

BASIS OF REPORTING 2017/18

Introduction

This document sets out how selected KPIs included in the Responsibility section of Burberry’s 2017/18 Annual Report and Accounts have been prepared. It forms the criteria against which the selected KPIs have been assessed as part of PricewaterhouseCoopers LLP’s (PwC) assurance activities.

In June 2017, Burberry launched a new, five-year responsibility strategy, setting out 2022 goals across three key pillars:

- PRODUCT – To drive positive change through all products
- COMPANY – To become carbon neutral and revalue waste
- COMMUNITIES – To positively impact 1 million people in communities sustaining the luxury industry

To ensure completeness and accuracy of the selected KPIs, this ‘Basis of Reporting’ and all relevant data have been subject to internal validation, review and approval at senior level within Burberry.

KPIs are based on Burberry’s financial year, covering the period 1 April 2017 to 31 March 2018. The only exception is data relating to energy and water consumption in the supply chain, which is collated on a calendar basis, covering the period 1 January 2017 to 31 December 2018.

KPIs that have been tested for accuracy and completeness:

PRODUCT:

- KPI: 28% of products with one positive attribute**
- KPI: 14% of products with more than one positive attribute**

- Burberry’s ‘Product’ goal for 2022 is to drive positive change through all products. More specifically, the goal is to have 100% of Burberry products with more than one positive social and/or environmental attribute.
- Products in scope are all of the brand’s products available for purchase, i.e. Burberry Ready to Wear (including Runway) and Burberry Accessories (including soft accessories, hard accessories and shoes), excluding licensee products.
- 100% of product is based on the total number of units, i.e. individual items, of “in-scope” product produced (goods receipted) during FY 2017/18.
- A product can only be considered for a positive attribute, if the supplier of the main material and the manufacturing facility involved in its production meet specific ethical trading and chemical management criteria. For example, if a facility does not meet a minimum score of 50% in Burberry’s assessment of its chemical management, this will negate any other environmental or social improvements the facility may have made.
- Positive attributes are based on evidence of social and/ or environmental improvements achieved in a product’s supply chain, at either the raw material sourcing or product manufacturing stage.
- For a product to be assigned a positive attribute, an improvement must relate to either its main material, the facility supplying the main material or the facility where the finished good is manufactured in. For example, a product may carry a positive attribute if its main material is cotton and this is sourced through the Better Cotton Initiative, or if it was made in a finished goods facility paying all workers a wage which meets a recognised local living wage benchmark.
- Initiatives that can lead to a positive attribute, are currently:

Related to the main material:	Related to facilities supplying the main material or where the finished good is manufactured in:
Better Cotton Initiative	Leather Tannery Certification
	Chemical Management Rating
	Energy & Water Reduction Programme
	Living Wages
	Renewable Energy

KPI: 21% of cotton procured through the Better Cotton Initiative (BCI)

- Scope is based on the number of cotton-rich products procured in the financial year, excluding accessories.
- A product is defined as cotton-rich, if its main material's composition is 50% or more cotton.
- In 2017/18, 71% of Burberry's product was classified as cotton-rich, of which 21% was made of cotton covered by BCI credits.
- The Better Cotton Initiative (BCI) is a non-profit organization that promotes better practices in cotton production. The BCI works directly with farmers, helping them to minimise the use of harmful pesticides, reduce water consumption and care for soil and natural habitats as well as fostering decent working conditions.
- BCI uses a chain of custody model called Mass Balance. This model does not guarantee the presence of physical BCI cotton in Burberry products. Instead, it uses a credit system which enables Burberry to create the demand for more sustainable cotton to be produced. Please refer to the BCI's "[key facts](#)" page for further information.

KPI: 15% of product sourced from facilities reporting a 5% reduction in energy or water use

- Facilities in scope are facilities of finished goods vendors or raw material suppliers that have been involved in Burberry's Energy and Water Reduction Programme.
- For a product to gain a positive attribute through this programme, it must have been manufactured in, or its main material sourced from, a facility that can demonstrate a 5% reduction in either absolute or normalised energy or commercial water use and show how this has been achieved through improved practices and/or processes.
- A 5% reduction is assessed against a facility's base year, which is set as the year prior to the facility entering the programme, or as the year of engagement, depending on data availability.
- Burberry's Energy and Water Reduction Programme is delivered by Burberry team members directly and is modelled on the NRDC 'Clean by Design' programme, which aims to reduce chemical pollution, water and energy use in the textiles' supply chain.
- In 2017/18, a total of 28 supply chain partners participated in the programme, including 15 facilities with wet processing. During 2017/18, nine facilities achieved a 5% reduction in their energy or water use for the year, in turn leading to 15% of product being awarded a positive attribute.

KPI: 15% of product sourced from supply chain partners rated 'Green' on chemical management

- As part of Burberry's commitment to eliminate from the supply chain the use of chemicals that may have a negative impact on the environment, Burberry has implemented the MRSL (Manufacturing Restricted Substances List) and PRSL (Product Restricted Substances List).
- Burberry uses a Partner Progress Tool (PPT) to monitor its supply chain partners' performance against 29 chemical management KPIs, grouped into the four implementation pillars outlined in the MRSL Implementation Guidelines: commitment, internal implementation, upstream implementation and achievement. A score of less than 50% across these KPIs results in a rating of Red, a score of 50-69% is Amber, and a score of >70% is Green. More information on the tool can be found [here](#).
- To have a positive attribute, the product's finished goods vendor and main material supplier must have both been rated 'Green' for their chemical management practices for at least 6 months of the reporting year (1 April 2017 to 31 March 2018).

COMPANY:

KPI: 20,222,227 kg of CO2 equivalent market-based emissions

- Burberry's 'Company' goal is to become carbon neutral by 2022. A zero-carbon footprint will be achieved by improving energy efficiency, reducing absolute consumption and switching to renewable energy sources, before offsetting any remaining carbon emissions.
- Burberry reports energy data and converts this into carbon dioxide equivalent (CO_{2e}) for disclosure purposes as part of Burberry's Mandatory Greenhouse Gas Reporting Requirements.
- Burberry applies an operational control approach to defining its organisational boundaries. Data is

reported for sites where Burberry has the ability to influence energy management. This differs from the financial reporting boundaries, as some sites where Burberry has an equity interest but no control are not reported. Overall, the emissions inventory reported equates to 95% of Burberry's sq. ft.

- Where Burberry does not have visibility of a site's energy consumption (e.g. in a mall, where a store's energy use is not sub-metered), energy consumption is estimated based on the average consumption per sq. ft. of Burberry sites in that region.
- All material sources of emissions are reported, including emissions generated from the use of electricity, gas and fuel oil. Refrigerant gases and fuels consumed in company vehicles were deemed not material and are not reported.
- Data for electricity, gas and fuel oil use is based on invoices and collected by regional teams. . Data is then subject to a series of internal reviews conducted at group level.
- Burberry calculates greenhouse gas emissions data with reference to the Greenhouse Gas Protocol. Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Emissions are reported using both the location- and market-based methodology.
- The most current conversion factors from DEFRA (2016), the International Energy Agency (IEA) (2017) and Reliable Disclosure (RE-DISS) European Residual Mixes (2014) are used for all CO₂e calculations.
- Audited sales revenue data is used to derive the intensity metric of KgCO₂e/ £1,000 sales revenue.
- Burberry has updated its Greenhouse Gas data for 2015-16 and 2016-17 to account for improvements in data availability and estimation methods and to ensure the most up-to-date conversion factors are used.
- Burberry is measuring progress towards its 'Carbon Neutral' goal by looking at its market-based emissions (as described above). For any emissions that remain after reducing energy within internal operations and purchasing renewable energy, Burberry will look to mitigate these through offsetting or in-setting.
- No offsets have been applied to Burberry emissions data for FY 2017/18.

KPI: 48% of the company's total energy consumption sourced from renewable sources, including 56% of electricity from renewable sources

- Burberry has set itself a target to source all energy from renewable sources by 2022. This covers all energy reported as part of Burberry's Mandatory Greenhouse Gas Reporting Requirements.
- The % of the company's energy consumption sourced from renewables is calculated using kWh data from each site. Prior to 2017/18, this % was based on sq. ft. measurements of sites globally. The change to kWh has been made to align with Burberry's new carbon neutral goal for 2022 and for improved accuracy of measurements.
- Accepted renewable energy types are:
 - Green tariffs with associated attribute certificates
 - Renewable energy certificates (Renewable Energy Certificates (REC), International Renewable Energy Certificates (I-REC), Guarantee of Origin (GO), Green Gas Certificates (GGC) and other localized certificates)
 - On-site renewable energy generation (wind, solar, biomass etc.)
 - Power Purchase Agreements (wind, solar, biomass, etc.)
- All renewable energy that contributes towards the target must be based on evidence, including:
 - A certificate from the energy supplier confirming MWh or % of renewable energy, and
 - Confirmation from the supplier that the renewable energy meets the requirements of the Greenhouse Gas Protocol Scope 2 Guidance and Burberry internal requirements regarding vintage and origin of renewable energy generation.

KPI: 100% of operational waste from key UK sites diverted from landfill (zero waste to landfill)

- Waste data covers key UK operations, comprising Burberry's internal manufacturing and distribution sites in Northern England and Burberry's head office and retail stores in London. Data currently excludes e.g. Burberry's office in Leeds, where waste collection is managed by third parties and there is therefore limited visibility over waste disposal routes.
- Waste data is based on annual reports provided by waste collection partners and covers office consumables, food waste, packaging, leftover materials and damaged/ defected products.

- “Diverted from landfill” is defined as diverting waste from landfill through treatments such as recycling, anaerobic digestion and incineration with energy recovery. An example includes Burberry’s partnership with Avena Environmental to recycle damaged garments into insulation materials.

KPI: 22,835 m³ of water used at UK offices and internal manufacturing sites

KPI: 21,052 m³ of wastewater produced at UK offices and internal manufacturing sites

- Data is based on monthly water bills received for each site and covers all UK offices (in London and Leeds) and Burberry’s two manufacturing facilities in Yorkshire.

COMMUNITIES:

KPI: 23,000 people positively impacted

- Burberry’s Communities goals is to positively impact 1 million people by 2022. This will be achieved mainly by supporting the Burberry Foundation in developing long-term partnerships that fuel innovation and transform communities that sustain the luxury industry.
- Two key community programmes contributing to the 2017/18 data are:
 - Tackling educational inequality and enhancing career advice for young people in the UK – This programme launched in August 2017 and is delivered in partnership with Teach First, the Careers & Enterprise Company (CEC) and MyKindaFuture. Since launching, over 20,000 people have benefitted from a series of activities, including in-school workshops, inspiration days and work experience opportunities, as well as teacher training and development days and new Careers & Enterprise Co-ordinators appointed by CEC to help connect schools with local employers and career opportunities.
 - Fostering community cohesion and supporting youth employability in Italy – This programme is delivered in partnership with Oxfam. Since the programme launched in October 2018, over 400 people have benefitted from educational and recreational activities.
- Whenever possible, positive impact is based on direct feedback from participants. For example, for activities involving students, the benefit is assessed by conducting surveys straight after the activity. Where student numbers are large (100+), the survey is conducted with a sample group of participants.
- Survey questions vary by activity type, but are largely focused on the impact of the activity on students’ awareness of the creative industries, their personal career aspirations, confidence and self-belief. If survey answers include a range from Strongly Disagree to Strongly Agree, on a scale of 1 to 5 (e.g. on whether a student feels the activity has positively impacted their confidence and self-belief), only responses of 3 and above are counted as positive impact.
- In cases where it is not possible to directly survey all beneficiaries, the total number of people positively impacted is based on key estimates/ assumptions. For example, if a programme has helped a school to implement new career advisory service, beneficiaries are estimated based on students in all relevant age groups with access to the new service.
- Data includes both direct and indirect beneficiaries, defined as follows:
 - Direct beneficiaries are the people for whom the project is being undertaken, who directly benefit from a product, service or an activity and are usually directly engaged in the activities of the programme.
 - Indirect beneficiaries are the people who, whilst not actively taking part in the project, derive some benefit from it indirectly. This includes, for example, family members of individuals who have been directly engaged in programme activities, or students benefitting from teachers completing Continuing Professional Development (CPD) training/ activities.