



RESPONSIBILITY REFLECTIONS

*Our responsibility journey
2012–17*

BURBERRY
London, England



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BURBERRY: PROTECT. EXPLORE. INSPIRE.

At Burberry, we are proud of our heritage while at the same time embracing a more sustainable future. A future that brings lasting value not only to those who enjoy our products, but also to those who supply and make them, and the environments and communities that those people depend on.

We were founded in 1856 by 21-year-old dressmaker Thomas Burberry and are guided by three core values – Protect, Explore, Inspire. These values influence not only what we do, but crucially also how we do it:

- **Protecting** people and our planet.
- **Exploring** more sustainable ways of working.
- **Inspiring** a connected and compassionate culture.

From the cotton fields of Peru to the cashmere goat herds of Mongolia – the materials that make up our garments come from diverse and often remote regions, where fragile ecosystems and subsistence farmers coexist day by day. As a global brand, we take our responsibilities to people and the environment very seriously.

Moreover, we are committed to creating and supporting multi-stakeholder initiatives that drive positive systemic change and protect the resources we all depend on.

ABOUT THIS REPORT

This report provides a summary of our responsibility journey from 2012 to 2017. It tells the story of how, five years ago, we set out to meet key environmental targets, expand our ethical trading programme and grow our global community investment activities. It reflects on what we have achieved and learned along the way, which has informed the development of our responsibility strategy for the next five years.

WHO ARE WE?

Burberry is a global luxury brand with a British heritage of over 160 years. We are headquartered in London and listed as a FTSE100 company on the London Stock Exchange (BRBY.L). We design, develop, make and sell products under the Burberry brand, including menswear, womenswear, childrenswear, beauty and accessories.

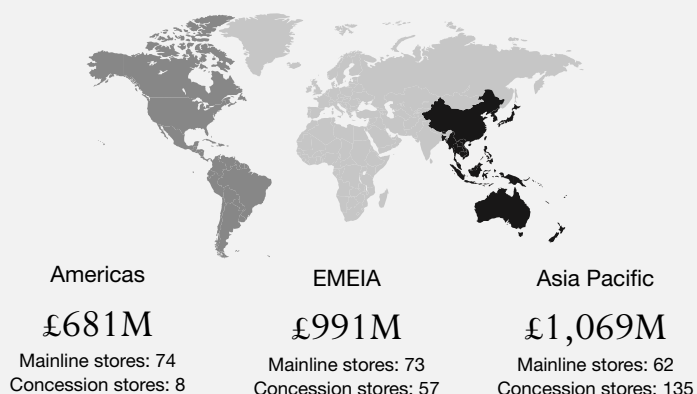
Many of our products are made in Europe, with Italy being the largest individual sourcing country. The iconic Heritage Trench Coat is manufactured in Yorkshire, England, and most of our cashmere scarves are made in Scotland.

Over
10,000
employees globally

Over
30
countries of operation

409
retail locations (including
mainline and concession stores)

Retail/wholesale revenue by destination



REFLECTING ON THE LAST FIVE YEARS

Our responsibility journey so far has focused on three areas that span our value chain: ethical trading – promoting fair and responsible employment practices; environmental sustainability – reducing our footprint; and community investment – contributing to the communities where we live and work. These were the pillars of our responsibility strategy until now and form the chapters of this report.

BUILDING ON STRONG FOUNDATIONS

We started our responsibility journey with the establishment of our ethical trade programme in 2004, followed by our community investment and environmental programmes a few years later. When we developed our first five-year responsibility goals in 2012, our initial priority was to raise awareness of the importance of responsibility for long-term business success and generate engagement across our global teams. We also began embedding our goals into core business strategy, with individual teams starting to own relevant targets and delivering measurable progress.

Equally as important as internal engagement is collaboration with our supply chain partners. We source raw materials and finished goods globally and are committed to doing so in a way that builds mutual responsibility and shared value. Over the last five years, we have focused on developing strong partnerships to address the most material social and environmental impacts in our supply chain and support factories in building their own capacity while promoting responsibility further down their own supply chain.

Our Responsible Business Principles have been and remain a fundamental tool for communicating our standards, expectations and commitments and driving improvement. Our performance against 2016/17 targets is summarised at the end of this report.

PLANNING FOR THE FUTURE

As a global company strongly rooted in a local heritage, we have long embraced both tradition and change. Burberry today is a global business, operating in a wide range of countries and with consumers in both physical stores and online. Reflecting both structural and operational changes, our responsibility strategy continues to evolve, shaped by our own experiences as well as expert insight from the many organisations and businesses with whom we have built trusted relationships over the years. Furthermore, our programmes are influenced by global developments and initiatives, including for example the launch in 2015 of the United Nations 2030 Sustainable Development Goals.

As we look ahead, we know there will be ongoing challenges, including finding the best ways to measure long-term impacts, while continuing to monitor short-term outcomes; ensuring that our teams have ownership of their targets, while offering the support they need to meet them; and setting a best practice path globally, while tailoring our approach to local needs and contexts.

Building on a strong platform developed over 10 years, in 2017 we will launch a new strategy to take us to 2022: bringing together our ethical trading, environmental and community programmes and partnering with leading organisations to deliver positive long-term impact.

KEY MILESTONES

We established our global Ethical Trading team in 2004, our Community Investment team in 2008 and our Environmental Sustainability team in 2009. Our responsibility journey has been defined by close collaboration with a global community of sustainability organisations. Some of the first industry initiatives we joined included the Ethical Trading Initiative (ETI) and Leather Working Group in 2010. Since then, key milestones include:

2011

Environmental baseline assessment completed.

Responsible Sourcing Principles rolled out to all key supply chain tanneries.

Multi-year scholarship fund launched with the Royal College of Art.

Employee volunteering programme expanded globally.

2012

Environmental impact reduction programme launched,
including five-year public targets.

Chicago flagship store awarded sustainable building certification (LEED Silver rating),
the first of our stores in the Americas and the first retailer in Chicago to achieve this.

Youth employability programmes launched by the Burberry Foundation in London,
New York and Hong Kong.

2013

Vendor Ownership programme launched to support capacity building
in the supply chain.

Sustainable cotton farmer training programme started in Peru.

Burberry Impact Advisory Committee established, comprising external expert
stakeholders from leading NGOs and academia.

Our responsibility journey

2014

First human rights impact assessment completed and action plan in place.

Adopted the latest Manufacturing Restricted Substances List (MRSL).

London headquarter expansion awarded sustainable building certificate (BREEAM 'Excellent' rating).

2015

First luxury retailer and manufacturer accredited as a UK Living Wage employer.

Ethical trading programme expanded to include beauty and raw material suppliers.

Launched Burberry Apprentices programme.

Joined the Better Cotton Initiative.

Founding partner of the Sustainable Fibre Alliance.

Included in the Dow Jones Sustainability Index for the first time.

2016

Energy and water reduction programme in the supply chain assured by Natural Resources Defence Council.

Principal Partner of the Living Wage Foundation.

Sector leading score for water management in CDP's annual assessment.

Recognised as a Leader in the Ethical Trading Initiative's 2016 annual assessment.

Industry leader in the Dow Jones Sustainability Index in the 'Textiles, Apparel & Luxury Goods' sector.

Gold distinction in the RobecoSAM Sustainability Yearbook.

2017

Completion of first five-year responsibility strategy.

Launch of new five-year strategy for 2017-2022.

DELIVERING OUR STRATEGY

Delivering our five-year strategy has meant building an internal culture that emphasises our values and empowers people to take ownership. Robust and clear lines of governance have been fundamental to achieving this.

RESPONSIBILITY GOVERNANCE

Our Chief People and Corporate Affairs Officer is responsible for all internal people matters as well as health and safety, ethical trading, community investment and environmental sustainability, and regularly reports on these topics to the Group Risk Committee and the Board.

With the launch of our first five-year strategy in 2012, we added a Responsibility Working Group to this structure, made up of senior representatives from across our business. This has been instrumental in embedding targets and delivering improvement programmes over the last five years.

RESPONSIBILITY CULTURE

We have expanded our Responsibility teams globally and they are now active in London, Hong Kong, Florence and Tokyo. These teams focus on mobilising and supporting our global network of employees and business partners to successfully deliver our targets.

We have also started embedding responsibility targets into teams' performance objectives. This has been key in accelerating improvements, demonstrated by our Architecture team taking ownership of the sustainability agenda and achieving their target (30% of construction waste to be recycled from all major projects by 2017) a year ahead of plan.

Our people are our most important asset and in an ever-changing environment we are focused on preserving and nurturing our unique and authentic culture, with a global team mindset, a pioneering spirit and a strong commitment to responsibility at the heart of it. With over 10,000 employees in over 30 countries, we leverage our digital strength to connect teams globally, facilitate continuous dialogue and inspire environmental and social action across the business. We also use Burberry Chat, our internal social media platform, to invite teams to generate and share new ideas and celebrate success stories.

HOW OUR STAKEHOLDERS HAVE SHAPED OUR JOURNEY

Our responsibility journey has been shaped by the many individuals, organisations and business partners that are affected by or have an interest in how we operate. We actively seek out other organisations who share our commitment to responsibility to create open collaborations within and beyond our sector and help create positive system change.

We interact with **our customers** in our stores and through a variety of digital channels and platforms. We monitor contacts with our Customer Services teams, including the quantity and type of queries we receive in relation to our responsibility programmes. Areas of customer interest include, but are not limited to, animal welfare, charitable commitments, ethical sourcing and environmental sustainability. We regularly review customer feedback in these areas and it informs our programme development and communications plans.

We work with **our supply chain partners** all over the world, taking a collaborative approach to address shared sustainability challenges. Johnstons of Elgin are one of our most strategic partners and have been making Burberry cashmere products for over 100 years. Building on our shared history and values, in 2015 we joined forces and contributed to the establishment of the Sustainable Fibre Alliance, a UK-based charity working with key stakeholders to drive sustainable cashmere production in Mongolia, restoring grasslands, promoting animal welfare and improving the livelihoods of herders and their families.

In 2013, we set up the Burberry Impact Advisory Committee, comprising external experts. They play the role of **'critical friends'**, joining the Burberry Responsibility team four times a year to hear progress updates, comment on draft strategies and generally challenge and support the team.

In July 2015, we convened a large group of external stakeholders, including experts from academia, NGOs and businesses from a variety of industries, to build external understanding of Burberry's sustainability work, share plans, invite stakeholders' input and leverage their collective knowledge and experience in shaping our journey ahead. Stakeholder feedback has subsequently informed our approach to manufacturing excellence, impact reduction, community engagement, and measurement and reporting.

BURBERRY IMPACT ADVISORY COMMITTEE – A COLLECTIVE COMMENT ON PROGRESS AND CHALLENGES:

"Environmental degradation, pollution, labour exploitation and in-work poverty are not rare exceptions – they are systemic challenges and all businesses need to be aware of the important role they need to play in providing solutions and delivering the ambition of the UN Global Goals. As members of Burberry's Impact Advisory Committee, we have witnessed a significant evolution in how Burberry approaches corporate responsibility, with environmental and social issues becoming embedded in the business to an unusual degree. As advisors, we have been encouraged by the way in which this has occurred, with a steadily growing level of buy-in from the senior leadership team to the factory floor. The company's responsibility programmes so far provide a robust platform for the next phase of its journey, which we hope will propel the business into a clear leadership position in sustainability in the global apparel industry, based on a smart combination of its brand reach and commercial leverage.

Burberry also recognises increasing stakeholder expectations of transparency and has made clear its commitment via this first public report.

We welcome the window on progress that this represents and the internal reflections it will prompt to identify gaps and improve performance. We now look forward to them accelerating their work so we see more positive change for the people involved directly or indirectly in the making of Burberry products, from Yorkshire to Tuscany, Mongolia and beyond, and to challenging the company to go even further in the future."

Mark Sumner, Lecturer in Sustainability, Retail & Fashion,
University of Leeds

Sally Uren, Chief Executive, Forum for the Future

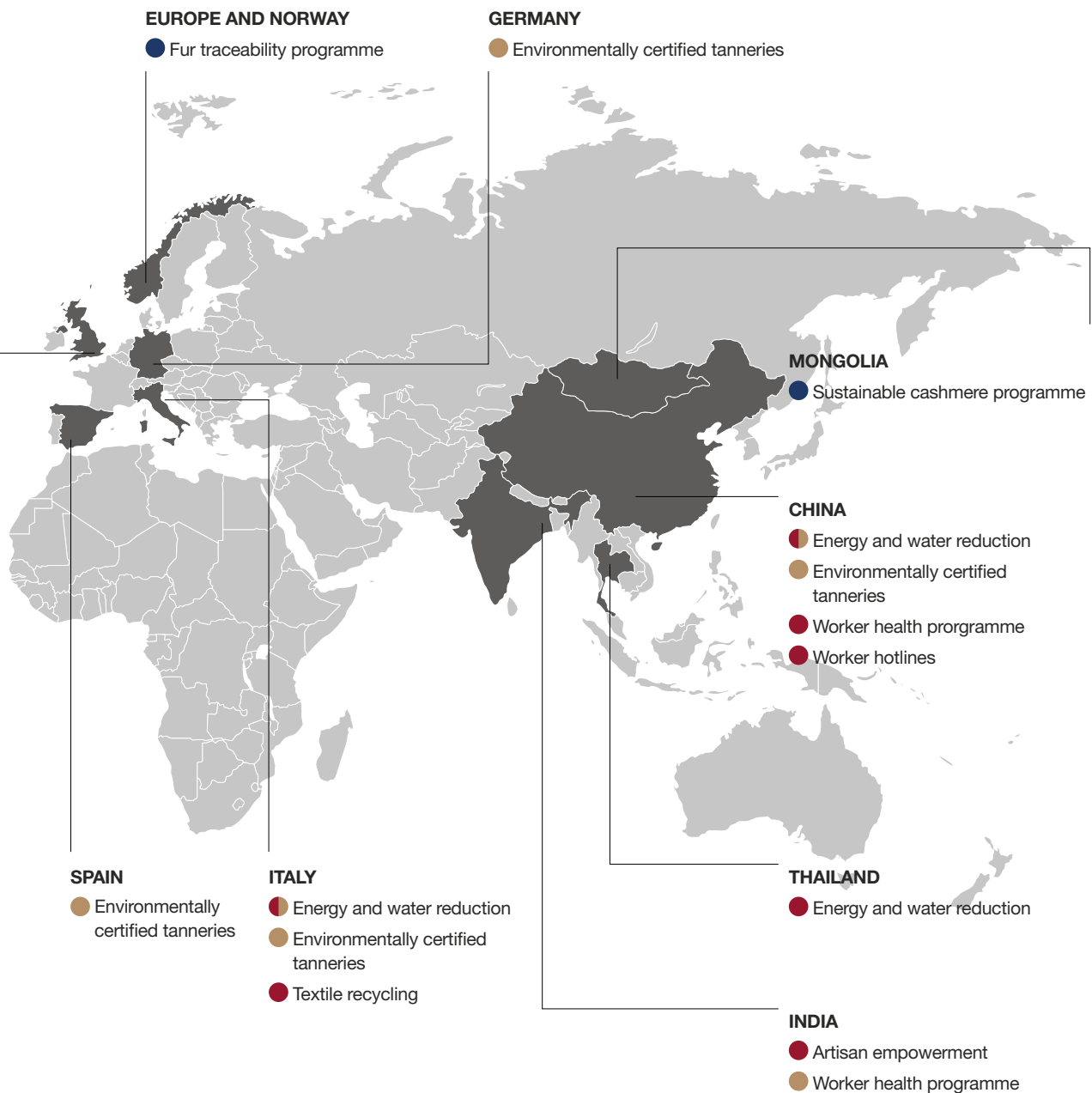
Rachel Wilshaw, Ethical Trade Manager, Oxfam GB

MAKING A DIFFERENCE ALONG OUR VALUE CHAIN



Our responsibility journey

Building on our journey so far, the scale of our responsibility initiatives today reflects the global nature of our supply chain. We work with our teams, suppliers and external partners worldwide to tackle diverse social and environmental challenges relating to product manufacturing as well as the sourcing and processing of raw materials.



ETHICAL TRADING

ETHICAL TRADING

With our ethical trading work evolving year-on-year, we have become increasingly aware that meaningful and lasting impact cannot be achieved by auditing alone. We have therefore gradually shifted our focus from supply chain audits to more in-depth training and engagement activities, empowering our partners to take ownership of sustainability challenges and promote responsibility further down the supply chain.

HIGHLIGHTS SINCE 2012

2,744

supply chain audits
and assessments completed

65%

increase in supply chain training
and engagement activities since 2013

Significant positive shift in ethical trading performance by our apparel and non-apparel partners and greater vendor ownership of sustainability challenges.

First luxury manufacturer and retailer to be accredited as a UK Living Wage employer in 2014, becoming a Principal Partner of the Global Living Wage Initiative in 2015.

WHAT WE HAVE LEARNED

- A collaborative, capacity-building approach with suppliers and stakeholders is more effective than a compliance-driven approach, as it drives longer-term change.
- Conducting our own audits, as opposed to using third parties, allows for more direct insights and creates stronger engagement.
- While consistent global standards are fundamental to success, the ways in which these are implemented should be tailored to different cultures.
- A sustainable supply chain requires auditing, engagement and interventions far beyond finished goods factories, all the way to raw materials suppliers.

Number of training and engagement activities in the supply chain



A PROGRAMME WITH BREADTH AND DEPTH

After expanding in 2015 to cover key raw materials and beauty suppliers, today our ethical trading programme is more comprehensive than ever. It covers all our finished goods' vendors and sub-contractors and focuses on creating enduring value through improved production processes, workplace conditions and employment practices.

Our trading activities are guided by our Responsible Business Principles, which include our Ethical Trading Code of Conduct and Responsible Sourcing Policy. Whenever we look to work with a new supply chain partner or material, we have procedures and processes in place to assess potential risks and evaluate new partners or materials against consistent ethical trading standards and responsible sourcing criteria.

We carry out announced and unannounced audits of our supply chain partners and work with them to identify areas for improvement, implement new initiatives and monitor progress – to ensure compliance with local and international labour and environmental laws as well as Burberry's Responsible Business Principles. While audits are mostly conducted by our Responsibility team, targets for the implementation of ethical trading standards and responsible sourcing criteria sit with relevant Supply Chain and Sourcing teams.

BUILDING CAPACITY WITHIN OUR SUPPLY CHAIN

We are committed to fostering a culture of ownership across our supply chain that will drive positive change beyond our audit programme. Since 2012, we have seen a positive shift in ethical trading performance among our apparel and non-apparel partners and are therefore increasingly focusing on capacity-building initiatives to complement our ongoing audit programme. Examples include:

2012: Workers' access to remedy

To ensure appropriate access to grievance mechanisms, in 2012 we set ourselves a target of introducing a confidential, NGO-run hotline in 100% of finished goods factories with regular production in China. This target has been achieved and today over 27,000 workers have access to confidential support. This includes factories of our licensees in the country.

2013: Vendor ownership programme

We developed this in collaboration with our strategic Italian vendors, to build their ability to manage working conditions at their sub-contractors and introduce their own ethical trading monitoring programmes.

"The Vendor Ownership Programme has had but positive impacts, starting from the strengthening of our management systems to higher consciousness and better understanding of the risks in the supply chain as well as how we can mitigate them through the audits. This is a benefit to not only us but also our entire supply chain. Our initial fear to do all this by ourselves was immediately overcome, thanks to the continuous support provided by the Burberry Responsibility team."

Feedback from an Italian vendor involved in Burberry's Vendor Ownership programme, launched in Italy in 2013

2013: Factory improvement programmes

Our Responsibility team in Hong Kong works closely with vendors across Asia to conduct a thorough analysis of working hours, retention, wages etc. and drive improvements in productivity, efficiency, employment practices and working conditions.

2014: Skills enhancement and preservation

We rely on and are passionate about championing crafts and craftsmanship. In 2014, we partnered with key industry peers and expert organisations to pioneer an innovative programme in India to support and enhance artisanal embroidery skills and ensure workers are recognised and rewarded for them.

2015: Workers' welfare and health programmes

We have partnered with Business for Social Responsibility's HERproject and local specialist academic institutions, including the medical faculty at Sun Yat-sen University, to implement tailored welfare and health programmes in several supply chain factories across Asia.

HUMAN RIGHTS

We are committed to respecting human rights in our supply chain and advancing the global agenda. In 2014, we worked with specialists to conduct a human rights impact assessment along our value chain and develop a Human Rights Policy. Since then we have partnered with a range of stakeholders to embed and promote global standards.

Our impact assessment in 2014 confirmed many priority areas we were already working on, such as labour rights in our supply chain, but also identified potential risk areas we had not prioritised before. We introduced mitigation actions accordingly and reviewed our initial assessment in 2016 to capture any new or emerging risks. Mitigation actions arising from this second assessment have been reviewed by Ergon, a specialist consultancy in this field, and discussed with Oxfam, a globally renowned aid and development charity.

Our Human Rights Policy aligns with the UN Guiding Principles on Business and Human Rights, International Bill of Human Rights and the Core Conventions of the International Labour Organization. We are also a signatory of the UN Global Compact and a member of the Ethical Trading Initiative.

Both of our impact assessments highlighted our responsibilities towards four key stakeholder groups: our people, workers in our supply chain, our customers and our communities.

Our employees – In 2015, we became the first luxury retailer and manufacturer to achieve accreditation as a UK Living Wage Employer. Continuing our support for the Living Wage Foundation, in 2016 we joined the steering group of the Global Living Wage Initiative, to discuss harnessing the increasing interest in order to address in-work poverty across all sectors and multiple geographies, as part of a unified, global approach with multi-stakeholder participation.

Workers in our supply chain – Our Responsible Business Principles, which all Burberry suppliers must commit to, include our Ethical Trading Code of Conduct, as well as policies around migrant workers and home working. The 2014 human rights impact assessment highlighted worker health in leather tanneries and worker welfare in construction as key areas to prioritise. We have since been working on several initiatives to raise internal awareness and work with supply chain partners to protect workers' rights in these areas.

Our customers – We interact with our customers both in our stores and through our digital platforms. We have assessed potential impacts of our products and services on customers' human rights and developed policies and mechanisms to address these. Burberry employees globally are trained to protect customer safety and welfare in relation to product and their store experience.

Our communities – We are committed to respecting the human rights of the communities around our stores and offices and along our global supply chain. We have a mechanism for local community stakeholders to provide any feedback relating to our operations or activities, so that we may address and remedy these as appropriate and in a timely manner.

In 2015, we convened a human rights training event in London, for our own employees as well as peers from 12 other brands, designed to explore complex human rights challenges in the supply chain.

In response to Section 54 of the Modern Slavery Act, in 2015 we produced our first [Modern Slavery Statement](#). It was recognised in October 2015 within the top five companies in Business and Human Rights Resource Centre's analysis of the FTSE100's disclosure under the Act.

ENVIRONMENTAL SUSTAINABILITY

ENVIRONMENTAL SUSTAINABILITY

We are committed to reducing both our direct and indirect environmental footprint and therefore our contribution to climate change. In 2012, following an independent baseline assessment, we set out to improve energy, water and waste management at our own offices, stores, manufacturing and distribution sites, as well as across our supply chain.

HIGHLIGHTS SINCE 2012

77%

of leather used in our accessories today comes from certified tanneries

33%

of energy saved at our five key distribution centres (normalised)

18%

reduction in water use at key mills (normalised)

Banned the use of per- and polyfluorinated compounds (PFCs) from our supply chain.

WHAT WE HAVE LEARNED

- To create long-term, sustainable change we need to take a holistic approach, addressing environmental, social and economic challenges, collectively.
- Introducing environmental targets into individuals' objectives has been a key driver in achieving positive results and embedding environmental responsibility into our ways of working.
- Moving from micro-solutions to system change requires genuine collaboration across brands, industries, manufacturers, NGOs and governmental organisations.

ENVIRONMENTAL INNOVATION AT OUR SITES

In the past five years, we have steadily optimised how we use energy and resources across our sites. We have also made strides in sourcing renewable energy and transforming garment waste back into useful products. Progress has been made possible by engaging our teams in owning and driving environmental targets across the business.

ENERGY AND CARBON

Energy used in our stores represents approximately 75% of our direct (scope 1 and 2) greenhouse gas emissions. Since 2012, we have therefore focused on increasing our stores' energy efficiency and renewable energy use. By 2014 all Burberry new builds and full store retrofits included low-energy LED lighting as standard and we have surpassed our target of 75% LED coverage in new concept stores, achieving over 95%. In addition, we have rolled out real-time energy monitoring systems in selected stores, introduced maintenance controls and have started adding energy KPIs to retail teams' objectives and performance reviews.

RENEWABLE ENERGY

All our offices, stores, warehouses and internal manufacturing sites in the UK and Italy, as well as 25 office and retail locations in the Americas, are powered by renewable energy. This includes solar panels installed at our UK head office, US distribution centre and flagship stores in Beverly Hills and San Francisco, which generate over 1 million kWh of solar energy a year. With access to renewable energy proving a challenge in some locations, we will continue to use our leverage to encourage energy providers to meet our demand for renewable energy across our locations worldwide.

TRANSPORT

Our carbon emissions have increased by 10% per unit since 2012. Despite this result we have made good progress to address the carbon emissions associated with the movement of products by implementing a box consolidation project. However, business changes to delivery times and transport routes have mitigated any positive results from the box consolidation work. We will continue to target volume reduction opportunities, review transport modes and increase our efforts to engage transport carriers on sustainability.

WASTE AND RECYCLING

Over the past five years, we have significantly increased our efforts to reduce, reuse and recycle our waste. For example, we set ourselves a target of recycling 30% of construction waste from all our major building projects by 2017. We hit this target a year ahead of time and now divert 87% of construction waste away from landfill. We attribute this primarily to the proactive role played by our construction teams and their contractors and we will look to replicate this strong internal engagement with other teams.

At our head office in London, 100% of food waste is sent to an anaerobic digester where it is turned into bio-fertiliser or biogas for the energy grid.

TIMBER

At the end of our five-year strategy, we can report that over 83% of wood used in our furniture, flooring and in-store fixtures is certified to come from responsibly managed forests. Furthermore, all the paper used in our retail packaging comes from certified sources and the baseboards are made from 100% post-consumer waste.

SUSTAINABLE BUILDING CERTIFICATIONS

We have achieved BREEAM, LEED, G-SEED or equivalent green building standards for all our new-builds since 2012.

RESOURCE EFFICIENCY IN MANUFACTURING

We extend our resource efficiency principles to our supply chain, working with business partners to minimise the use of energy, water, chemicals and raw materials and reduce their environmental impacts.

As a business, we identify and review our key supply chain partners on a regular basis, considering criteria such as volume, value, unique capabilities, investment in research and development and transparency, as well as their commitment to Burberry's social and environmental standards. Starting with key partners, over the past five years we have rolled out an energy and water reduction programme to 27 suppliers.

ENERGY AND WATER

Working in partnership with environmental organisations has been fundamental in driving improvements across our supply chain. For example, in 2015 we engaged key supply chain partners in using the Sustainable Apparel Coalition's Higg Index to assess and benchmark their energy and water consumption.

115 suppliers have trialled the Higg Index, with 20 going on to participate in an impact reduction programme based on the Natural Resource Defence Council's 'Clean By Design' principles.

Most of our water footprint relates to raw material production and processing, including washing and dyeing. We are using World Wildlife Fund's Water Risk mapping tool to identify suppliers in water-stressed areas and the Aqueduct Water Risk Atlas to understand potential future strains on water resources and risks in our supply chain.

CHEMICALS

In 2012, we set out to eliminate the use of chemicals that may have a negative environmental impact, beyond legal limits. In line with this, in 2015 we adopted the latest Manufacturing Restricted Substances List (MRSL), released by the Zero Discharge of Hazardous Chemicals group, with an addendum banning the use of PFCs.

We have set clear standards and guidelines for our supply chain partners and continue to provide training and support to help with the process of elimination. For example, we have created an MRSL Implementation Framework to help our partners implement and assess chemical management progress internally and with their upstream supply chain.

We have created a community of chemical managers across our supply chain to share best practice.

We carry out testing of effluent, product, raw materials and chemical formulations and have recently worked with an external platform provider to develop a chemical inventory tool, which will host chemical formulation data and enable our supply chain partners to effectively manage their chemical usage.

We provide regular, public updates on our chemical work, including substitutions and testing results, to share insights and experience in this field and support other industry partners in their efforts. Further details are available at www.burberryplc.com.

WASTE

We are committed to generating less waste. When waste does occur, and reuse is not possible, we look to partner with innovative organisations that can repurpose it. In the UK, we work with Avena Environmental and John Cotton Group to recycle damaged garments into insulation materials. In Italy, we are partnering with Resmal and Greenline to recycle pre-consumer textile waste into re-engineered Re.Verso™ yarns and automotive insulation materials.

In 2016/17, 44 of our Italian supply chain partners have recycled over 46 tonnes of textile waste.

SUSTAINABLE RAW MATERIALS

As part of an independent baseline assessment in 2012, we identified that over half of our environmental impacts arise during raw material production.

Consequently, we set several public targets to reduce our impacts throughout the supply chain, starting with our key materials – cotton, cashmere and leather.

COTTON

Cotton has always been a key raw material for Burberry, but its production and global demand have substantially changed since we first manufactured gabardine. Today, conventional cotton farming can have significant environmental and social impacts, which we are committed to address to secure a sustainable cotton supply chain for the future. Our work with CottonConnect in Peru is one example of how we work with specialists to drive improvements.

“With training and support, we have managed to achieve a great cotton season. Thanks to the timely implementation of pheromone traps we have managed to monitor and control a very dangerous pest and our cotton looks incredibly healthy and white as a result. I haven’t seen such a white colour in cotton for years in the region.”

Feedback from a farmer involved in the Burberry and CottonConnect farmers’ training programme in Cura Mori District, Piura, Peru

COTTON FARMER SUPPORT PROGRAMME IN PERU

In 2013, we started working on these issues in Peru, where we have been sourcing cotton for over 30 years. In partnership with our local supplier and CottonConnect (an organisation specialising in promoting sustainable cotton farming), we introduced a three-year farmers’ training programme to encourage and support Peruvian farmers to adopt more sustainable practices. Now, at the end of the programme, farmers are reporting a 14% yield increase, 69% chemical pesticide decrease, 73% increase in natural fertiliser use and 100% increase in use of protective equipment, as well as a 2% decrease in both input costs and irrigation usage (compared to a group of control farmers who have been monitored by the same CottonConnect team for consistency).

	After year 1	After year 2	After year 3
Chemical pesticide use	-63%	-68%	-69%
Yield	-3%	16%	14%
Profit	-3%	19%	18%
Use of PPE*	0%	2%	100%

* Personal Protective Equipment
(Percentages compared to a control group of farmers not involved in the programme)

CASHMERE

A major production centre of global cashmere supply is the Mongolian Steppe, where changing climatic conditions and an increasing global demand for cashmere is putting pressure on an already fragile ecosystem. In 2015, we became a founding partner of the Sustainable Fibre Alliance (SFA), a UK-based NGO working with key stakeholders in Mongolia to improve the sustainability of cashmere production in the region. The SFA has piloted Animal Welfare and Land Management Codes of Practice during 2016/17 in Mongolia and work is underway with communities on the ground to monitor vegetation cover, biomass, biodiversity, soil moisture and texture across 35 winter camps, and we are now exploring the possibility of remote sensing for continuous monitoring.

LEATHER

Observing that the production of our leather accessories accounted for more than 10% of our total greenhouse gas emissions, in 2012, we set out to address energy, water and chemical consumption within our leather supply chain. Today, 77% of leather used in our accessories comes from tanneries certified by either the Leather Working Group, the Institute of Quality Certification for the Leather Sector or the ISO 14001 environmental management standard. In addition, as part of our tannery improvement programme, we have engaged directly with three tanneries in Europe and Asia to improve their environmental and social performance. Beyond tanneries, we have begun working with several key organisations in Italy to engage industry stakeholders, improve the traceability of leather and actively address impacts and responsibilities, while at the same time investigating alternative routes for the end of life of both finished and semi-finished leather.

PACKAGING

In 2012 we started work to ensure 100% of point-of-sale packaging is sustainably sourced (where available). Today, 100% of paper and baseboard used in our mainline and concession retail packaging comes from certified sources. Furthermore, all baseboard and ribbon are made of 100% recycled materials.

RESPONSIBLE SOURCING

Our Responsible Sourcing Policy is communicated to all supply chain partners and reflects our commitment to preserving natural resources, ensuring animal welfare and protecting people and communities.

Exotic skins – We work with key stakeholders to promote the conservation of biodiversity and the sustainable use of sensitive raw materials, such as exotic skins, by the fashion industry. We support industry efforts to make value chains more transparent and increase traceability of materials from their origin. We have a dedicated expert customs team responsible for managing compliance with CITES.

Down – The Responsible Down Standard, developed by Textile Exchange in 2014, sets strict criteria to ensure bird welfare from hatching to slaughter. We work with supply chain partners to complete an annual self-declaration of humane practices and to increase the percentage of certified down in our products.

Fur – The fur we use in our products is only sourced from regulated farms in the EU and Norway and we have a well-established fur traceability programme. We have undertaken extensive work with our peers and other stakeholders to help promote third-party certification of European fur farms. We have also engaged agricultural husbandry and welfare experts to support the development of species specific welfare protocols. We are a founding member of the BSR coordinated Fur Luxury Industry Roundtable, working with key industry stakeholders to further enhance welfare standards and traceability systems in the fur value chain.

Wool – We work closely with Textile Exchange, our peers and the wool industry to promote the Responsible Wool Standard, which recognises best practices of wool growers both in relation to sheep welfare and environmental management. The standard ensures that wool comes from responsibly treated sheep and from farms with a progressive approach to land management.

COMMUNITY INVESTMENT

COMMUNITY INVESTMENT

Since 2010, we have been donating 1% of Group adjusted profit before tax to charitable causes, with a particular focus on youth charities that nurture emerging creative talent. Empowering employees worldwide to support the neighbourhoods where they live and work has been fundamental in how we target and maximise social value.

HIGHLIGHTS SINCE 2012

£22.3M

donated to charitable causes

44,000

working hours dedicated by our employees to impactful community projects

15,000

garments donated to disadvantaged young people enrolled in employability programmes

WHAT WE HAVE LEARNED

- Community needs and solutions vary from place to place, calling for a focused but flexible approach.
- Employee engagement is key to success, from understanding local community needs to implementing solutions and sharing impact stories.
- Measuring real impact is complicated but critical
 - it helps us understand our target beneficiaries and where we can make the greatest difference, as well as the success measures we need to track progress.
- Corporate philanthropy has changed over five years. There is a need to ensure strategic positioning of community investments to maximise impact.

TARGETING OUR IMPACT

Our focus on employability and youth over the last five years stems from our long-standing passion to nurture the creative talent of the future. Most of our charitable efforts have therefore been dedicated to inspiring and supporting young people to achieve their potential, through financial support, employee time and in-kind donations.

INVESTING IN CREATIVE TALENT OF THE FUTURE

Each year we donate 1% of Group adjusted profit before tax to charitable causes worldwide, including disaster relief, sponsorships, scholarships and charity events. A large proportion is channelled through the Burberry Foundation, which over the past five years so far has focused on youth employability and creativity. Since its launch in 2008 the Foundation has supported over 40 youth charities, directly and indirectly impacting the lives of over 150,000 young people around the world.

Charity partners over the last five years have included: City Year, IntoUniversity and The Prince's Trust in the UK; Brooklyn Community Services, Future Now, Good Shepherd Services and the Robin Hood Foundation in the USA; and Changing Young Lives Foundation and Junior Achievement in China.

From 2012 to 2016, the Foundation ran its own employability programme, giving young people from disadvantaged backgrounds the opportunity to work with Burberry for six to eight weeks and develop key workplace skills and enhance their creative thinking and problem-solving through work experience and one-on-one mentoring with our teams. Nearly 500 young people took part in the programme over the four years. Building on this experience and the success of this programme, in September 2015 we launched our Apprenticeship Programme, offering young people the opportunity to join Burberry on a year-long development programme.

BURBERRY APPRENTICES

In 1856, Thomas Burberry, an idealistic 21-year-old former apprentice, created an enduring legacy that continues to drive innovation in design manufacturing, technology and retail. We aim to perpetuate this spirit and facilitate the development of coming generations of young talent, innovators and craftspeople.

Our ambition is to provide exciting new opportunities for the growing number of underemployed young people, to help them develop key skills, confidence and experience required to build careers in the creative industries and beyond. We believe this new generation of creative talent will enrich our business and culture whilst helping to safeguard the future of our wider industry.

The first cohort of Burberry apprentices graduated in September 2016, with 90% of participants completing the programme and benefiting from development opportunities in traditional craftsmanship, luxury retailing and business operations. We are now preparing to enrol our 130th person onto an apprenticeship qualification.

"I believe that I have improved in a lot of my personal skills such as my confidence and communication. This has helped me grow as an individual and has helped me reach for success for the future."

Burberry Apprentice, on the programme from
September 2015 to September 2016

GIVING OUR TIME

Our employee volunteering programme has grown significantly over the years. The initiative started in 2011, offering employees in London, New York and Hong Kong the opportunity to get involved with Burberry Foundation partners and support Foundation-sponsored programmes in those cities. Today the programme is more flexible and enables employees worldwide to support local charities of their choice.

Thanks to increased local ownership, participation in the programme trebled by 2016, when nearly 30% of employees in over 70 cities dedicated over 12,000 hours to community projects and fundraising initiatives.

Today, employees worldwide are offered up to three working days a year to volunteer. Activities range from career inspiration events, employability workshops and long-term mentoring programmes, to charity events and community revitalisation projects. In addition to benefiting communities, we believe that employee volunteering strengthens teams, enhances workplace skills, builds community connection and contributes to employee motivation and personal fulfilment.

GIVING IN KIND

Our in-kind donations range from one-off gifts of non-trademark fabric and materials to assist young people on creative courses, to donations of smart business clothing to support vulnerable people enrolled in employability programmes and preparing for interviews. Since 2008, we have donated nearly 15,000 items of smart business clothing to charities in London, New York and Hong Kong, to enhance their employability programmes and help provide their clients with an extra boost of confidence as they work hard to change their lives around.







PROGRESS AGAINST TARGETS



PERFORMANCE OVERVIEW






Performance against our 2017 targets is outlined below. Whilst some targets have not been fully achieved, key successes and learnings from the past five years have proven invaluable in shaping our ambitions going forward. Our new strategy for 2022 is focusing on addressing the most material issues, transforming internal governance, developing innovative partnerships and demonstrating real impacts on workers, communities and the environment. Further details will be available at www.burberryplc.com in June 2017.

PRODUCT

2017 Targets	2016/17 Progress	Results
Cotton Improve the environmental and social impacts of how we source cotton.	Burberry started procuring Better Cotton through the Better Cotton Initiative (BCI). The BCI trains farmers to use water efficiently, care for the health of the soil and natural habitats, reduce use of the most impactful chemicals and promote decent work. In Peru, a three-year farmers' training programme came to completion in March 2017, with farmers reporting a 14% increase in yields and lower environmental impacts, such as a 69% reduction in chemical pesticide use. Farmers also reported a reduction in irrigation, as their practices are becoming more water efficient.	ACHIEVED ^{^*} 
Cashmere Improve the environmental and social impacts of how we source cashmere.	Burberry is a founding member of the Sustainable Fibre Alliance (SFA), a UK-based NGO working in Mongolia to restore grassland, promote animal welfare and work towards a decent living for cashmere goat herders. The SFA has piloted Animal Welfare and Land Management Codes of Practice during 2016/17 and work is underway to monitor vegetation cover, biomass, biodiversity, soil moisture and texture across 35 winter camps.	ACHIEVED [*] 
Leather Reduce the environmental impact of leather.	Burberry is working with its accessories supply chain to increase the proportion of leather originating from tanneries with Leather Working Group Certification or approved alternative certifications. Burberry has also worked to improve water, energy and chemical consumption and improve leather traceability to slaughter house and farm level. In 2016/17, 77% (in m ²) of leather used in accessories was sourced from tanneries certified by either the Leather Working Group, the Institute of Quality Certification for the Leather Sector or the ISO 14001 environmental management standard.	ACHIEVED ^{^*} 
PVC Reduce the environmental impact of PVC.	Burberry has eliminated phthalates from all the PVC that it uses. The use of PVC within the business has significantly declined, to the extent that the largest accessories category (by volume) no longer contains any PVC articles. Burberry continues to research alternatives to PVC in key lines and is working with major suppliers as well as the wider industry to develop alternative materials that have a markedly reduced impact on the environment whilst retaining their performance and quality criteria.	NOT ACHIEVED 
Chemical use in manufacturing: Eliminate chemicals from use that have a negative impact on the environment, beyond legal limits.	Burberry continues its efforts to eliminate chemicals in the supply chain through a wide range of activities including regular testing of effluent, products and raw materials, and <u>publicly reports on progress</u> . The Company has also worked closely with its supply chain partners to create a community of chemical managers to share knowledge and assist in upskilling others in the supply chain. In addition, Burberry has been active in the research and analysis of new alternatives, as well as piloting the testing of new chemical formulations and making substitutions.	ACHIEVED ^{^*} 
Packaging: 100% of point of sale packaging to be sustainably sourced (where available)	100% of paper and baseboard used in Burberry's mainline and concession retail packaging comes from certified sources. Furthermore, all baseboard and ribbon are made of 100% recycled materials.	ACHIEVED [^] 

PERFORMANCE OVERVIEW

PROCESS

2017 Targets	2016/17 Progress	Results
Internal manufacturing Reduce the energy use from Burberry's two UK manufacturing sites by 25%**	Burberry owned manufacturing sites in Yorkshire UK have faced several challenges in achieving energy saving targets. Challenges have included, for example, building infrastructure limitations, the influence of weather and fluctuating production volumes. This combination of factors has resulted in only a 15% energy reduction at Burberry Mill and a 7% increase at Burberry's factory in Castleford.	NOT ACHIEVED* 
Suppliers Work with key suppliers to assist them in reducing their energy use by up to 20%**	Working in partnership with the Natural Resource Defence Council (NRDC), Burberry increased its efforts to reduce energy and water use in the supply chain, by implementing an NRDC assured programme at 9 key water consuming facilities, and an adapted programme at a further 10 key facilities that do not rely as heavily on water. This programme is delivered by Burberry team members directly and is modelled on the NRDC 'Clean By Design' programme, which aims to identify simple ways to reduce pollution and cut water, chemical, and energy use whilst saving money. In 2016/17, over 40 site visits allowed Burberry's team to deliver technical support to 19 facilities and support their efforts on these ambitious targets. Moderate progress was achieved against the energy target, with a 5% reduction in energy use at 19 facilities, whilst significant progress was realised against the water target, with an 18% reduction in water use across 9 facilities.	NOT ACHIEVED^* 
Mills Work with key mills to assist them to reduce their water consumption by up to 20%**	The Company has streamlined its efforts to reduce energy and water use in the supply chain to achieve maximum impact. This combined approach is described in more detail above, as part of the 'Suppliers' target. While the water target of 20% reduction has not been fully achieved, significant progress has been made in this area, with an 18% reduction in water use across 9 key facilities.	NOT ACHIEVED^* 
Transport: Reduce carbon emissions from the transport of Burberry products by 10%**	Burberry's carbon emissions have increased by 10% per unit. Despite this result, Burberry has made progress in addressing the carbon emissions associated with the movement of products by implementing a box consolidation project. However, business changes to delivery times and therefore transport routes have mitigated any positive results of the box consolidation project. In the coming year, Burberry will continue to target volume reduction opportunities, review transport modes and increase its efforts to engage transport carriers on sustainability.	NOT ACHIEVED^* 
Distribution centres: Reduce energy use in Burberry's five key third-party distribution centres by 10%**	As well as achieving a normalised reduction of 33% against base years (these vary, depending on opening dates of distribution centres), Burberry's five key distribution centres have accomplished an absolute reduction of 11% against last year. This is mainly due to energy efficiency measures, including the implementation of LED lighting and light motion sensors, and the fantastic engagement of onsite teams.	ACHIEVED* 

Key:



Target achieved.



Target nearly achieved (good progress made).



Target not achieved (disappointing progress made, but important lessons learnt).








^ Selected information denoted by this symbol has received limited assurance by Ernst & Young LLP.

* Carried forward with increased ambition in new strategy. Other targets have been incorporated into the Company's way of working.

** When normalised by a relevant productivity factor.

PERFORMANCE OVERVIEW

PROPERTY

2017 Targets	2016/17 Progress	Results
Energy consumption: Reduce Burberry controlled store and office energy usage by up to 15%**.	Overall, a 5% reduction was achieved across stores and offices. This does not meet targets set in 2012, but increased efforts are planned in this area for the future, in recognition of limited performance so far. Digital monitoring equipment and in-store energy audits have enabled Burberry to identify and implement several in-store energy-saving opportunities during 2016/17. At its London headquarters, the Company has achieved a 14% reduction in absolute energy usage against its base year of 2012. Please see Burberry's 2016/17 Annual Report (page 51) for more details on energy use and CO ₂ e emissions during 2016/17.	NOT ACHIEVED^* 
Sustainable consumables: 60% of office consumables to be sustainably sourced (where available).	Whilst office consumables represent a very small proportion of Burberry's environmental impacts, the Company is committed to driving employee engagement and improvements in corporate offices globally. In 2016/17, 48% of all office consumables in corporate offices globally were sustainably sourced. Given that the scope of this target was increased half way through the five-year period and the relatively limited availability of recognised sustainable sources in some high-volume categories, this progress is significant, with half of Burberry's suppliers providing 100% sustainably sourced products.	NOT ACHIEVED 
Renewable energy: All Burberry controlled stores and offices to be powered either by on-site or green tariff renewable energy (where available).	Burberry increased procurement of renewable energy across operational sites including retail, offices, warehouses and internal manufacturing. Overall, electricity covering 53% of global square footage is either generated on site or comes from renewable sources. This includes energy generated by solar panels installed at its UK head office, US distribution centre and flagship stores in Beverly Hills and Rodeo Drive, which provide over 1 million kWh of clean energy a year. Burberry faces a challenge in procuring renewable energy, with a proportion of sites in locations where there are no renewable alternatives available, despite significant investigation. The remaining sites, with renewable alternatives available but not adopted yet, have been delayed largely due to existing contractual terms that are yet to expire.	NOT ACHIEVED^* 
Build certification: All new builds to be sustainable build certified.	This target has been achieved, with all recent and planned new builds already certified or awaiting confirmation of certification.	ACHIEVED 
Construction materials: 30% of wood, by spend, is either recycled materials or sourced from certified supply chains.	In 2016/17, over 80% of the wood used in Burberry's furniture, flooring and in-store fixtures came from certified, responsibly-managed forests. Crucially, Construction teams have engaged with wood suppliers to ensure their full understanding of and engagement with this important work, and they consider suppliers' ability to meet these requirements as part of their overall performance evaluation.	ACHIEVED 
Construction waste: 30% of construction waste to be recycled for global major projects.	In partnership with its contractors, Burberry has gone above and beyond its initial target, reaching an 87% waste recycling rate across all major construction projects for the last two years.	ACHIEVED 
LED lighting: 75% of lighting to be LED or energy efficient in new concept stores.	Burberry has surpassed this target, reaching over 95% LED lighting fixtures in all new builds and full store refurbishments over two years ago.	ACHIEVED 

PERFORMANCE OVERVIEW

ETHICAL TRADING PROGRAMME

Focus area


2016/17 Progress

Auditing tier 1, tier 2 and selected tier 3 suppliers

Burberry's Ethical Trading Programme comprises announced and unannounced audits, monitoring and improvement programmes. With the programme evolving year-on-year, the Company has focused on how it can make the most meaningful, positive impacts on the lives of people throughout its supply chain, rather than increasing the number of audits. Auditing remains, however, an important tool to help Burberry and its manufacturers identify areas in need of improvement.

Number of audits and assessments

477




Year	Number of audits and assessments
2016/17	477 [^]
2015/16	548
2014/15	541

Building capacity of workers and management in the supply chain

Burberry has continued to build and enhance supply chain partnerships to drive positive, long-lasting change. Improvement programmes have been implemented across its supply chain to support factories in building stronger human resource management systems; reducing working hours; sustaining and enhancing unique knowledge, skills and expertise; and providing access to confidential grievance mechanisms.

Number of training and engagement activities

234

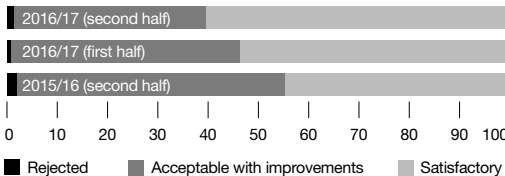


Year	Number of training and engagement activities
2016/17	234 [^]
2015/16	217
2014/15	205

Driving performance improvements at finished goods' manufacturers

Results of the 2016/17 audits show an overall positive shift in ethical trading performance by the Company's apparel and non-apparel partners. New manufacturers who did not meet key requirements as outlined in Burberry's Ethical Trading Code of Conduct were not accepted into the Company's supply chain, others were found to meet key requirements but were asked to implement further improvements.

Ready to Wear, Accessories and Shoe Supply Chain[^]



Period	Rejected	Acceptable with improvements	Satisfactory
2016/17 (second half)	~10%	~30%	~60%
2016/17 (first half)	~10%	~35%	~55%
2015/16 (second half)	~10%	~40%	~50%

External assurance of corporate responsibility disclosures

Burberry appointed Ernst & Young LLP to provide limited external assurance over reported performance against selected environmental targets, and selected 2016/17 environmental and ethical trading performance data. The statements and data that formed part of the review are denoted with a [^] on pages 24 to 27. The full independent assurance statement and Burberry's basis of reporting are available at www.burberryplc.com.

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