

**BURBERRY**

*London, England*

**RESPONSIBILITY**  
**JUNE 2017**

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.

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.

## **FY 2016/17 HIGHLIGHTS**

INDUSTRY LEADER IN THE DOW JONES SUSTAINABILITY INDEX  
IN THE 'TEXTILES, APPAREL & LUXURY GOODS' SECTOR

GOLD DISTINCTION IN THE ROBECOSAM SUSTAINABILITY YEARBOOK

SECTOR LEADING SCORE FOR WATER MANAGEMENT IN CDP'S ANNUAL ASSESSMENT

RECOGNISED AS LEADER IN THE ETHICAL TRADING INITIATIVE'S 2016 ANNUAL ASSESSMENT

LISTED BY LINKEDIN AS 10<sup>TH</sup> MOST SOUGHT-AFTER EMPLOYER IN THE UK

FTSE4GOOD CONSTITUENT

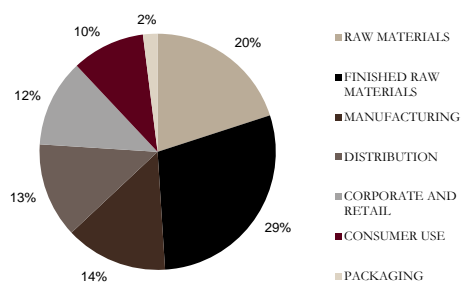
LAUNCH OF NEW RESPONSIBILITY GOALS FOR 2022  
(see end of pack for details)

## ENVIRONMENTAL RESPONSIBILITY

### ENVIRONMENTAL RESPONSIBILITY

- Global environmental impact assessment completed in 2012
  - Nearly half of overall impacts occur at raw material stage
- 15 targets set in 2012 to reduce impacts and improve traceability of materials by 2017
  - Key focus areas: Product, Process, Property
  - Targets set for both direct and supply chain operations
  - Targets owned and monitored by senior leadership team
- Underpinned by Burberry's Responsible Business Principles, including:
  - Global Environmental Policy (available [here](#))
  - Responsible Sourcing Policy (available [here](#))
- Close collaboration with supply chain partners
  - Supply chain partners' performance reviewed regularly

Environmental Baseline Assessment\*  
AW12 and SS13 as % of CO<sub>2</sub>e



\* Data represents CO<sub>2</sub>e emissions arising from materials, energy, water and chemical inputs as well as waste. DEFRA 2011 and EcoInvent v.2.2 conversion factors are used throughout

## RAW MATERIALS

### Cotton:

- In 2013, introduced a three-year farmers' training programme in Peru in partnership with Cotton Connect to:
  - Increase farmers' awareness of environmental challenges
  - Support adoption of more sustainable farming practices
- At the end of the programme in 2016, farmers reported (in comparison with a control group of farmers):
  - 14% increase in yield
  - 69% decrease in chemical pesticide use
  - 73% increase in natural fertiliser use
  - 100% increase in use of protective equipment
  - 2% decrease in both input costs and irrigation usage

### Cashmere:

- Founding partner of the Sustainable Fibre Alliance
  - UK-based NGO working with key stakeholders in Mongolia to improve the sustainability of cashmere production
- During 2016/17, the SFA has piloted Animal Welfare and Land Management Codes of Practice 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



## RAW MATERIALS (II)

### Leather:

- Leather accessories account for >10% of Burberry's total greenhouse gas emissions
- 77% of leather used in Burberry's accessories is 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
- Tannery improvement programme
  - Working directly with three tanneries in Europe and Asia to improve their environmental and social performance
- Traceability
  - Working to improve leather traceability to slaughter house and farm level
  - Burberry will not knowingly use leather from cattle raised in the Amazon Biome\* as defined by the IBGE\*\*



\*Amazon rainforest and its related ecosystem \*\*Brazil's National Institute of Geography and Statistics

## RESPONSIBLE SOURCING

Burberry's Responsible Sourcing Policy (available [here](#)) is communicated to all supply chain partners and reflects the company's commitment to preserving natural resources, ensuring animal welfare and protecting people and communities.

### Exotic skins:

- Working 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.
- Supporting industry efforts to make value chains more transparent and increase traceability of materials from their origin. W
- 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.
- Working with supply chain partners to complete an annual self-declaration of humane practices and to increase the percentage of certified down in Burberry products.

### Fur:

- Fur in Burberry products is only sourced from regulated farms in the Norway and the EU, with a well-established fur traceability programme in place.
- Extensive work undertaken with peers and other stakeholders to help promote third-party certification of European fur farms.
- Engaged agricultural husbandry and welfare experts to support the development of species specific welfare protocols.
- 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:

- Working closely with Textile Exchange, 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.







## CHEMICALS

- In 2012, Burberry set out to eliminate the use of chemicals that may have a negative environmental impact, beyond legal limits.
- In 2015, the company 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.
- Clear standards and guidelines in place for supply chain partners, as well as training and support to help with the process of elimination.
  - For example, Burberry has created an MRSL Implementation Framework to help partners implement and assess chemical management progress internally and with their upstream supply chain.
- Created a community of chemical managers across Burberry's supply chain to share best practice.
- Carrying out regular testing of effluent, product, raw materials and chemical formulations.
- Recently worked with an external platform provider to develop a chemical inventory tool, which will host chemical formulation data and enable Burberry's supply chain partners to effectively manage their chemical usage.
- Providing regular, public updates (available [here](#)) on chemical work, including substitutions and testing results, to share insights and experience in this field and support other industry partners in their efforts.






## PROGRESS AGAINST ENVIRONMENTAL TARGETS

**2012 – 2017**








### PRODUCT

2017 Targets	2016/17 Progress	Results
<b>Cotton</b> 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* 
<b>Cashmere</b> 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* 
<b>Leather</b> 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 <sup>2</sup> ) of leather used in accessories was sourced from tanners certified by either the Leather Working Group, the Institute of Quality Certification for the Leather Sector or the ISO 14001 environmental management standard.	ACHIEVED* 
<b>PVC</b> 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 
<b>Chemical use in manufacturing:</b> 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 publicly reports on progress. 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** 
<b>Packaging:</b> 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* 

## PROCESS

2017 Targets	2016/17 Progress	Results
<b>Internal manufacturing</b> 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* 
<b>Suppliers</b> 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** 
<b>Mills</b> 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** 
<b>Transport:</b> 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* 
<b>Distribution centres:</b> Reduce energy use in Burberry's five 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* 

## PROPERTY

2017 Targets	2016/17 Progress	Results
<b>Energy consumption:</b> 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 Global Greenhouse Gas emissions data for more details on energy use and CO2e emissions during 2016/17.	NOT ACHIEVED** 
<b>Sustainable consumables:</b> 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 
<b>Renewable energy:</b> 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** 
<b>Build certification:</b> All new builds will be sustainable build certified [LEED (silver), BREEAM (very good) or Greenmark (silver)]	This target has been achieved, with all recent and planned new builds already certified or awaiting confirmation of certification.	ACHIEVED 
<b>Construction materials:</b> 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 
<b>Construction waste:</b> 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 
<b>LED lighting:</b> 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 

## **ETHICAL TRADING**

### **UPHOLDING LABOUR AND HUMAN RIGHTS IN THE SUPPLY CHAIN**

- All trading activities are guided by Burberry's Responsible Business Principles, which all Burberry suppliers must commit to. These include the company's Ethical Trading Code of Conduct, as well as policies around migrant workers and home working.
  - Before working with a new supply chain partner, procedures and processes are in place to assess potential risks and evaluate new partners against consistent ethical trading standards and responsible sourcing criteria.
  - Comprehensive ethical trading programme in place, comprising announced and unannounced supply chain audits and covering all finished goods' vendors and sub-contractors.
- In 2014, Burberry completed its first human rights impact assessment and developed a group-wide Human Rights Policy.
  - Impact assessment highlighted worker health in leather tanneries and worker welfare in construction as key areas to priorities.
  - Several initiatives implemented since, to increase internal awareness and work with partners to protect workers' rights in these areas.
  - 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.
  - Burberry is also a signatory of the UN Global Compact and a member of the Ethical Trading Initiative.
- In 2016, the company reviewed its initial assessment to capture any new or emerging risks.
  - Mitigation actions 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.
- In response to section 54 of the Modern Slavery Act, in 2015 Burberry produced its first Modern Slavery Statement. This 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. The latest statement is available [here](#).



## ETHICAL TRADING PROGRAMME

Comprising announced and unannounced audits, monitoring and improvement programmes:

- Covering vendors and all manufacturing sites, including subcontractor facilities
- Extended in 2015 to cover key raw materials, fragrance, make-up and leather suppliers
- Monitoring compliance with local and international labour and environmental laws, as well as Burberry's Responsible Business Principles

Responsibility team:

- Based in London, Leeds, Florence, Hong Kong and Tokyo
- Visiting supply chain partners on a regular basis, engaging with management and workers to review performance and drive improvements.
- 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.

2016/17 activities:

- 477<sup>^</sup> audits and assessments
- 234<sup>^</sup> training and engagement activities
- Overall positive shift in performance by apparel and non-apparel partners<sup>^</sup>
- Manufacturers not meeting key requirements are rejected

<sup>^</sup> 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 <sup>^</sup>.

## INCREASING FOCUS ON TRAINING AND ENGAGEMENT ACTIVITIES

Vendor ownership programme

- Capacity building programme with strategic Italian vendors
- Increasing vendors' ability to manage working conditions within sub-contractors and introduce own monitoring programmes

Skills enhancement and preservation

- Pioneering innovative programme to support and enhance artisanal embroidery skills and ensure workers are recognised and rewarded for them

Factory improvement programmes

- Identifying and addressing areas for improvement in productivity, efficiency, employment practices and working conditions

Workers' access to remedy

- Introducing confidential, NGO-run hotlines
- 27,000 workers today have access to confidential support

Workers' welfare and health programmes

- Implemented tailored welfare and health programmes
- Partnered with BSR's\* HERproject and local specialist academic institutions, including the medical faculty at Sun Yat Sen University

<sup>^</sup> 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.

\* Business for Social Responsibility

# OUR PEOPLE

## OUR PEOPLE - SUMMARY

Focused on our Inspired People Strategy – The Best Place to Be

- Culture; be pioneers
- Talent; develop careers and capabilities
- Engagement; best place to be
- Responsibility; create tomorrow's heritage
- Our operating Model – global and local ways of working



<b>CULTURE</b> BE PIONEERS	<b>TALENT</b> DEVELOP CAREERS & CAPABILITIES	<b>ENGAGEMENT</b> BEST PLACE TO BE	<b>RESPONSIBILITY</b> CREATE TOMORROW'S HERITAGE	<b>OP MODEL: GLOBAL &amp; LOCAL / W&amp;W</b>

## DIVERSITY, TALENT AND REWARD

Supporting diversity and equal opportunities

- 10,210 employees in 34 countries (as of 31 March 2017)
  - 115 nationalities with an age span of 16-74 years
  - 70% female, with women occupying 39% of senior management roles (including Board level)
- Corporate member of OUTstanding

Identifying, developing and retaining high-potential talent

- Burberry Apprentices launched in 2015
  - First year opportunities in UK retail, internal manufacturing and distribution
- Listed by LinkedIn as 20th most sought-after employer in the UK

A culture of recognition to support the attraction, motivation and retention of employees

- Burberry Icon Awards
  - Celebrating exceptional employee performance
- Long Service Awards
  - Recognising the loyalty and commitment of employees who reach milestone service anniversaries
- Seasonal programmes
  - Offering enhanced employee benefits
- All employees able to participate in a bonus or incentive scheme
- All-employee share plan for employees globally

\* Data refers to FY 2016/17

## ONE TEAM ETHOS

A connected culture, based on open and transparent communication

- A fully open-plan environment globally
- Regular 'Chat Live' global video broadcasts on Burberry's internal communications platform
  - Hosted by Christopher Bailey and members of the Senior Leadership Team
  - Enabling real-time communication through an interactive question and answer format
- Weekly global retail update
- Comprehensive on-boarding programme for all new employees



## HEALTH AND WELLBEING

### Global health & safety team

- Occupational health and safety compliance formally audited
  - Every five years in stores
  - Annually in Regent Street flagship store, corporate offices, internal manufacturing and distribution sites
- Improvement plans monitored by Global Health and Safety Committee
  - Chaired by Chief People and Corporate Affairs Officer

### Employee benefits

- Confidential helpline, healthcare, eye care vouchers
- Evolving schedule of initiatives including:
  - Complimentary healthy lunches and fruit
  - General health assessments
  - Group classes e.g. yoga and pilates
  - Third party discounts
  - Additional days holiday
  - Reduced summer working hours



REGENT STREET FLAGSHIP, LONDON

## APPRENTICESHIPS

### Launched 'Burberry Apprentices' in 2015

- One-year development programme
- Participants joined retail, internal manufacturing and distributions teams across the UK
- The first cohort of Burberry Apprentices graduated in September 2016
- 90% of participants completed the programme
- The Company expanded the programme in August when a second cohort joined the business, with new opportunities opening in the London headquarters and at the Burberry Mill in Yorkshire.



## **HUMAN RIGHTS**

### **Human rights commitment**

- Burberry believes that it is important to be a socially responsible business, promoting fair and sustainable employment practices internally and by supporting diversity and equal opportunities in the workplace both within its own operations and across its supply chain.
- 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.

### **Burberry employees**

- In 2015, Burberry became the first luxury retailer and manufacturer to achieve accreditation as a UK Living Wage Employer.
- Continuing its support for the Living Wage Foundation, in 2016 Burberry 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.

## **COMMUNITY INVESTMENT**

## **COMMUNITIES**

While conducting an in-depth review of its charitable giving activities over the last year, Burberry continued to support communities where its employees live and work through financial grants, employee time and in-kind donations.

- Burberry continued to donate 1% of Group adjusted profits before tax (£4.6 million in 2016/17) to charitable causes around the world, with a significant proportion going to the Burberry Foundation (UK registered charity number 1154468).
- Other charitable investments included supporting the establishment of a new facility for the Defence and National Rehabilitation Centre, donating to disaster relief efforts and nurturing emerging creative talent through scholarships at the Royal College of Art and BAFTA.
- The Company expanded its volunteering programme, enabling all its employees worldwide to dedicate up to three working days a year to impactful community projects, seeing volunteering as an opportunity to make a difference while strengthening teams, enhancing workplace skills and building employee engagement and motivation. Activities included career mentoring events, employability workshops, community revitalisation and fundraising projects.
- In-kind donations ranged from one-off gifts of nontrade mark fabric and materials to assist young people on creative courses, to donations of smart business clothing to support over 1,000 people enrolled in employability programmes.

## **NEW RESPONSIBILITY AGENDA FOR 2017-2022**

## CREATING TOMORROW'S HERITAGE OUR RESPONSIBILITY GOALS TO 2022



## 2022 RESPONSIBILITY GOALS IN MORE DETAIL (I)

COMMUNITIES	PRODUCT	COMPANY
<b>Positively impact<sup>1</sup> 1 million lives in the communities that sustain our industry</b>	<b>Create positive change<sup>1</sup> through 100% of our products</b>	<b>Achieve carbon neutrality and revalue waste</b>
Tackle educational inequality, improve career advice and access to the creative industries through school, teacher and student engagement programmes, work experience and apprenticeships <sup>2</sup> .	Promote the STEAM <sup>1</sup> agenda, using design thinking to fuel innovation and create sustainable materials for our industry through sponsored <u>research groups and scholarships</u> <sup>2</sup> .	Inspire design innovation and ignite the makers' movement <sup>1</sup> through creating new solutions to the endemic waste challenge facing our industry <sup>2</sup> .
Foster community cohesion and resilience by recruiting community coordinators, establishing cultural hubs, running workshops and mentoring programmes <sup>2</sup> .	Stimulate system change to make sustainable materials more mainstream by enabling more responsible cashmere goat herding, sourcing only Better Cotton Initiative cotton and procuring leather only from certified tanneries.	Support the transformation of the global energy markets by increasing demand for renewable energy where it is currently not available.
Advance economic and social development by empowering rural communities through training on sustainable farming practices and animal breeding programmes <sup>2</sup> .	Evolve our supply chain by empowering workers, supporting their livelihoods and wellbeing.	Embed a low carbon operating model by adopting new ways of working throughout our business.
Empower employees worldwide to dedicate three working days a year to impactful projects and initiatives in support of their local communities.	Enable our supply chain partners to manage their climate change impacts by focussing on energy, water and chemical use, recycling and air emissions.	Invest in innovative projects to help restore and protect the ecosystems on which our industry depends.

## 2022 RESPONSIBILITY GOALS IN MORE DETAIL (II)

The table outlined on the previous slide headlines of our new strategy. Further details and partnerships will be announced throughout 2017.

### <sup>1</sup>Definition of key terms:

- Positively impact people: we have identified specific needs in areas across our value chain and through partnerships will work to address those needs. This will translate into different impacts depending on the geography and needs, and will be demonstrated at regular intervals over the course of five years.
- Positive change through products: the sourcing and making of products has impacts on both people and the environment. A conscious commercial decision is required at the point of purchase by Burberry to ensure it results in positive change.
- STEAM: this a new educational approach, which brings together Science, Technology, Engineering, Arts and Maths to guide inquiry, dialogue and critical thinking.
- Makers' movement: social movement with an artisan spirit which promotes the creation of products from discarded materials.

<sup>2</sup> Charitable programmes funded by the [Burberry Foundation](#), in line with the Foundation's new grant-making agenda. Details of grant partners and programmes to be announced during 2017.

## 2022 RESPONSIBILITY GOALS IN MORE DETAIL (III)

Our 2022 goals were developed with the help of key stakeholders, to address the most significant issues for our business as well as the most pressing social and environmental needs along our value chain. They have also been informed by the Paris Climate Agreement and the UN's 17 Sustainable Development Goals.

This new strategy is a real step-change in our approach, taking a truly holistic approach with the ambition to not just do 'less bad', but instead use our brand position to 'do good'. We are committed to driving real impact, tackling the causes rather than the symptoms and measuring the difference made by our actions.

When developing our community focused programmes, we first worked with our Product Development, Sourcing and Business Strategy teams to identify key locations along our value chain where we have the biggest impacts and where we are uniquely placed to make a difference. We then liaised with external expert organisations, to identify local community needs and ways to address these.

Our product, energy and waste goals have been informed by science and by over ten years of experience in developing and implementing social and environmental programmes. Our new targets have also been influenced by a multi-stakeholder event we convened in July 2015. This included experts from academia, NGOs and businesses from a variety of industries, with whom we shared our early plans and whose input and comments we used to shape our journey ahead.

In early 2017 we shared our draft strategy with our External Advisory Committee, comprising experts from Forum for the Future, Oxfam GB and University of Leeds, to solicit their comments on materiality and ambition of our goals. We also shared our plans with Ernst & Young LLP, who provide limited assurance of selected elements of our external reporting, to discuss our approach to measuring impacts of the new strategy.

Our 2022 goals and commitments were finally assessed for materiality and signed off by our senior leadership team and company Board.



# **GOVERNANCE, POLICIES AND STAKEHOLDER ENGAGEMENT**

## **CORPORATE GOVERNANCE**

### Board

- Chairman is non-executive
- Two executive directors
- Seven independent non-executive directors
- Four female directors

### ESG risk management

- Board regularly reviews
- Accords with Turnbull Committee guidance and UK Corporate Governance Code
- Group Risk Committee oversees business specific risk committees

### Anti-bribery and corruption policy

- Supported and endorsed by the Board
- Incorporated into its “Global Ways of Working”
  - Training for high risk areas of the business
  - Confidential helpline, managed by a third-party
  - Investigation function
- Online tool for all employees for reporting gifts and hospitality
- Any issues raised to Audit Committee

### Whistleblowing

- Confidential helpline managed by third party, in appropriate local language
- Reports to Audit Committee

## RESPONSIBILITY GOVERNANCE\*

Burberry's Chief People, Strategy and Corporate Affairs Officer is responsible for all internal people matters as well as health and safety and the delivery of our new responsibility goals for 2022, and regularly reports on these topics to the Group Risk Committee and the Board. The Chief People and Corporate Affairs Officer also chairs the Inspired People Steering Committee, which consists of senior executives from relevant business units and oversees, amongst others, the implementation of Burberry's responsibility commitments.

Targets relating to our new 2022 goals are owned by members of our senior leadership team. The implementation of responsibility programmes is supported by several policies and guided our External Advisory Committee, which comprises expert stakeholders.

A robust governance framework to ensure effective internal oversight, ownership and accountability, as well as external challenge and input:

Board	The Board is responsible for the Group's risk management and internal controls system. It is also responsible for oversight of the five strategic pillars: Product Focus; Productive Space; E-Commerce Leadership; Operational Excellence; Inspired People.
Inspired People Steering Committee	The Inspired People Steering Committee is responsible for the execution of Burberry's fifth strategic priority, 'Inspired People'. A key focus area is ensuring Burberry acts responsibly as a business. The Committee is chaired by Chief People and Corporate Affairs Officer and meets monthly.
Responsibility Team	The Responsibility Team works with and supports internal teams to ensure implementation of the company's Responsibility strategy and progress against goals. Team members are based in London, Leeds, Florence, Hong Kong and Tokyo.
External Advisory Committee	The External Advisory Committee is a group of leading independent stakeholders with expertise in different areas of sustainability. Committee members represent Forum for the Future, Oxfam GB and University of Leeds. This committee of 'critical friends' meets several times a year to hear progress updates and comment on draft strategies.
Foundation Board	The Foundation Board is responsible for upholding the Foundation's vision and ensuring delivery of its charitable purpose. The Board meets four times a year.

\* Information correct at June 2017

## REMUNERATION

### Remuneration policy principles

- Linked to the success and strategy of business
- Aligned with shareholder value creation
- Competitive in global talent market

### Annual bonus linked to adjusted profit

### Executive share plan

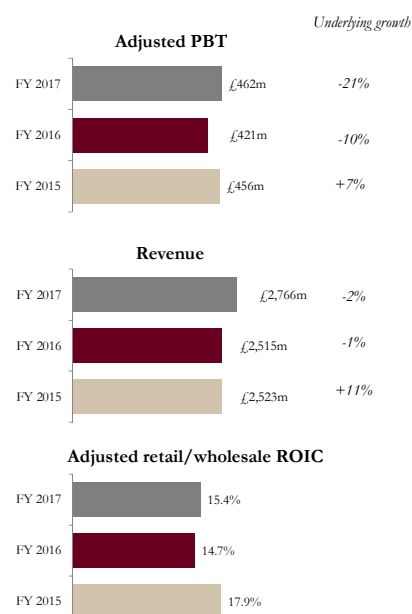
- 50-60% on adjusted profit growth
- 20-25% on revenue growth
- 20-25% on efficient use of capital
- Measured over three years
- Vest over three and four years

### All employee plans

- Sharesave
- Free shares

### FY 2017

- PRP rebuild of c£37m



## STAKEHOLDER ENGAGEMENT (I)

### Our people

- Burberry believes communication is important to enhance culture and connectivity, and to motivate and retain employees
- A global communications programme enables all employees to connect and collaborate closely
- 'Burberry World' is the key digital intranet channel
- Burberry 'Chat Live' global video broadcasts are hosted by the Chief Creative and Chief Executive Officer and senior management and provide real-time updates to highlight Burberry's performance and on-going strategic initiatives
- Other channels are also used, including face-to-face briefings, open discussion forums with senior management, email and instant messaging

### Customers

- Burberry is committed to focus on customer service, driving consistency and productivity by better connecting with customers and cultivating personal relationships

### Shareholders

- Burberry recognises the importance of regular open and constructive dialogue with shareholders and other stakeholders
- Management presentations to investors following Interim and Preliminary results
- Management conference call with investors for trading updates
- The Investor Relations team participated in around 451 investor meetings and events during FY 2017
- The Chairman, the Senior Independent Director, Chair of the Remuneration Committee other individual non-executive directors, executive directors and other members of senior management participated in around 166 of these meetings
- Regular updates on Investor Relations activity to the Board and independent investor audits

## STAKEHOLDER ENGAGEMENT (II)\*

Strategic collaborations, including but not limited to:

- Better Cotton Initiative (BCI)
- Ethical Trading Initiative (ETI)
  - First luxury brand to join (2010)
- Forum for the Future
- Leather Working Group
- Living Wage Foundation (LWF)
  - Principal Partner (2015)
- Natural Capital Coalition
- Natural Resource Defense Council (NRDC)
- Sustainable Apparel Coalition (SAC)
- Sustainable Fibre Alliance (SFA)
- Textile Exchange
- UN Global Compact
- Zero Discharge of Hazardous Chemicals (ZDHC)



\* For more information see [here](#)

## EXTERNAL RECOGNITION 2016/17

- Achieved 'Industry leader' in the 'Textiles, Apparel & Luxury Goods' sector in the 2016 Dow Jones Sustainability Index
- Awarded 'Gold Class' distinction in the 'Textiles, Apparel & Luxury Goods' sector in RobecoSAM's 2017 Sustainability Yearbook
- FTSE4Good Constituent
- CDP, sector leading score for water management

MEMBER OF  
**Dow Jones**  
**Sustainability Indices**  
 In Collaboration with RobecoSAM



\* For more information see [here](#)  
 ~ Publically available information regarding Burberry's performance can be found on respective websites

## KEY POLICY MATRIX\*

ETHICAL TRADING CODE OF CONDUCT*	GLOBAL ENVIRONMENTAL*	GLOBAL WAYS OF WORKING
RESPONSIBLE SOURCING*	GLOBAL HEALTH AND SAFETY*	GLOBAL EQUAL OPPORTUNITY & ANTI-HARASSMENT
MIGRANT WORKER STANDARDS*	LOCAL STAKEHOLDER ENGAGEMENT*	ANTI-BRIBERY AND CORRUPTION*
HUMAN RIGHTS*	DATA PROTECTION	
TRANSPARENCY IN THE SUPPLY CHAIN AND MODERN SLAVERY STATEMENTS*	TAX*	

\* For policies available online please see [here](#)

## **APPENDIX**

### **RESPONSIBLE SOURCING ADDENDUM**

#### **Responsible sourcing**

In recognition of some specific industry challenges that may pose risks to workers in the supply chain or have a negative impact on the environment, Burberry has developed a Responsible Sourcing Policy. This is communicated to suppliers and includes, but is not limited to:

- Limitations on the type and origin of furs used in Burberry's collections
- No Animal Testing Policy
- Animal Sourcing Principles
- A ban on the use of Uzbek cotton
- A ban on the use of sandblasting in both product development and production
- A strict sourcing approval process, which currently does not authorise sourcing from certain countries including but not limited to Bangladesh, Pakistan and Cambodia.

#### Compliance with:

- Truth in Fur labelling Act (2010)
- California Transparency in Supply Chains Act SB 657 (2010)
- Modern Slavery Act (2015)

Transparency in the supply chain and modern slavery statement (available [here](#))

## EXTERNAL ASSURANCE

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 ^. The full independent assurance statement and Burberry's basis of reporting are available at [www.burberryplc.com](http://www.burberryplc.com).

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