

## BASIS OF REPORTING 2019/20

### Introduction

This document sets out how selected KPIs included in the Responsibility section of Burberry's 2019/20 Annual Report and Accounts have been prepared. It forms the criteria against which the selected KPIs have been assessed as part of PricewaterhouseCoopers LLP's (PwC) assurance activities.

In June 2017, Burberry launched a five-year responsibility strategy, including key goals to 2022:

- To drive positive change through all products
- To become carbon neutral and revalue waste
- To positively impact 1 million people

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

KPIs are based on the period 1 April 2019 to 31 March 2020. The only exception is data relating to renewable energy and energy and water consumption in the supply chain, which is collated on a calendar basis, covering the period 1 January 2019 to 31 December 2019.

For the avoidance of doubt, the company's financial accounting period is from 31<sup>st</sup> March 2019 to 28<sup>th</sup> March 2020. However, references to FY2019/20 for the selected KPIs included in the Responsibility section of Burberry's Annual Report 2019/20 refer to the period 1 April 2019 to 31 March 2020.

### KPIs that have been tested for accuracy and completeness:

#### PRODUCT:

- KPI: 22% of products with one positive attribute**
- KPI: 67% of products with more than one positive attribute**
- KPI: 89% of products with at least one positive attribute**

- Burberry's 'Product' goal for 2022 is to drive positive change through all products. More specifically, the goal is for 100% of products to have more than one positive social and/or environmental attribute.
- Products in scope are all Burberry products available for purchase, i.e. Burberry Ready to Wear (including Runway) and Burberry Accessories (including soft accessories, hard accessories and shoes), excluding licensee products. 100% of product is based on the total number of units, i.e. individual items, of "in-scope" product produced (goods receipted) during FY 2019/20.
- A product can only be considered for a positive attribute, if the supplier of the main material or the manufacturing facility involved in its production meet specific ethical trading and chemical management criteria. For example, if a facility does not meet a minimum score of 50% in Burberry's assessment of its chemical management, this will negate any other environmental or social improvements the facility may have made.
- Positive attributes are based on evidence of social and/ or environmental achievements or improvements achieved in a product's supply chain, at either the raw material sourcing or product manufacturing stage.
- For a product to be assigned a positive attribute, an improvement must relate to either its main material, the facility supplying the main material or the facility where the finished good is manufactured in. For example, a product may carry a positive attribute if its main material (a product's base material or material that represents at least 50% of the product) is cotton and this is sourced

more sustainably, for example, through the Better Cotton Initiative, or if it was made in a finished goods facility paying all workers a wage which meets a recognised local living wage benchmark. Initiatives that have led to a positive attribute during 2019/20 are:

Related to the main material:	Related to facilities supplying the main material or where the finished good is manufactured in:
Cotton procured more sustainably*	Chemical Management
Recycled Content*	Energy & Water Reduction Programme
Bio-based – new in 2019/20	Living Wages
Leather Tannery Certification	Renewable Energy*
	Textile Production Waste Recycling*
	Responsible Down Standard – new in 2019/20
	Leather Production Waste Repurposing – new in 2019/20
	Water recycling – new in 2019/20
	Wellbeing & Communication – new in 2019/20

\*denotes where there has been target thresholds changes since 2018/19, please see the last page of this document for an explanation of the threshold changes.

#### Positives attributes in more detail:

##### 75% of cotton procured more sustainably\*

- Scope is based on the number of cotton-rich products procured in 2019/20, excluding accessories.
- A product is defined as cotton-rich, if its main material's composition is 50% or more cotton.
- In 2019/20, of Burberry's products that were classified as cotton-rich, 75% was made of cotton covered by BCI credits.
- Cotton procured more sustainably will be achieved through a portfolio approach, which includes working with partners such as BCI and Textile Exchange, as well as exploring new sources including organic and regenerative cotton. The Better Cotton Initiative (BCI) is a non-profit organisation that promotes better practices in cotton production. Through their partners, BCI works with farmers, helping them to minimise the use of harmful pesticides, reduce water consumption and care for soil and natural habitats as well as fostering decent working conditions.

##### 64% of leather sourced from facilities with social, environmental and traceability certifications

- Only applicable to products that have the main material defined as leather.
- A positive attribute is achieved if leather is sourced from a facility that carries one environmental certification and one traceability certification, underpinned by one social compliance certification.
- Accepted certifications include, for:
  - Environmental sustainability: Leather Working Group (Bronze certification), ISO14001
  - Traceability: Leather Working Group Traceability (>50% score), UNIC PC412/SC410, ISO9001
  - Social compliance: SA8000, UNIC Code of Conduct Certification, Burberry Ethical Trade Audit

### **Product sourced from supply chain partners rated 'Green' on chemical management**

- As part of Burberry's commitment to eliminate from the supply chain the use of chemicals that may have a negative impact on the environment, Burberry has implemented the MRSL (Manufacturing Restricted Substances List) and PRSL (Product Restricted Substances List).
- Burberry uses a Partner Progress Tool (PPT) to monitor its supply chain partners' performance against 29 chemical management KPIs, grouped into the four implementation pillars outlined in the MRSL Implementation Guidelines: commitment, internal implementation, upstream implementation and achievement. A score of less than 50% across these KPIs results in a rating of Red, a score of 50-69% is Amber, and a score of >70% is Green. For more information, please click [here](#).
- To have a positive attribute, the product's finished goods vendor and main material supplier must have both been rated 'Green' for their chemical management practices for at least 6 months of the reporting year (1 April 2019 to 31 March 2020).

### **Product sourced from facilities reporting at least a 5% reduction in carbon or water use**

- Facilities in scope are facilities of finished goods vendors or raw material suppliers that have been involved in Burberry's Energy and Water Reduction Programme.
- A positive attribute is achieved if a product has been manufactured in, or its main material has been sourced from, a facility that can demonstrate a 5% reduction in either absolute or normalised carbon or water use and show how this has been achieved through improved practices and/or processes.
- A 5% reduction is assessed against a facility's base year, which is set as the year prior to the facility joining the programme, or as the year of engagement, depending on data availability.
- Burberry's Energy and Water Reduction Programme is delivered by Burberry team members directly and aims to reduce chemical pollution, water and energy use in the textiles' supply chain.
- In 2019/20, a total of 20 supply chain partners participated in the programme, including 8 facilities with wet processing. During 2019/20, x facilities achieved a 5% reduction in their carbon or water use for the year, in turn leading to 48% of product being awarded a positive attribute.

### **Product sourced from facilities utilising water recycling in their manufacturing processes**

- A positive attribute is achieved if, within a facility, a minimum of 5% of recycled water is used compared to total water footprint, in either production (e.g. washing, dyeing) or domestic (e.g. flushing) purpose. Once the water recycling system is in place, the facility is required to keep a monthly water sub-metering record and monthly water invoice for calculating the recycled water percentage. Facilities must provide 6 months of evidence.

### **Product sourced from facilities procuring renewable energy\***

- A positive attribute is achieved if a facility has evidenced that they have sufficient onsite or procured renewable energy to have led to an avoidance of at least 20% of total location-based carbon emissions in Europe and 10% avoidance in Asia.
- Facilities must evidence their renewable energy procurement or generation in line with RE100 reporting requirements. RE100 is a global corporate leadership initiative bringing together influential businesses committed to 100% renewable electricity.

### **Products containing recycled content\***

- A positive attribute is achieved if a product contains a minimum of 20% of materials coming from recycled fiber, yarn or fabric.
- Approved certifications include:
  - Global Recycled Standard (minimum 20% recycled content)

- Recycled Claim Standard (requires 5% of recycled content, but only materials containing at least 20% recycled content would receive the positive attribute)
- Cardato Recycled (minimum 65% recycled content)

**Product sourced from facilities that are recycling 50% of recyclable textile waste\***

- A positive attribute is achieved if a minimum of 50% of total textile production waste is recycled through a mechanical or chemical process, are collected internally and re-inserted in the production phase or sold to external companies, to be re-used in upcycling or downcycling (excluding non-recyclable materials such as coated, laminated or contaminated materials where there are no commercial option to recycling that exists).
- Where a facility is not recycling 100% of total textile production waste, clear targets and a timebound roadmap must be put in place to achieve 100% recycling.

**Product sourced from facilities where all workers involved in manufacturing are paid a living wage**

- A positive attribute is achieved if, within a facility, all workers involved in the manufacturing of the product are paid at least a living wage according to a recognised benchmark, which is in line or above the local living wage listed by the Fair Wage Network. In FY2019/20, this attribute has only been allocated to facilities in the UK meeting the Living Wage Foundation's benchmark.

**Product processed and/or produced within a facility which has evidenced an innovative leather repurposing initiative.**

- A positive attribute is achieved if a facility implements an innovative recycling initiative to give leather production waste a second use.
- The repurposing initiative must be established on a long-term basis and not a one-off activity. To count as an attribute, the initiative must be in place for a minimum of 6 months. Facility should have a roadmap in place with timebound objectives to increase scale of the leather repurposing initiative.
- Innovative repurposing initiatives can include upcycling leather production waste; such as transforming leather cutting waste into a finished product.

**Product containing bio-based material**

- A positive attribute is achieved if the main material includes a minimum of 30% bio-based content, derived from renewable resources.
- The attribute will be supported by a certification or testing methodology that measures the type of Carbon (C12 or C14), stating the exact percentage of bio-based content within the material.

**Product sourced from facilities where there is a Wellbeing and Communication programme in place**

- A positive attribute is achieved if a consultation mechanism is identified as open and fair and is fully verifiable and if workers receive feedback and an action plan from results of the consultation. A valid Wellbeing survey must be completed, at least annually and an initiative is implemented, with the aim of improving the areas according to the need identified in the survey; for example, a series of trainings to build communication skills of workers and supervisors.

**Product sourced from facilities who have achieved the Responsible Down Standard certification**

- A positive attribute is achieved when down and feathers make up part of the overall composition of the finished product and contains 100% Responsible Down Standard virgin down.

COMPANY:

**KPI: 5,206,437kg of CO2 equivalent market-based emissions**

- Burberry's 'Company' goal is to become carbon neutral in its operational energy use by 2022. This will be achieved by, reducing absolute consumption, improving energy efficiency and switching to renewable energy sources, before offsetting any remaining carbon emissions.

- Burberry reports energy data and converts this into carbon dioxide equivalent (CO<sub>2</sub>e) for disclosure purposes as part of Burberry's Mandatory Greenhouse Gas Reporting Requirements.
- Burberry applies an operational control approach to defining its organisational boundaries. Data is reported for sites where Burberry has the ability to influence energy management. This differs from the financial reporting boundaries, as some sites where Burberry has an equity interest but no control are not reported. Overall, the emissions inventory reported equates to 99% of Burberry's square footage.
- Where Burberry does not have visibility of a site's energy consumption (e.g. in a mall, where a store's energy use is not sub-metered), energy consumption is estimated based on the average consumption per sq. ft. of Burberry sites in that region.
- All material sources of emissions are reported, including emissions generated from the use of electricity, gas, fuel oil and fuels consumed in company vehicles. Refrigerant gases were deemed not material and are not reported.
- Data for electricity, gas and fuel oil use is based on invoices and collected by regional teams. Data is then subject to a series of internal reviews conducted at group level.
- Burberry calculates greenhouse gas emissions data with reference to the Greenhouse Gas Protocol. Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Emissions are reported using both the location- and market-based methodology.
- The most current conversion factors from DEFRA (2019), the International Energy Agency (IEA) (2019) and Reliable Disclosure (RE-DISS) European Residual Mixes (2018) are used for all CO<sub>2</sub>e calculations.
- Audited sales revenue data is used to derive the intensity metric of KgCO<sub>2</sub>e/ £1,000 sales revenue.
- Burberry has updated its Greenhouse Gas data for 2017-18 and 2018-19 to account for improvements in data availability and estimation methods and to ensure the most up-to-date conversion factors are used.
- Burberry is measuring progress towards its 'Carbon Neutral' goal by looking at its market-based emissions. For any emissions that remain after reducing energy within internal operations and purchasing renewable energy, Burberry will look to mitigate these through offsetting or in-setting. Verified Emissions Reduction certificates have been applied to Burberry emissions data for FY 2019/20 to offset emissions from a proportion of gas consumption.

**KPI: 83% of the company's total energy consumption sourced from renewable sources, including 90% of electricity from renewable sources)**

- Burberry has set itself a target to source all electricity from renewable sources by 2022. This covers all electricity reported as part of the Mandatory Greenhouse Gas Reporting Requirements.
- The % of the company's electricity consumption sourced from renewables is calculated using kWh data from each site.
- Accepted renewable energy types are:
  - Green tariffs with associated attribute certificates
  - Renewable energy certificates (Renewable Energy Certificates (REC), International Renewable Energy Certificates (I-REC), Guarantee of Origin (GO) On-site renewable energy generation (wind, solar, biomass etc.)
  - Power Purchase Agreements (wind, solar, biomass, etc.)
- All renewable electricity that contributes towards the target must be based on evidence, including:
  - A retired energy attribute certificate in Burberry's name from the energy supplier confirming MWh or % of renewable energy, and
  - Confirmation from the supplier that the renewable energy meets the requirements of the Greenhouse Gas Protocol Scope 2 Guidance and Burberry internal requirements regarding vintage and origin of renewable energy generation.
- Where available, Burberry will also look to procure renewable gas, through Green Gas Certificates (GGC) and other localized certificates. This is outside of the scope of the 100% Renewable Electricity target but contributes to the publicly reported figure of total renewable energy.

**KPI: 48,401.25 m<sup>3</sup> of water used at key sites**

**KPI: 43,691.70 m<sup>3</sup> of wastewater produced at key sites**

- Scope covers all UK offices (in London and Leeds), Burberry's internal manufacturing sites in the UK (Yorkshire) and Italy (Tuscany), and all significant Burberry distribution centres globally.
- Data is based on water bills received for each site.

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

- Waste data has increased from last year when it was covering key UK operations, comprising Burberry's internal manufacturing facilities and distribution centre in Northern England; as well as Burberry's head office, Burberry's office in Leeds, and retail stores in London and Manchester. This now includes our manufacturing site and distribution centres in Italy.
- Waste data is based on annual reports provided by waste collection partners and covers dry mixed recycling (cardboard, plastic, paper), confidential paper, general waste, organic waste, glass, metal leftover materials and damaged/ defected products. "Diverted from landfill" is defined as diverting waste from landfill through treatments such as recycling, anaerobic digestion and incineration with energy recovery. An example includes Burberry's partnership with Avena Environmental to recycle damaged garments into insulation materials.

## COMMUNITIES:

**KPI: 290,426 people positively impacted in FY2019/20**

**KPI: Over 415,000 people positively impacted since launch of partnerships in FY2016/17.**

Burberry's 'Communities' goal is to positively impact 1 million people by 2022. This will be achieved mainly by supporting long-term Burberry Foundation partnerships that fuel innovation and transform communities that sustain the luxury industry.

The main community programmes contributing to the 2019/20 data are:

- Tackling educational inequality and enhancing career advice for young people in the UK

This programme is delivered in partnership with Teach First, the Careers & Enterprise Company, the Ideas Foundation, the Creative Arts Team at the City University of New York and MyKindaFuture. During 2019/20, more than 185,000 students and teachers have been engaged through a series of activities, including, but not limited to:

- Teach First's Careers Leader Programme which trains careers leaders across the nation on careers strategy development and programme planning
- CPD sessions for teachers aimed at supporting and providing teachers with useful careers advice on the creative industries to be brought back to the classroom
- Burberry guest speaker sessions within schools
- Inspiration Days in the Burberry manufacturing sites in Yorkshire, the Leeds office and London Headquarters
- School workshops at Teach First eligible schools in Yorkshire and London
- Student mentoring by Burberry volunteers
- Teacher coaching by Burberry volunteers
- Enterprise Adviser Network activities
- Cultural activities, workshops and activities delivered through the Burberry Inspire programme

- Fostering community cohesion and supporting youth employability in Italy

This programme is delivered in partnership with Oxfam. During 2019/20, the partnership positively impacted more than 57,000 community members by:

- Helping four community centres in the Tuscany region expand their day-to-day services and deliver large-scale multicultural events.
- Launching a new community information desk in Empoli and appointed 8 facilitators to improve access to vital support services.
- Engaging 10 schools in a peer-to-peer mentoring scheme and an innovative teacher-training programme on inclusive education.

- Supporting social and economic empowerment of rural communities in Afghanistan

This programme is delivered in partnership with Oxfam and Pur Projet. During 2019/20, the partnership positively impacted more than 40,000 community members by:

- Establishing a new goat breeding facility designed to help herders improve the quality and yield of their cashmere production.
- Training herders on sustainable cashmere harvesting and livestock management practices.
- Engaging key local stakeholders to facilitate the development of community-owned collective action organisations, pro-actively involving women in their design and management.

Community data validation procedure:

- Community programmes data is reported by charity partners to Burberry on a quarterly basis.
- Data includes both direct and indirect beneficiaries, defined as follows:
  - Direct beneficiaries are the people for whom the project is being undertaken, who directly benefit from a product, service or an activity and are usually directly engaged in the activities of the programme. Direct beneficiaries include, but are not limited to:
    - Teachers
    - Students
    - Community members
    - Cashmere herding communities
  - Indirect beneficiaries are the people who, whilst not actively taking part in the project, derive some benefit from it indirectly. This includes, for example, family members of individuals who have been directly engaged in programme activities, or students benefitting from teachers completing Continuing Professional Development (CPD) training/ activities. In some cases, estimations of family size, class size and school size based on available evidence are used as a multiplier to calculate the number of indirect beneficiaries. Indirect beneficiaries include, but are not limited to:
    - Family members of direct beneficiaries, where applicable
    - Students of teachers who have taken part in CPD sessions or any activity delivered which they participated in
    - School populations of students whose Career leader has taken part in the Careers Leader programme, or whose teachers are employing inclusive education techniques based on training provided from the programme.

- Burberry conducts internal checks and data validation processes by reviewing charity partner reports to ensure completeness and accuracy of data. Burberry conducts checks by;
  - Selecting a random sample of activities that contributed to the number of direct and indirect beneficiaries to confirm that the activities are within the scope of programme.
  - Reviewing and confirm that the sum of the beneficiaries per activity is equal to total number of beneficiaries reported.
  - Reviewing the direct and indirect beneficiaries reported, to ensure consistency with the definitions and categorisations outlined in the agreement with the charity partner.
  - Reviewing reported beneficiary groups to avoid risk of double counting and ensure uniqueness.
- Wherever possible we evaluate the effectiveness of our activities and those of our charity partners by collecting feedback from direct and indirect beneficiaries. For example, for activities involving students, the benefit is assessed by conducting surveys straight after the activity. Where student numbers are large (100+), the survey is conducted with a sample group of participants or by teachers on their behalf. This feedback is used to make improvements, further inform and adapt the programme design, as well as ensure we are creating a positive impact through the various programme activities and interventions.

#### **Summary of changes to target thresholds since 2018/19\***

- **75% of cotton procured more sustainably**  
In 2019/20 we expanded our previous target to achieve 100% of cotton procured through the Better Cotton Initiative (BCI), to procure 100% of our cotton more sustainably by 2022 by using a portfolio approach. This reflects the expansion and evolution of our target and includes working with partners such as BCI and Textile Exchange, as well as exploring new sources including organic and regenerative cotton.
- **Product sourced from facilities procuring renewable energy**  
A positive attribute is achieved if a facility has evidenced that they have sufficient onsite or procured renewable energy to have led to an avoidance of at least 20% of total location-based carbon emissions in Europe and 10% avoidance in Asia. In 2018/19 the threshold was 25% avoidance in CO2e across all regions. This threshold was amended in 2019/20 to reflect the challenge of renewable energy availability in Asia. Additionally, the 25% threshold was amended to 20% in 2019/20 for Europe to further recognize and incentivize supply chain partners.
- **Products containing recycled content**  
A positive attribute is achieved if a product contains a minimum of 20% of its materials coming from recycled fiber, yarn or fabric. The percentage threshold has been increased from 15% in 2018/19. The threshold increase reflects the advancement of the technical capabilities of the industry.
- **Product sourced from facilities that are recycling 50% of recyclable textile waste**  
Informed by global recycling rates and countries' textile recycling capabilities, we have amended the threshold which was 100% in 2018/19 to 50%, to incentivize supply chain partners to take proactive steps to recycle textile waste in all the regions in which we operate.

These changes to the aforementioned target thresholds do not affect prior year results and therefore restatements are not required as the below KPIs are not cumulative year-on-year and comparative figures for these KPIs are not disclosed.

**KPI: 22% of products with one positive attribute**  
**KPI: 67% of products with more than one positive attribute**  
**KPI: 89% of products with at least one positive attribute**