000 employees across 53 countries and 1656 stores (Kering, 2023).

According to Kering's Sustainability Progress Report for 2020-2023, prioritizing the safeguarding of the Earth's resources is of utmost importance for Kering. The Group has identified social issues as a primary focus, emphasizing continuous mindfulness in our interactions with customers, partners, suppliers, and employees. Additionally, Kering extends its investments beyond its immediate ecosystem, contributing to society at large. To maximize impact, Kering carefully selects partners and structures its initiatives based on priority territories (Kering, 2023).

### 3.2. ESG and Biodiversity Strategy

In the early 2010s, the Group elevated its commitment to a new level of sustainability, solidifying as a key aspect of its strategy to promote responsible and sustainable luxury. Kering views the integration of sustainable development into its corporate dynamics as both a competitive advantage and the optimal assurance for the future.

As of 2012, the Group's Fashion Houses were called upon to engage in a set of ambitious goals related to environmental impact, raw materials sourcing, and ethical considerations. Three years down the line, Kering unveiled its inaugural Environmental Profit & Loss (EP&L) statement for 2013 – a tool innovated by the Group to assess its global activities throughout the value chain and

the upstream segment of its operations. The shared methodology, made public, quantified various metrics, encompassing the effects of CO<sub>2</sub> emissions, water usage, and waste generation (Kering, 2023).

Aligning with the Convention on Biological Diversity (CBD), particularly the post-2020 Global Biodiversity Framework, Kering is dedicated to achieving a net positive impact on biodiversity by 2025. The Biodiversity Framework revolves around a theory of change (refer to Figure 8) that acknowledges the necessity for immediate policy intervention on a global, regional, and national scale. This intervention aims to reshape economic, social, and financial models, stabilizing the trends that have intensified biodiversity loss within the next ten years (by 2030) (United Nations, 2020). Subsequently, this will pave the way for the restoration of natural ecosystems over the following 20 years, resulting in net improvements by 2050, aligning with the Convention’s Vision of “living in harmony with nature by 2050”.

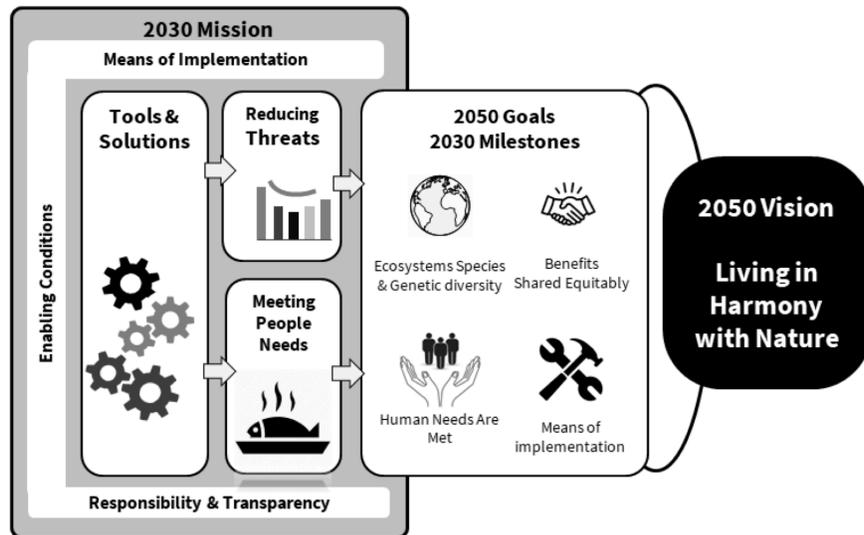


Figure 8: Theory of Change of the Framework (United Nations, 2020).

With the assistance of the EP&L Statement, Kering has successfully adopted a tangible strategy, surpassing the reduction targets for its environmental footprint by 2022. Additionally, the Group has established a new objective, striving to achieve a 40% reduction in greenhouse gas emissions in absolute terms by 2035 relative to its 2021 emissions. Kering has transitioned to using 100% renewable electricity and has attained an impressive 95% traceability for its primary raw materials

(Kering, 2023). Additionally, the EP&L has revealed that Kering's footprint extends to approximately 350,000 hectares. This encompasses not just the offices, stores, and warehouses but spans the entire value chain, incorporating the farms responsible for producing all raw materials, including those cultivating animal feed (Kering, 2020).

As mentioned in Kering's Biodiversity Strategy (2020), to achieve a net positive impact on biodiversity, Kering has committed to regenerating one million hectares of farms and rangelands within their supply chain landscapes by 2025. Also, by the same year, Kering aims to protect one million hectares of critical and "irreplaceable" habitat beyond their supply chain, utilizing programs like UN REDD+ and others that provide co-benefits such as biodiversity protection, carbon sequestration, and livelihood enhancements. This represents approximately three times the company's total land footprint (Kering, 2020).

To achieve the above target of net positive impact on biodiversity, Kering embraces an approach led by the Science-Based Targets Network (SBTN). The Science-Based Targets Network constitutes one of the four integral components of the Global Commons Alliance. This alliance comprises the most influential and forward-thinking organizations, spanning business, advocacy, science, and philanthropic acts. The SBT Network is based on the widely used mitigation and conservation hierarchies in extractive industries (Kering, 2020). However, it takes it a step further by urging companies to extend their efforts beyond their supply chains and drive systemic change through innovative concepts. Kering is among the selected companies in the Initial Validation Group for the SBTN initiative, where they collaborate attentively with SBTN to implement the validation process for science-based targets (Booth et al., 2020).

The Mitigation and Conservation Hierarchy, created by a collaborative team of 22 global organizations, aims to aid the integration of the post-2020 Global Biodiversity Framework by providing guidance on identifying, executing, and tracking targeted actions towards overall biodiversity objectives (Booth et al., 2020). The structure of the framework revolves around four steps derived from the established "Mitigation and Conservation Hierarchy" designed to tackle the effects of development on biodiversity. The steps involve first avoiding, then second minimizing effects to the greatest extent possible, followed by restoring or remediating effects that can be

reversed. The final step is to counterbalance any remaining impacts to attain a targeted net outcome, typically aiming for no net loss (NNL) (Booth et al., 2020). The Mitigation and Conservation Hierarchy delineates the “Four Steps for the Earth: Refrain, Reduce, Restore, and Renew” (Science Based Targets Network, 2020). These steps can be put into action through two pathways: the mitigation hierarchy, aimed at alleviating adverse impacts, and the conservation hierarchy, dedicated to unlocking additional conservation possibilities (Figure 9).

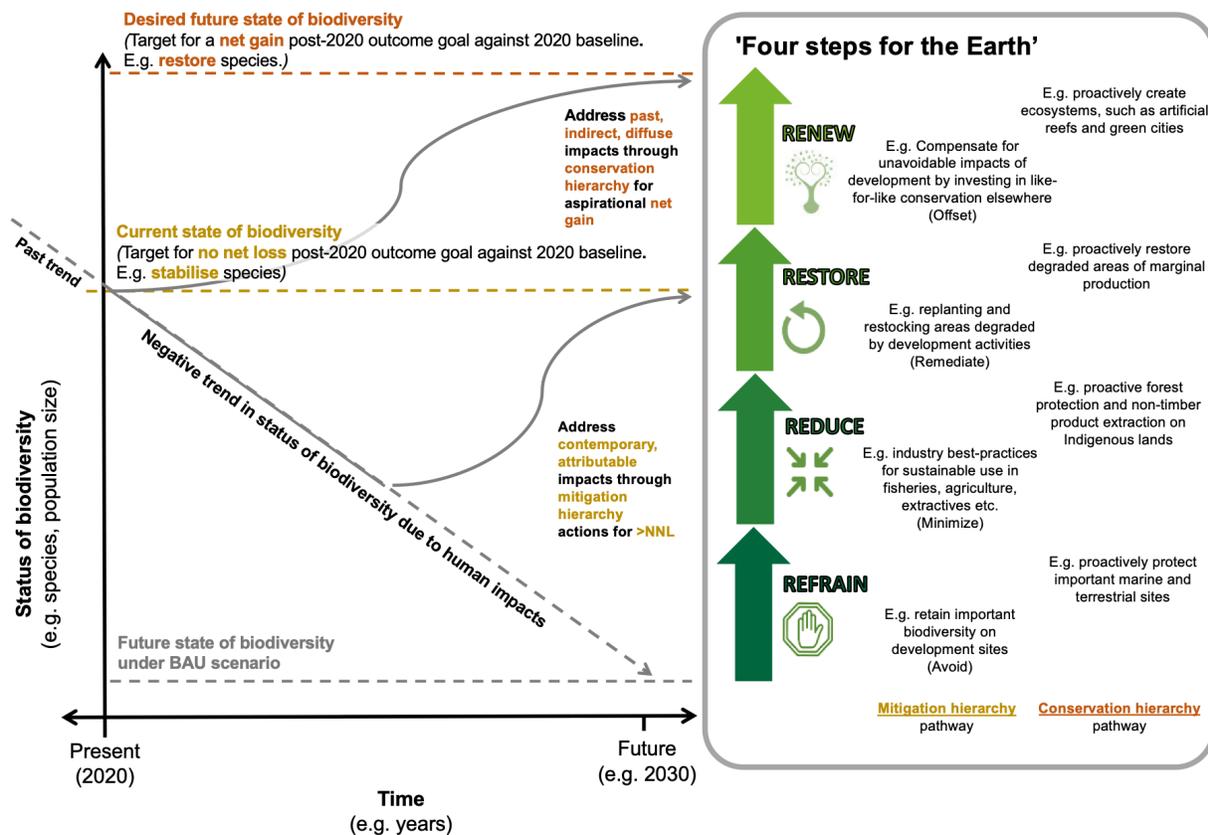


Figure 9: The Mitigation and Conservation Hierarchy ((Booth et al., 2020)

Some of the main targets of Kering’s Mitigation of Climate Change Strategy, as listed in the Investor’s Presentation published in May 2023, are (Kering, 2023):

1. 90% decrease in absolute GHG emissions from the company’s operations until 2030 (Scope 1 and 2).
2. 70% decrease in the intensity of all GHG emissions linked to the supply chain until 2030 (Scope 3).

3. 40% decrease in absolute of all GHG emissions associated with the company's own operations and supply chain until 2035 (Scope 1, 2, and 3).

In 2021, Kering introduced a comprehensive circularity initiative outlined in the report titled “Circularity Ambition. Coming Full Circle.” The company’s strategy involves enhancing product longevity through support for innovative business models aimed at keeping clothing in circulation for extended periods (Kering, 2021b). The strategy also emphasizes designing products and materials for durability and recyclability (Kering, 2021b). Additionally, Kering aims to expand repair services and is actively transforming production practices to minimize waste, decrease energy-water consumption, and erase issues like microfiber leakage and single-use plastics (Kering, 2021b). To put these strategies in move, they cooperate with a plethora of industry experts from the Microfiber Consortium to the Impact Institute, and they also work together with the Ellen MacArthur Foundation and Fashion for Good (Kering, 2021b).

The circular economy is essential in altering the trajectory of biodiversity loss. As per the Ellen MacArthur Foundation (2021b), the circular economy addresses the five primary drivers of biodiversity identified by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES):

- It minimizes the land required to make available resources to the economy, addressing changes in land and sea use.
- It sustains renewable resources, such as fish stocks, mitigating direct exploitation of organisms and natural resources.
- It decreases greenhouse emissions throughout the economy, combating climate change.
- It eliminates pollution at each step of a product’s life cycle.
- It eliminates waste that could move invasive alien species to new ecosystems, addressing the issue of invasive alien species.

These initiatives will prove inadequate unless coupled with a fundamental transformation of the economy.

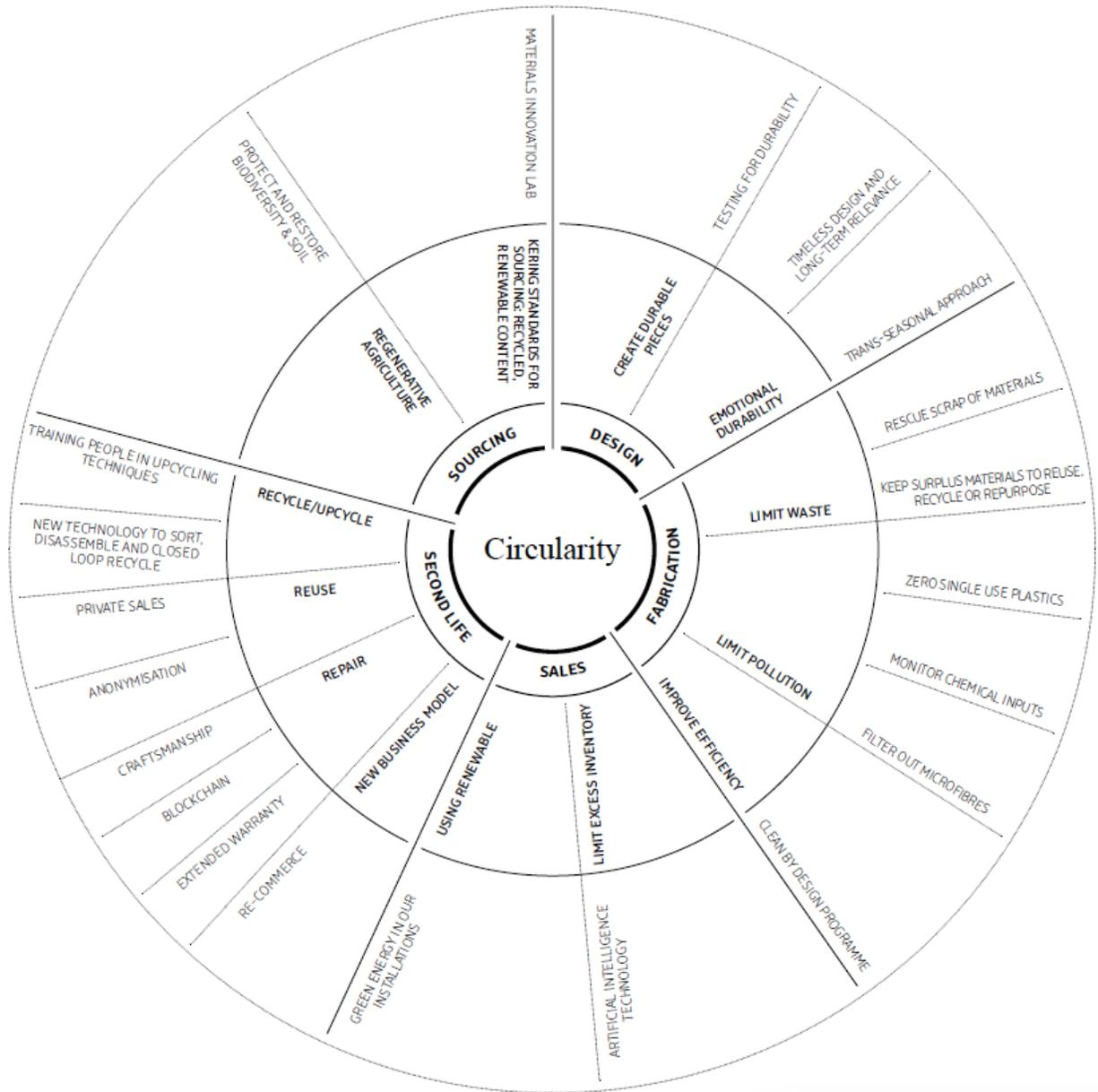


Figure 10: Coming Full Circle (Kering, 2021b)

### 3.2.1 Partnerships and Coalitions

Kering fosters collaboration within the luxury and fashion industry and extends its reach to encompass other sectors, including the food and agricultural sectors. The following collaborations stand out as noteworthy initiatives poised to make substantial contributions to climate mitigation:

### *The Fashion Pact*

Before the G& meeting in 2019, French President Emmanuel Macron assigned Kering's CEO and Chairman, Francois-Henri Pinault, the responsibility of uniting fashion and textile companies. Their goal was to establish demanding commitments and implement practical measures addressing three critical environmental challenges: climate change, biodiversity, and protecting the oceans (Kering, 2023f). The partnership will expand to include expert public, non-profit organizations, and academic institutions that are already engaged in various ongoing activities (G7, 2019). The organizations involved in the Fashion Pact have duties that include establishing systems for certifying, verifying, and tracing materials and impacts across supply chains (G7, 2019). They are also tasked with implementing science-based targets for the climate and collectively aiding in the formulation of such targets (G7, 2019). Additionally, they support ideas promoting innovative practices in farming and agriculture, such as regenerative practices, aimed at reducing reliance on intensive, high-impact productions (G7, 2019).

### *The Watch and Jewellery Initiative 2030*

On the 6<sup>th</sup> of October 2021, Cartier, a Richemont-owned Brand, and Kering partnered with the Responsible Jewellery Council (RJC) to expand and fortify their efforts towards the global SDGs (Kering, 2021). Centered on three main priorities, the Initiative is dedicated to transparency, necessitating regular progress reports. The goals encompass building climate resilience, preserving resources for both nature and communities and fostering inclusiveness throughout the value chain (Kering, 2021; Watch & Jewellery Initiative 2030, 2023).

### *Fashion Industry Charter for Climate Action*

In 2018, UN Climate Change orchestrated an Initiative called the Fashion Industry Charter for Climate Action, bringing together prominent fashion entities worldwide, including brands, retailers, and suppliers (United Nations Climate Change, 2019). Their shared objective is a significant reduction in the industry's carbon footprint, aligning with the Paris Agreement goals (United Nations Climate Change, 2019). An example of a set target related to Kering is for the company to reduce the Scope 3 emissions from purchased goods and services by 40% by 2025 compared to the 2015 baseline (United Nations Climate Change, 2019).

### *OP2B – One Planet Business for Biodiversity*

Kering has been a founding member of a business coalition committed to catalyzing transformative change for the protection and restoration of both cultivated and natural biodiversity value chains. The coalition concentrates on three key areas: expanding regenerative agricultural initiatives, enhancing cultivated biodiversity in the product range, and addressing deforestation by improving the management, restoration, and safeguarding of valuable ecosystems (Kering 2021; OP2B, 2023).

### 3.3 Kering Standards

Kering announced its sustainability strategy for all its Brands in January 2017 to reach its vision and maintain exceptional standards. According to the “Kering Standards for Raw Materials and Manufacturing Processes” (Kering, 2022), this strategy focuses on achieving ambitious objectives to decrease Kering’s environmental footprint, promote social well-being both within and outside the Group, and develop groundbreaking programs. The strategy, called “Crafting Tomorrow’s Luxury,” outlines specific goals to be achieved by 2025 in three main areas: Care, Collaboration, and Innovation, such as (Kering, 2020):

- The Kering Standards require 100% traceability of important raw materials and 100% adherence to the Kering Standards for Raw Materials and Manufacturing Process.
- A 40% decrease in the impact of the environmental profit and loss (EP&L) account is related to carbon emissions, water use, air pollution, waste production, and changes in land use.
- Establishment of a Kering Supplier Index of Sustainability that will make sure the sustainability performance of each supplier becomes transparent and accessible to all Kering Brands.
- Bring a beneficial social impact throughout the entire supply chain, emphasizing raw material sourcing locations.

The utilization of Kering Standards is recommended alongside other essential guidelines provided for suppliers, such as:

- The Kering Code of Ethics delineates ethical principles meant to be universally applied and upheld, as well as the company's values. (Kering, 2020, Kering 2023c, Kering, 2023d).
- The Kering Human Rights Policy which strives to define the primary expectations regarding human rights, fundamental freedoms, and health and safety. This covers both Kering employees and people who work across their supply chain.
- The Kering Manufacturing Restricted Substances List (MRSL) and the Kering Luxury Product Restricted Substances List (PRSL) which outline the specifications pertaining to the use and management of chemicals in the manufacturing process.

The Standards for Raw Materials include the sources of Hides and Skins for Leather, Precious Skins, Fake Fur, Cashmere, Wool, Silk, Cotton, Paper and Wood, Plastics, Cellulosic Fibers, Synthetics, and Other raw materials. The Standards for Manufacturing process include tanning, textile processing, leather goods, and shoe manufacturing. The Standards for Logistics include Warehousing and Transport, and there is also a section with Standards related to End-of-Life and Innovation (Kering, 2020).

One of the Kering Standards related to its supply chain is the Standard for Warehousing. The Standard is applicable to both warehouses and warehouse operations that are under the direct management of Kering, Kering's Brands, third-party logistics partners (3PL), forwarders, and other direct suppliers who oversee these activities, as well as their sub-suppliers (Kering, 2020). The activities mentioned have several environmental consequences. The most significant impact of warehousing is related to the handling of packaging materials and waste.

At Kering sites, logistics are accountable for producing more than 86% of the waste, and they indirectly contribute to the majority of waste generated in stores. Warehouses also contribute significantly to greenhouse emissions and air pollution, particularly at a local level, where they are responsible for a large portion of road traffic. This impact can be reduced by implementing eco-friendly designs, installing solar photovoltaic systems, and transitioning to electric energy sources. Some of the recommendations for optimizing packaging and waste reduction are included in Kering's Standards, including seeking sustainability certifications (like LEED), using energy-

efficient equipment, incorporating solar energy, developing sites on brownfields, transitioning from boilers to heat pumps, and implementing zero-irrigation green spaces. Kering also pledges to maximize the use of recycled plastics, aiming for a minimum of 50% of all plastic packaging to consist of 100% recycled content in B2C by 2025 and in B2B by 2050 (Kering, 2020).

In addition to the above, Kering's suppliers are obligated to provide the company with e-KPIs for their activities, including periodic environmental reports and statements to adhere to and support the company's requirements. An example of these KPIs is listed in Appendix 1.

The Kering Standard for transportation governs the movement of goods managed or contracted by Kering, applicable to both B2B and B2C transactions. Given the industry's need for speedy delivery, air transport is the primary mode of transportation, contributing significantly to greenhouse gas emissions. In 2020, transportation activities, particularly air transport, constituted 81% of emissions associated with Kering's operations (Kering, 2020). Some of the key principles include the requirement from suppliers to share sustainability strategies and GHG emissions reduction roadmaps, to report GHG emissions accurately, optimize routes, and diminish carbon intensity by selecting efficient transportation means.

For example: air transportation must meet a threshold of 600 gCO<sub>2</sub>/t.km, while trucks and vans must adhere to EURO 6 or an equivalent standard (Kering, 2020). Also, the Group requires suppliers to submit regular carbon footprint reports following the international standard EN16258 and in accordance with the specified regulation. The report must include, for each individual shipment and its corresponding legs of travel, details such as brand, origin, destination country, mode of transport, volume and gross weight, quantity, chargeable weight, distances, and tons of CO<sub>2</sub> equivalent well-to-wheel (Kering, 2020).

### 3.4 Supply Chain and Critical Stages of the Value Chain

Kering endeavors to diminish the environmental impact across its entire value chain by probing questions such as, "Where does our most significant environmental impact occur?" and "Which environmental factors (e.g., GHG) exert the most substantial influence on our value chain,

processes, materials, brands or products?”. The company aims to identify the most effective approaches to mitigate these environmental impacts (Value Balancing Alliance, 2022).

Nearly 80% of the environmental impact stems from the upstream supply chain and raw materials production, with processing contributing 66% to the total amount. Notably, this impact is primarily associated with GHG emissions and land use connected to the utilization of leather and animal extracts (Value Balancing Alliance, 2022). Armed with precise details about the environmental footprint, Kering strategically improved its selection and processing of materials.

Kering’s commitment to the environment forms the “Care” foundation of the company’s sustainability strategy, and it encompasses five primary objectives as per the Kering Universal Registration Document (2022):

- a. Safeguard the environment at the utmost level.
- b. Place environmental considerations at the core of the House’s (Brand’s) operations by engaging all stakeholders throughout the entire value chain.
- c. Surpass mere adherence to environmental compliance by adopting a macro-environmental approach, such as that of the Environmental Profit and Loss.
- d. Guide the company’s sustainability leadership through a cooperative approach that encourages the exchange of good practices, advancements, and outcomes with both competitors and stakeholders.
- e. Foster a culture of innovation on a business level and the supply chain level by incorporating new technologies that diminish environmental footprints.

The “Climate Strategy,” the “Biodiversity Strategy,” and the “Circularity Ambition” collectively establish Kering’s foundation for environmental protection initiatives. In practical terms, the vision is manifested through two strategic tools: the Environmental Profit and Loss and the Kering Standards.

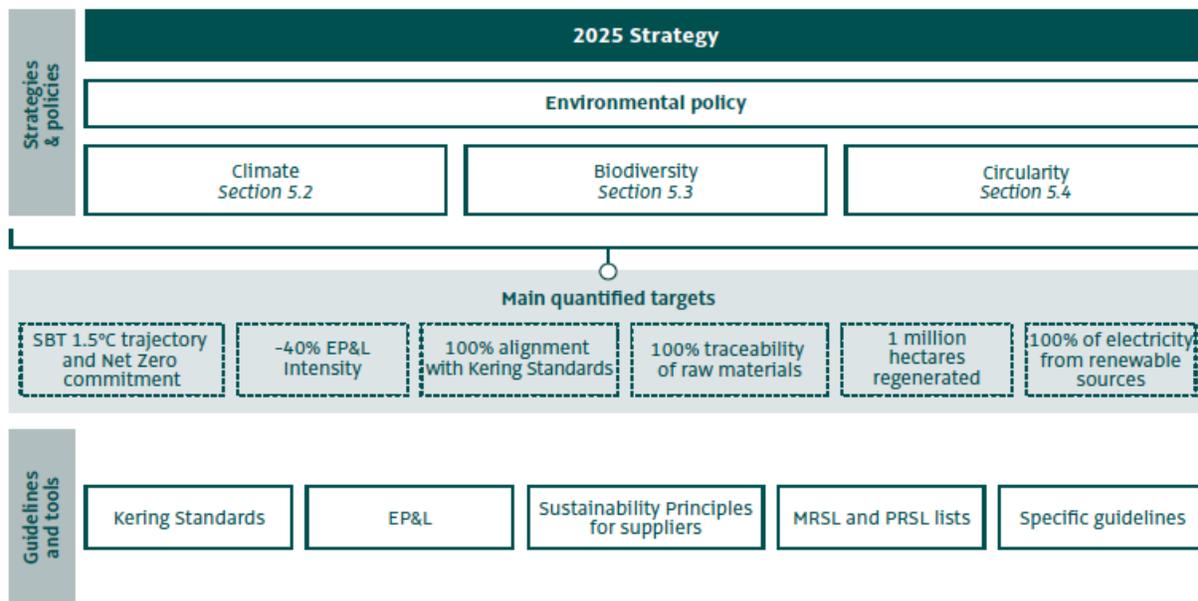


Figure 11: Kering's 2025 Strategy (2022 Kering Universal Registration Document)

### 3.5 Environmental Profit and Loss (EP&L)

Since 2012, Kering has tracked and quantified its advancements in evolving into a greener company through the Environmental Profit and Loss (EP&L). The company has committed to a 40% reduction in EP&L intensity by 2025, in comparison with the 2015 baseline (in EUR thousands in revenue). The EP&L is a decision-making tool guiding sustainability initiative to reduce the environmental impact of the company and its supply chains (Kering, 2022). Covering six sections, including GHG emissions and water consumption, the EP&L monetizes these impacts, allowing comparisons between units and locations. This facilitates informed decision-making, prioritizing actions to minimize environmental footprints and fostering a common business language to ensure sustainability (Kering, 2022).

For example, the EP&L assesses CO<sub>2e</sub> emissions (Scope 1 & 2) and certain Scope 3 emissions outlined in the GHG Protocol. The following Scope 3 sections are covered in the calculation:

- Category 1: Purchased Goods
- Category 3: Fuel and energy-related activities
- Category 4: Upstream transportation and distribution
- Category 6: Business Travel

- Category 9: Downstream transportation and distribution
- Category 11: Use of sold products
- Category 12: End-of-life treatment of sold goods

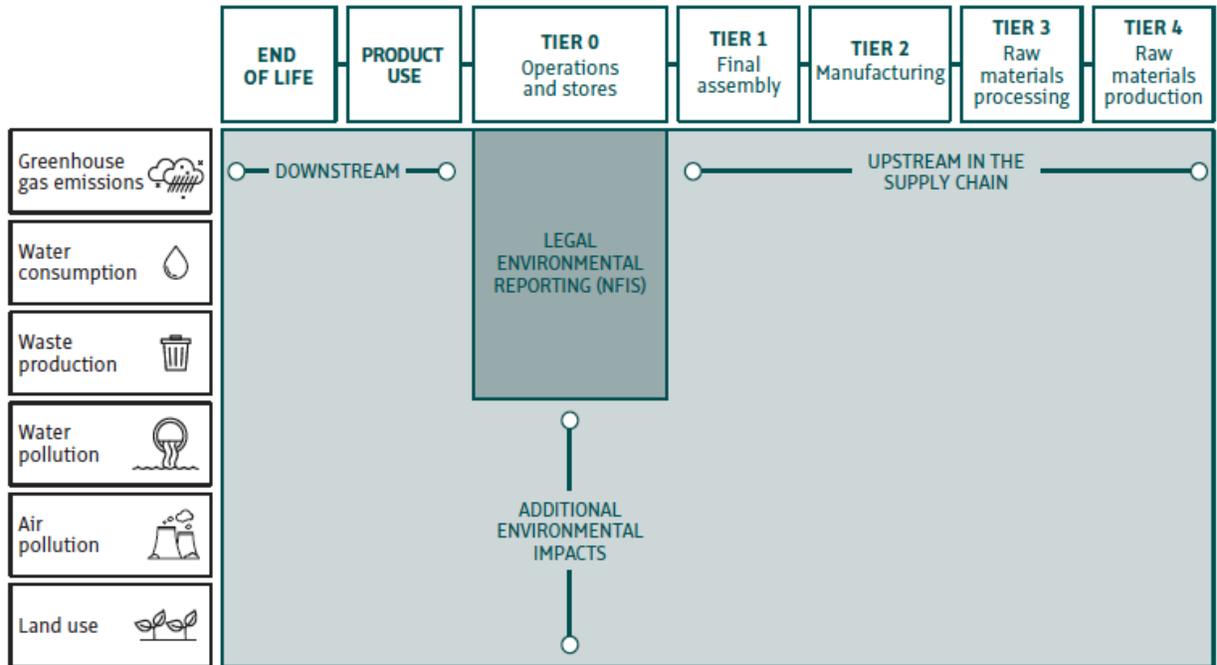


Figure 12: Scope covered by the EP&L approach (2022 Kering Universal Registration Document)

As the graphic above shows (Figure 11), EP&L encloses six environmental indicators, and it examines all of Kering’s activities. As mentioned in Kering’s Environmental Profit and Loss Account Report from 2022, the input-output model offers a means to address impact areas beyond the reach of primary data from the company’s reporting or secondary data from Life Cycle Analysis models. This expansion broadens the EP&L capacity to encompass all of Kering’s ventures where direct calculation of environmental impact is not feasible (Kering, 2022).

Since 2019, Kering has enhanced transparency regarding the EP&L data by making the results available to the public on their open-source platforms. From 2021 onwards, the company also began disclosing all eKPIs (environmental indicators in their physical unit, without monetization) (Kering, 2023).

Despite remaining a significantly difficult task for the entire industry, traceability serves as a key reference point for sustainability, as it enhances supply chain visibility and control on the whole,

with a tracing of the company's raw materials back to their origins being a crucial element for sustainability (Kering, 2023). The adoption of blockchain technology is enhancing traceability. Saint Laurent, One of Kering's most notable Houses, has initiated the implementation of the TextileGenesis™ cutting-edge traceability platform throughout its supply chain (Kering, 2023). By using digital tokens (FiberCoins™), Saint Laurent can systematically trace textile products from their origin to the retail stage (Kering, 2023). On the other hand, another famous house, Gucci, has been actively investing since 2020 in regenerative agriculture initiatives to revolutionize its supply chain. The Brand extends its support to projects in Italy and globally, and these raw materials are used in Gucci's collections. This initiative establishes a local regenerative silk farming supply chain for the Brand's scarves (Kering, 2023).

ReAce, a unique material crafted solely for Kering Eyewear, is composed of 100% pre-consumer recycled acetate. Introduced in the SS23 collections, ReAce is derived from recycled waste stemming from the conventional production methods employed in crafting acetate frames (Kering 2023). As mentioned in Kering's Sustainability Progress Report 2020-2023, by incorporating ReAce, the circular economy is activated as the company reuses by-products that otherwise might be discarded. Initial research indicates that the manufacturing of ReAce leads to a minimum 50% reduction in carbon emissions in contrast with the traditional manufacturing of acetate (Kering 2023).

Kering is zealously engaged in the pursuit of inventive materials derived from industrial by-products, transforming them into precious substances with characteristics reminiscent of gemstones (Kering Standards, 2023). A notable example is their Brand Boucheron, which achieved a revolutionary endeavor by using in their Jack de Boucheron Ultime capsule a material called "Cofalit,®" which is made by applying a unique vitrification process to a specific type of waste that is usually found in highway embankments (Kering 2023). What is unique about the idea behind using this material is that this particular form of industrial waste reaches the end of its recycling potential and is categorized as "non-recyclable." This innovation exemplifies Kering's dedication to exploring and revitalizing materials innovatively and simultaneously giving a fresh purpose to otherwise overlooked resources (Kering, 2023).

Another sustainable initiative is the Balenciaga Re-Sell Program, which aims to promote the principles of reducing, reusing, and recycling while incentivizing clients for their involvement. The fashion house offers its customers the chance to breathe new life into their clothes, and as a token of appreciation, the customers receive either money back or store credit (Kering 2023).

Another Kering’s Brand, Pomellato, introduces a lavish approach to recycling inspired by the ancient Japanese art of Kintsugi. By applying a traditional repairing technique, the brand upcycles broken gemstones that would typically be discarded. This sophisticated reinterpretation showcases a novel method of precious crafting jewels, demonstrating a commitment to sustainability that embraces imperfection through an inclusive selection of materials (Kering, 2023).

Since 2017, Kering has been a pioneer partner in founding “Fashion for Good,” collaborating with the innovation platform to expedite the development of startups that contribute to a more circular fashion industry. Over the past three years, the Kering Material Innovation Lab (MIL) has successfully initiated 39 projects introduced by Fashion for Good (Kering, 2023). For instance, some projects they are working on are mentioned in Table 4.

**Table 4: Fashion for Good Innovative Projects**

Full Circle Textile	A collaborative effort of Brands, suppliers, and pioneers is currently underway to develop fiber-to-fiber recycling technology specifically for cellulosic textiles (e.g. cotton, rayon, bamboo, tencel/leyocell, modal, linen, corn, wheat e.t.c.)
D(r)ye Factory of the Future	Experimenting with new methods for pretreating and gyeing various cotton fibers, such as demin, wool, polyester, and wool-cotton blends, with the goal of minimizing water usage, energy and chemicals during the dyeing process.
Black Pigment	The scaling process of bio-black pigments obtained from discarded feedstocks like industrial carbon, algae and wood presents an alternative to artificial carbon black dyes. This provides a more sustainable a more sustainable method for dope dyeing in textile manufacturing, resulting in reduced carbon impact.
Natural Indigo Dyestuff Collaborative	One way to promote the use of plant-based indigo is by substituting the artificially produced indigo dyes derived from petrochemicals, achieved by refining the production of indigo in a closed loop system, resulting in a pre-reduced natural indigo that eliminates the need for chemical reduction at denim mills.

### 3.6 Sustainability Practices and Progress

Kering targets a Net Zero trajectory aligned with the Paris Agreement (Kering, 2023e, Kering, 2023g). Employing a scientific approach, Kering aligns its climate policy with the SBT Initiative 1.5°C guidelines (Kering, 2023e, Kering, 2023g) prioritizing emission reduction and offsetting residual emissions while addressing climate-related risks (Science Based Targets Network, 2020). Being the first company in the luxury industry to be certified by the SBT Initiative in 2016 (Science Based Targets Network, 2016), Kering pursues an ambitious Climate Strategy with three interconnected targets for the short, medium, and long-term future:

- By 2030: Targeting a 90% absolute cut in GHG emissions from its internal operations and a 70% reduction in the intensity of GHG originating from its supply chains compared to the 2015 baseline.
- By 2035: Targeting 40% absolute decrease in emissions across the Group compared to the 2021 baseline.
- By 2050: targeting Net Zero trajectory in consistency with the Paris Agreement.

With regard to the company's internal operations, Kering has set the below action plan (Kering, 2020; Kering, 2023e, Kering, 2023g):

- Achieving energy efficiency through applying the guidelines across the life cycle of its sites and electrification.
- The energy supply strategy revolves around both the production of renewable energy and the procurement of electricity from renewable sources on whatever occasion this is feasible. In 2022, the company successfully met the RE100 target, ensuring that 100% of its electricity is sourced from renewable sources (RE100, 2022), aligning with the directives of the RE100 Initiative.
- All stores have implemented LED technology for lighting, a significant energy-saving source with potential savings of up to 90%.

Additionally, efforts to meet the targets, particularly in Scope 3, involve a series of initiatives across the value chain, beginning with raw materials manufacturing. Notably, these initiatives include (Kering, 2020; Kering, 2023e, Kering, 2023g):

- Adopting Kering Standards for eco-friendly design, low carbon products and sourcing to reduce environmental impact. Low-carbon products are characterized by substantially reduced greenhouse gas emissions that are quantifiable when compared to a reference product. This applies to both Kering’s fashion brands and to their vendors.
- Greater utilization of renewable energies within the supply chain.
- Equitable production (“produce what we sell” mindset). Leverage AI and planning tools to enhance sales predictions, thereby optimizing production volumes, waste and distribution.
- Streamline route planning in transportation to decrease the number of trips. Use electric transportation and prioritize environment-friendly transport solutions.
- Create new and innovative business models centered around the circular economy and pre-used items.

According to their ESG Presentation published in September 2022, Kering is the only company in the luxury fashion industry that is always included in all main ESG ratings and rankings. Some of the ratings in key sustainability indexes as of 2022 (Kering, 2022e):

- DJSI: Included in their indices for the tenth year in a row.
- Corporate Knights Global 100 World’s Most Sustainable Corporations: Kering hits first place in the Luxury Apparel industry in 2022 and is in the list of the overall Top-100 companies for the sixth year in a row.
- WBA Nature Benchmark: Ranks first out of 389 companies in 2022.
- CDP: Entered the Climate A List in the last two years.
- MSCI: In the last two years the company’s ESG score is AAA.
- Moody’s ESG: Ranked second in the Luxury Goods and Cosmetics sector for the last two years.
- ISS ESG: Scored “Prime status” for the sixth year in a row.
- FTSE4Good: Included in their indices for 8 years in a row.

The EP&L is the keystone of their environmental strategy. In 2021, Kering exceeded its 40% environmental impact reduction target four years ahead of schedule (Kering, 2023e). For 2022, the Group cut emissions in Scope 1 & 2 by 71% and achieved a 52% intensity reduction in Scope 3

emissions, all since 2015 (Kering, 2023e). Notably, the absolute environmental impact was minimized between 2021 and 2021 while the business increased (Kering, 2023e).

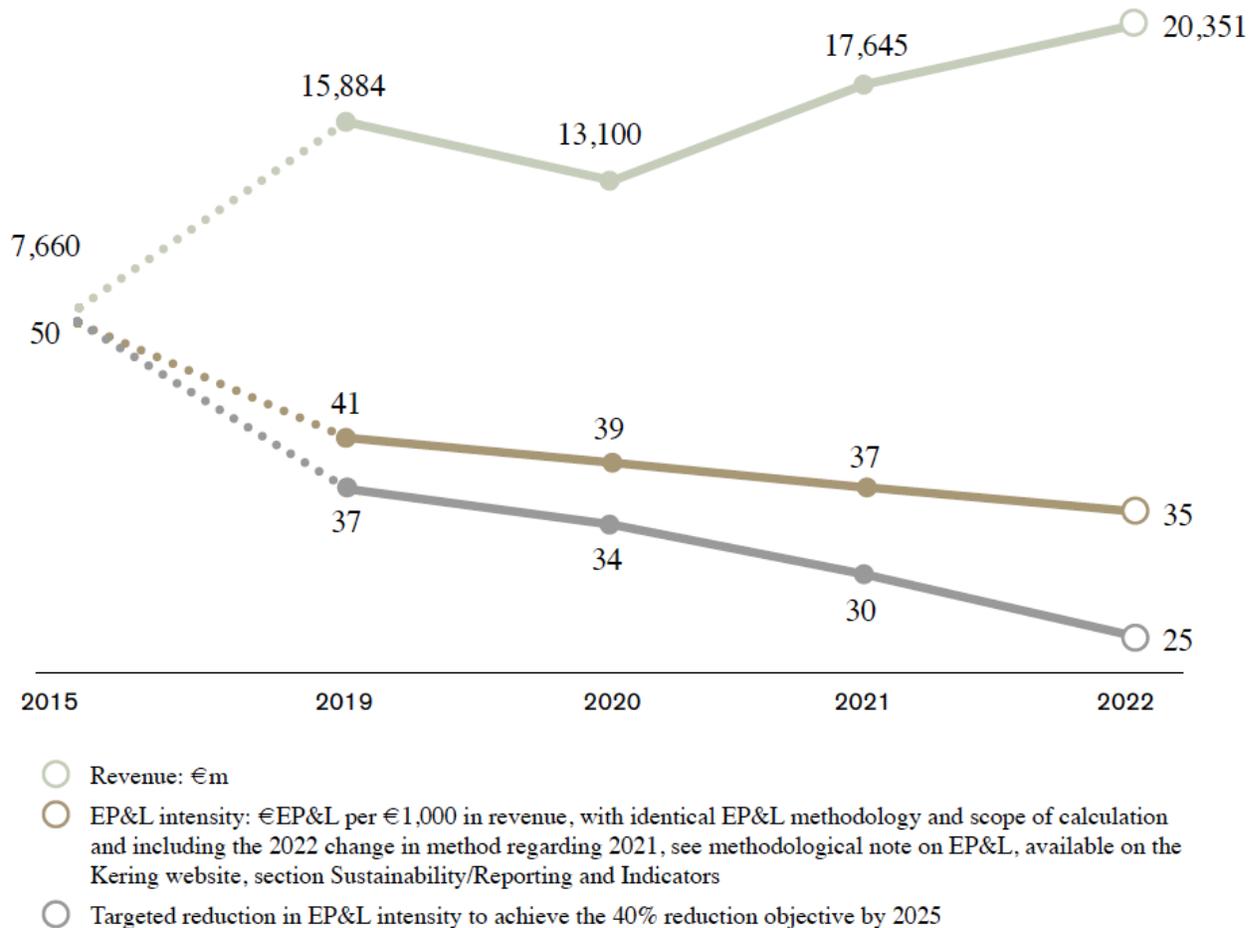


Figure 13: Kering's EP&L year-on-year reduction (Kering, 2023e)

In the field of responsible sourcing, Kering has achieved 95% traceability of key raw materials on their 100% target for traceability. 72% of cotton is organic or recycled; 60% of wool is organic, regenerative, recycled, or from responsible sources; 76% of cellulose-based fibers are recycled or from responsibly managed forests; 48% of silk is organic or recycled; 31% of cashmere is organic, regenerative, recycled, or from responsible sources; 100% of the gold used in jewellery is responsibly purchased gold; 99% of paper is recycled or from responsibly managed forests; 50% of leather goods are metal-free or chrome-free. The aforementioned figures are obtained directly from the Sustainability Progress Report 2020-2023, which is published on Kering's website.

## Conclusions

The findings from Kering's sustainability progress report 2020-2023 underscore the company's extraordinary commitment and achievements in integrating sustainability into its core business practices. Kering has demonstrated a proactive stance by establishing a Regenerative Fund for Nature, with the first seven grantees representing an expansive 840,000 hectares of land. The Group's decision to implement a fur ban across its entire operations showcases a strong ethical stance in response to the evolving awareness and values of the luxury industry.

One of the standout accomplishments is the launch of the €300 million Climate Fund for Nature, with a significant €140 million euros already committed. Remarkably, Kering exceeded its environmental targets, achieving a 40% reduction in total environmental impacts four years ahead of schedule in 2021. The company has demonstrated a reduction in absolute Scopes 1 and 2 emissions by -71%, coupled with a -52% intensity reduction in Scope 3 emissions since 2015. These achievements align with the science-based target on a 1.5°C pathway, reflecting the company's commitment to battle climate change.

In the field of responsible sourcing, Kering has achieved 95% traceability of key raw materials and 71% alignment with Kering Standards. Furthermore, the company has taken substantial steps toward a net positive impact on biodiversity by committing to regenerate and protect six times the land footprint of its supply chain by 2025. The establishment of a Sustainable Finance Department underlines Kering's holistic approach to embedding sustainability across various functions.

In line with the Science-Based Target Initiative recommendations, Kering has updated its SBT commitment, receiving verification and approval from the SBT Initiative. The company is steadfast in its commitment to reducing absolute greenhouse emissions in Scopes 1 and 2 by 90% and Scope 3 emissions by 70% per unit value added by 2030, from a 2015 baseline. Kering has also successfully met its target of sourcing 100% renewable electricity by 2022, a commendable achievement that aligns with RE100's guidelines.

Overall, these findings reveal Kering's strides in sustainability, positioning the company as a leader in applying sustainability in the luxury fashion and jewellery industry. The documented progress, including all the above numbers, details on progress, and results, are obtained directly from the Sustainability Progress Report 2020-2023 that is published on Kering's website.

We stand at a pivotal juncture. We can opt for a future in which the production of essential goods and services generates and revitalizes the natural world. Alternatively, we can choose a path leading to a grim future where our production methods persist in destroying nature without replenishing enough to sustain both the environment and us. The efforts from organizations, private companies, governments, and policymakers are a call to forge a path where businesses and sustainability merge for a more harmonious and resilient future.

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## Appendix 1

### Environmental Reporting List og Kering's KPIs

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#### General data

Site surface - Warehouses [m2]

Opening months in the year [ xx/12]

Full Time Equivalent - Warehouses [Fte]

Managed pieces

Does your site have any sustainability certification? If so, please specify

#### Paper consumption

Office paper consumption from sustainably managed forest sources [T]

Office paper consumption, recycled [T]

Office paper consumption, other [T]

#### Waste Production

Non-hazardous waste:

Recycled or reused paper and cardboard [T]

Recycled or reused pallet and other wooden waste [T]

Recycled or reused plastic [T]

Other non-harmful waste recycled or reused [T]

Non-harmful waste used for thermal recovery [T]

Non-harmful waste, neither recycled or reused nor used for thermal recovery [T]

Hazardous waste:

Reused or recycled electric or electronic waste (WEEE) [T]

Reused or recycled batteries [T]

Recycled or reused ink cartridges [T]

Recycled or reused neon lights and bulbs [T]

Other harmful waste recycled or reused [T]

Harmful waste used for thermal recovery [T]

Harmful waste, neither recycled or reused nor used for thermal recovery [T]

#### Energy consumption

Do you have any LED lighting? Please indicate a percentage

Conventional energy consumption - Warehouses [kWh]

Purchase costs for energy, VAT and taxes excluded [EUR]

Purchased green certificates (REC, iREC, GO)

Renewable energy consumption [kWh]

Renewable energy produced and used onsite [kWh]

Renewable energy produced onsite and resold to the energy net [kWh]

Light fuel consumption - Warehouses [m<sup>3</sup> light fuel]

Purchase costs for light fuel - VAT and taxes excluded [EUR]

Natural gas consumption - Warehouses [kWh]

Purchase costs for natural gas - VAT and taxes excluded [EUR]

Steam consumption - Warehouses [kWh]

Purchase costs for steam [EUR converted by the tool from local value]

Is the conditioning of the site fed by an urban cool water system?

### **Water consumption**

Domestic water consumption [m<sup>3</sup>]

Purchase costs for domestic and/or industrial water, VAT and taxes excluded [EUR converted by the tool from local value]

### **People transport**

Is the fuel consumption of the pool cars available?

Average emission factor of the pool cars [g CO<sub>2</sub>e/T.km]

Gasoline consumption of the pool cars [l]

Diesel fuel consumption of the pool cars [l]

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**Author's Statement:**

I hereby expressly declare that, according to the article 8 of Law 1559/1986, this dissertation is solely the product of my personal work, does not infringe any intellectual property, personality and personal data rights of third parties, does not contain works/contributions from third parties for which the permission of the authors/beneficiaries is required, is not the product of partial or total plagiarism, and that the sources used are limited to the literature references alone and meet the rules of scientific citations.