

**CAPACITY BUILDING OF THE BURBERRY SUPPLY CHAIN
THROUGH AWARENESS AND COMMITMENT**

MARCH 2017

BURBERRY

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EXECUTIVE SUMMARY

Fashion brands have traditionally implemented their chemical restrictions through mandatory requirements on raw materials, finished products and their components.

Implementing the Manufacturing Restricted Substances List and deeper engagement with the supply chain, generates a new level of awareness regarding the use and effects of unwanted chemicals.

Burberry has developed and launched a capacity building program to facilitate the elimination of unwanted substances in the manufacturing processes. It includes three initiatives: in person training and workshops, online training, and the creation of a Chemical Managers Community.

As a result of these initiatives, Burberry has strengthened relationships with business partners who are now proactively driving the Chemical Management Program with their upstream suppliers.

INTRODUCTION

In 2014, Burberry introduced the first Manufacturing Restricted Substances List (MRSL) in its supply chain, recognising that significant effort would have been dedicated to introducing the concept of up-front chemical management, in contrast with a well-established end-of-pipe approach of the Apparel and Footwear industry.

In response, a specific Capacity Building Program was designed to support the transformations needed to implement the MRSL.

This report details the practices that are enabling Burberry to build capacity across its supply chain.

METHODOLOGY AND APPROACH

The Capacity Building Program was designed to provide all partners with information in multiple ways and languages. They can choose their preferred method of communication and engagement in line with their skills, learning pace and personal inclinations.

Our Partners nominated a primary point of contact for their companies to communicate with the Burberry Sustainable Manufacturing Team, which is leading the Chemical Management Program and its Capacity Building Program.

In order to facilitate communication and prepare for the implementation program, the following criteria were suggested for the nomination of appropriate individuals, known as Chemical Managers. They must:

- Have a direct reporting line to top management at the facility
- Possess basic knowledge of Chemical Management
- Ensure availability of time
- Be passionate about continuous improvements processes and the environment
- Be capable of collaborating with and educating upstream suppliers

Given the technical level of communications and training content, it was important [for Burberry] to engage directly with the nominated Chemical Managers to ensure that they benefit from first hand discussions and exposure to engagement sessions. These would allow all questions to be asked without passing through intermediary contacts, such as key account managers.

The Program also aimed to identify and train an “extended team” of Chemical Managers, building their capacity to implement chemical management best practice in their facility, whilst educating, supporting and monitoring their upstream supply chain. The engagement sessions were delivered in the following formats:

- In-person training and workshops
- Interactive participation (in person, via conference calls and video conferences)
- Online training

There was significant emphasis on promoting collaboration between upstream partners (suppliers), downstream partners (brands) and peers (sometimes competitors), in order to overcome the transactional “modus operandi” of the supply chain.

In addition, the program focused on the ethical importance of chemical management and elimination with regards to sustainability. In order to ensure that those involved were motivated to collaborate, the program endeavoured to ensure that all parties were jointly committed to eliminating the use of potentially harmful chemicals in our supply chain.

1. IN PERSON TRAINING

Continuous training in small groups was very effective in spreading awareness and educating participants on the new principles of upfront chemical management. These include the MRSL implementation practices.

EXTERNAL

Face-to-face training and workshops focused on sharing best practice and learning from partner experiences. Partners were engaged and collaborative, especially as collaboration is crucial to successfully eliminating unwanted substances from the manufacturing processes.

Throughout the year, several workshops were conducted globally. The content of these workshops included basic chemical management training and managing MRSL implementation in-house to share knowledge about the chemical elimination process, root cause analysis and analytical screening of chemical formulations.

The data below (Fig 1) shows the aggregate number of sessions held and the number of partners involved at in-person workshops.

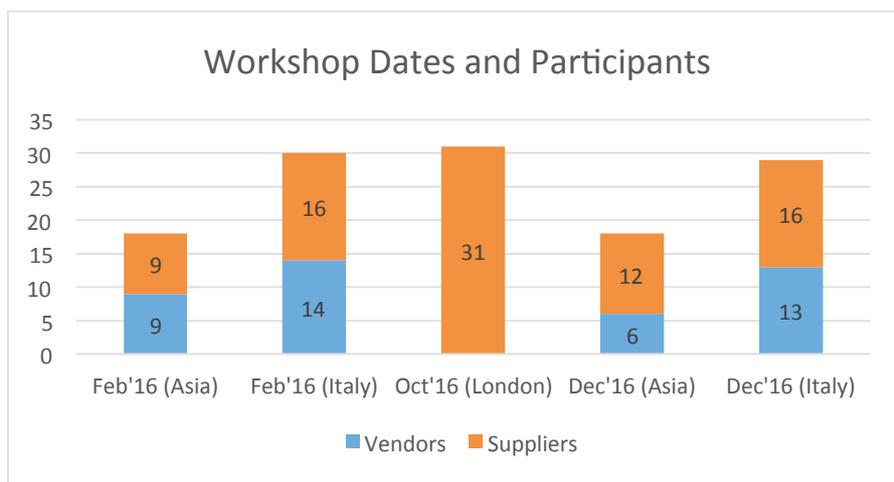


Fig 1. Workshops held and number of partners that participated

INTERNAL

Explaining chemical management guidelines and their relevance to internal teams and functions, and supporting their integration into day-to-day activities, is an ongoing priority. To ensure that the learnings are shared across the business, 39 internal engagement sessions were held, involving approximately 170 colleagues globally at all levels of management.

Functions across the business including Quality, Raw Material Management, Procurement, Sourcing, Product Development, Raw Material Engineering, Product Engineering, Operations, Standards and Corporate Responsibility, were regularly updated on progress.

Teams have consequently become better informed and are capable of contributing to chemical management initiatives with our supply chain partners.

2. CHEMICAL MANAGERS COMMUNITY

Collaborative workshops (in person and via video conference) with vendors and suppliers encouraged them to collaborate on various initiatives. These continuous interactions have brought a community of knowledgeable chemical managers together, who have become confident in managing chemicals in our supply chain. This serves as a forum where best practice, knowledge, and problem solving methods can be discussed and shared openly.

84% (by volume) of direct business partners (Vendors) have appointed experienced chemical managers with a strong background in chemical management.

59% (by volume) of indirect business partners (Raw Material Suppliers) have appointed experienced chemical managers with a strong background in chemical management.

In 2016, 28 engagement sessions with 135 partners were held worldwide.

This initiative led to the creation of 15 “Front Runner Partners”. These partners have not only demonstrated an exceptional level of commitment and support, but have also proactively and independently organised joint visits to over 30 common suppliers. These visits facilitated collaboration

with the suppliers which helped to develop stronger relationships, greater process alignment, deeper subject matter expertise and more efficiency. Front Runners also engaged autonomously on the onboarding of new partners' chemical managers who joined the Chemical Manager Community.

In addition to the above initiatives, Burberry continued its involvement with various industry initiatives including Zero Discharge of Hazardous Chemicals (ZDHC) and the Sustainable Apparel Coalition (SAC). This has created increased opportunities for interaction among Chemical Managers, which has enhanced their chemical management knowledge. For example, 25 Burberry partners in Asia joined the ZDHC conference in Shanghai, 22 attended the pro bono training held by training providers as part of the ZDHC accreditation program, and 2 directly contributed to the ZDHC Wastewater Guidelines development.

3. E-LEARNING

E-learning is an efficient medium that can educate and engage a large number of stakeholders. Participants can absorb content at their own learning pace and it is delivered consistently across a complex supply chain.

With the support of a specialised and accredited external online training provider, two customised training modules were developed at the beginning of 2016:

- Module 1: Chemical Management for Compliance
- Module 2: Implementing Burberry MRSL

These modules covered the fundamentals of chemical management and MRSL implementation guidelines.

TARGET GROUP AND TIMELINES

All key partners (responsible for the majority of Burberry's production), and relevant internal team members underwent this training. Trainees' progress was closely monitored; most individuals completed their online training and assessments between January and December 2016 in their preferred languages.

EXTERNAL

As a minimum requirement, the Chemical Manager representing each partner was invited to study these modules to enhance their understanding of how to practically apply the knowledge in wet processing and chemical inventory management. Approximately 48 Chemical Managers were trained with both modules and 56 chose one of the two training modules available. In addition, several partners introduced their own upstream supply chain partners to the same on-line training modules.

INTERNAL

To create a strong internal workforce capable of dealing with enhanced chemical management practices, the training of Burberry employees took place alongside that of Chemical Managers. Approximately 135 employees from various functions including Quality, Global Sourcing and Product Engineering were invited to undergo online training. Participants completed an exam at the end of each module.

The exam passing rate below (Fig 2) shows the pass rate for both supply chain partners and internal teams. The majority (over 90%) of participants understood the module content and passed the exams for both modules.

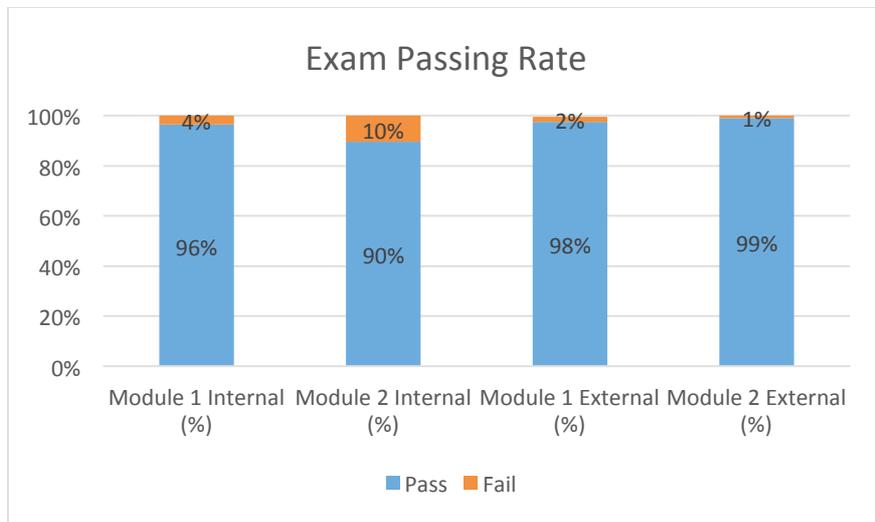


Fig 2. Passing rate for each module

OUTCOMES AND NEXT STEPS

Burberry's partners are more aware of and aligned to the strategic goal of eliminating the use of chemicals of concern (beyond legal limits) in our supply chain.

A collaborative approach, the alignment of goals, and adequate support are delivering results. This is transforming a transactional relationship into one that is more collaborative and has the potential to reach far beyond Burberry's direct business partners.

Reductions in the presence of chemicals of concern (beyond legal limits) in product, raw materials and untreated effluents, reflect our chemical management efforts including training and education.

The Chemical Managers Community is an important asset that acts as an extension of Burberry's own team. It has the potential to educate and engage indirect business partners.

Throughout 2017, Burberry will continue this capacity building journey. Burberry also plans to engage with the ZDHC Academy which was recently launched.