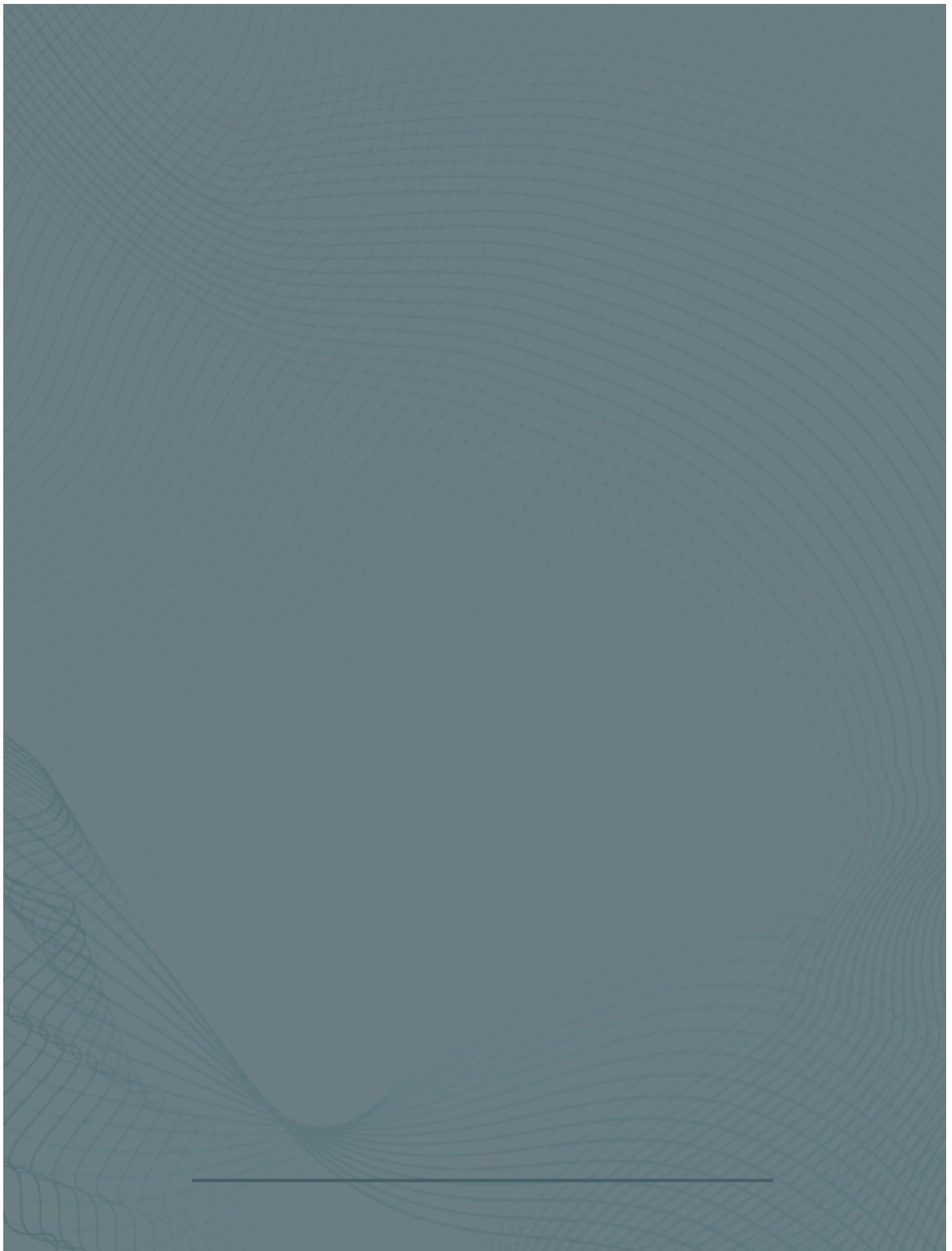


# Analysis of Corporate Sustainability Report

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## INTRODUCTION

In the world of luxury fashion, Kering stands as a titan, renowned for its influence and prestige on a global scale. With a portfolio of iconic brands like Balenciaga, Gucci, and Saint Laurent under its designer belt, Kering isn't just setting trends – it's setting the standard for style and sophistication globally. These brands are celebrated for their artistic expression and craftsmanship, and also for their contribution to Kering's robust financial performance. They are economic powerhouses, which drives significant economic activities across continents. But this report isn't about the glitz and glam. The purpose of this report is to assess a critical evaluation of Kering's published sustainability reports. This analysis will focus on their role in promoting corporate responsibility and shaping the company's global sustainability strategy. By examining these reports, this paper aims to undertake how effectively Kering is communicating its success to the stakeholders and integrating sustainable practices into its business ethos.

Let's be real, sustainability is no longer just a buzzword – it's a make-or-break issue for business accountability, especially in the luxury fashion sector, known for its substantial environmental footprint and social impact. It's widely known that the fashion industry is a significant contributor to pollution, waste, and resource depletion. As a result, there is a mounting demand from consumers and regulatory bodies for brands to demonstrate not only creativity in design but conscientiousness in sustainability. On one hand, this evolving market condition makes Kering's efforts in sustainability commendable while on the other hand, it is also necessary. Because at the end of the day, true luxury means more than just a pretty label – it's about ensuring this indulgent industry can strut its stuff for generations to come and safeguard the future of luxury fashion.





## Company Selection

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When it came time to pick a company for this analysis, I chose Kering for several compelling reasons, both professional and personal. It was not because of it being the global leader in the luxury fashion industry, but because, Kering embodies the intersection of art, luxury, and business, making it an influential player whose practices significantly impact the sector. The company's commitment to sustainability is evidenced by its proactive and transparent sustainability reports, which provide a wealth of data and strategic insights.

The other truth is, I've always had this soft spot for the world of high-end fashion, luxury and everything pretty – call it a personal indulgence. So when, a giant titan like Kering started putting their money where their mouth is on sustainability, it really piqued my interest. It's just not any brand, we're talking about trendsetters and game-changers walking towards a more eco-conscious future.

So, for me, analyzing Kering's sustainability game isn't just an academic exercise; it's a chance to merge my professional interests with my personal passions. If luxury heavyweights like them can put sustainability at the forefront while still slaying in the style department, well, that's a win-win in my books. And who knows, maybe their example can inspire the entire industry to start prioritizing people and planet just as much as profits and prestige. This makes Kering an exemplary case study for examining the integration of sustainable practices within the luxury fashion industry.

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# **ANALYSIS OF THE SUSTAINABILITY REPORTS**

## **Frameworks and Standards**

### 1. Adherence to Global Standards

Kering aligns its sustainability strategy with several international frameworks, ensuring a robust foundation for its initiatives:

- Greenhouse Gas Protocol (GHG Protocol): Kering commits to reducing its carbon emissions across all scopes (1, 2, and 3), with a science-based target to decrease GHG emissions by 50% by 2025 from a 2015 baseline. The company uses the GHG Protocol to measure and manage emissions, providing a standardized framework that enhances transparency and comparability across the industry.
- Science-Based Targets Initiative (SBTi): Kering has set targets approved by the SBTi, committing to reductions aligned with a 1.5-degree pathway, demonstrating its leadership in integrating climate science into corporate policy.

### 2. Kering's Proprietary Tools and Standards

Kering employs specific tools and standards that reflect its commitment to sustainability:

- Environmental Profit and Loss (EP&L) Account: This innovative tool, developed by Kering, measures the monetary value of its environmental impact across the entire supply chain. The EP&L accounts for impacts from direct operations to the sourcing of raw materials, offering a detailed and holistic view of the company's environmental footprint.
- Kering Standards for Raw Materials and Manufacturing Processes: These standards cover environmental protection, social welfare, traceability, chemical use, and animal welfare. Kering aims for 100% alignment with these standards across its suppliers by 2025, showcasing its commitment to sustainable sourcing and ethical manufacturing.
- Digital EP&L and Open-Source Approach: By digitizing its EP&L tool and sharing it openly, Kering fosters greater understanding and adoption of sustainability metrics within the luxury fashion industry. This approach encourages peer companies to engage in similar transparent and accountable practices.

### 3. Innovative Methodologies

Kering integrates innovative methodologies that go beyond traditional compliance:

- Traceability and Transparency: Through advancements in technology, including blockchain and forensic science, Kering enhances the traceability of its raw materials. These technologies help ensure that sustainability commitments are upheld throughout the supply chain, from raw material sourcing to final product delivery.

- Regenerative and Circular Economy Practices: Kering invests in projects that promote regenerative agriculture and circular economy principles. This includes initiatives that focus on restoring natural ecosystems and reducing waste through upcycling and recycling programs, pivotal in shifting towards a more sustainable business model.

#### 4. Partnerships and Collaborations

Kering's strategy involves collaborative efforts with various stakeholders, including NGOs, academic institutions, and other luxury brands:

- Fashion Pact and Other Industry Collaborations: As a signatory of the Fashion Pact, Kering collaborates with global brands to set collective environmental targets. This pact focuses on stopping global warming, restoring biodiversity, and protecting the oceans.
- Educational Partnerships: Collaborations with fashion schools and universities to integrate sustainability into curricula prepare the next generation of designers with the knowledge and tools to continue innovating in sustainable fashion.

# Materiality Assessment Analysis

## Determining Significant Sustainability Impacts

Kering's approach to determining its most significant sustainability impacts involves a comprehensive materiality assessment process. This process is designed to identify and prioritize the sustainability issues that are most significant to both the company and its stakeholders. The assessment considers a wide range of factors, including environmental impact, social ramifications, economic performance, and the potential to influence industry standards.

The company typically engages a diverse group of stakeholders, including customers, employees, suppliers, NGOs, and industry experts, to gather insights and perspectives on various sustainability topics. This stakeholder engagement is often conducted through surveys, interviews, and workshops, ensuring a broad and inclusive approach to understanding the impact of the company's operations.

## Addressing Sustainability Impacts in Reporting

Once the key sustainability issues are identified, Kering addresses these impacts in its sustainability reporting by:

1. Setting Clear Objectives: Kering sets specific, measurable goals related to significant sustainability impacts identified through its materiality assessment. For instance, if raw material sourcing is identified as a significant impact, Kering sets targets for increasing the use of sustainable materials.
2. Strategic Initiatives: The company outlines strategic initiatives aimed at mitigating negative impacts or enhancing positive outcomes. For example, in addressing the impact of greenhouse gas emissions, Kering has committed to a science-based target to reduce emissions by 50% across its operations and supply chain by 2025.
3. Progress Tracking: Kering's sustainability report details the progress towards these goals through quantifiable metrics and data. The Environmental Profit and Loss (EP&L) account is a key tool in this regard, providing a monetary value to the environmental impact across the supply chain, which helps in quantifying progress towards environmental sustainability.
4. Stakeholder Engagement: The report reflects ongoing dialogue with stakeholders, showing how feedback and insights have shaped the company's sustainability strategies. This engagement helps Kering to remain responsive to stakeholder concerns and adapt its strategies as needed.
5. Transparency and Accountability: Kering's reporting is transparent, providing not only success stories but also the challenges and setbacks faced in achieving sustainability targets. This transparency helps in building trust and credibility among stakeholders.

By following this structured approach, Kering ensures that its materiality assessment is not only thorough but also directly connected to the actionable strategies it reports. This methodical process helps in maintaining clarity and focus in its sustainability initiatives, aligning them closely with both business objectives and stakeholder expectations.

# Goals and Targets

## Clarity of Goals

Kering's sustainability goals are articulated with a high degree of clarity, aligning with its overarching strategy of sustainable luxury. The company presents its objectives under well-defined sustainability pillars: **Care, Collaborate, and Create.** Each pillar encompasses specific, targeted initiatives designed to address precise aspects of the company's environmental and social impacts. For instance, Kering sets forth clear targets for reducing greenhouse gas emissions, sourcing 100% sustainable raw materials, and achieving a comprehensive traceability in its supply chain by 2025. Such clear, structured articulation facilitates stakeholders' understanding of Kering's strategic direction and commitment to sustainability.

## Ambition of Targets

Kering's sustainability targets demonstrate significant ambition, aiming to set industry standards in luxury fashion. The company's commitment to reducing its Environmental Profit and Loss (EP&L) account by 40% between 2015 and 2025 reflects a proactive approach to minimizing its environmental footprint on a scale that is ambitious within its sector. Additionally, Kering's initiative to achieve carbon neutrality across its operations and extend this to cover its entire supply chain highlights a pioneering stance in tackling climate change. These targets not only aim for improvements within Kering's direct operations but also seek to influence its entire value chain, underlining the company's leadership aspirations in sustainability.

## Measurability of Targets

Kering employs a comprehensive set of metrics and tools to measure its progress towards achieving its sustainability goals, which enhances the measurability of its targets. The EP&L account, an innovative tool developed by Kering, quantifies the environmental impact of the company's entire supply chain in monetary terms, allowing for a clear measurement of progress and providing a unique and transparent way to communicate its impacts. Kering's regular, detailed reporting on progress towards targets, such as the percentage reduction in GHG emissions, the proportion of sustainable raw materials used, and improvements in energy efficiency, further supports the robust measurability of its goals.

Overall, Kering's sustainability goals are characterized by their clarity, which aids stakeholders in understanding the company's intentions; their ambition, which demonstrates a leadership role in the industry; and their measurability, which is enhanced by the effective use of quantitative tools and comprehensive reporting practices. This triad of characteristics ensures that Kering not only sets standards but also adheres to them, fostering accountability and continuous improvement in its sustainability endeavors.

# Data and Metrics

## Quality of Data

Kering's approach to data management in sustainability reporting exemplifies a high standard of quality. The use of the Environmental Profit and Loss (EP&L) account, a pioneering tool developed by Kering, is particularly noteworthy. This tool quantifies environmental impacts across the company's entire supply chain in monetary terms, providing a nuanced and comprehensive view of its environmental footprint. Such innovative data collection methodologies not only ensure depth and breadth in reporting but also enhance the credibility and comparability of the data. Kering's commitment to detailed, regular updates on its progress further supports the quality of the data presented.

Moreover, Kering employs rigorous standards for raw materials and manufacturing processes that encompass environmental protection, social welfare, traceability, and chemical use. The systematic application of these standards ensures consistency and reliability in the data related to supply chain management.

## Reliability of Metrics

The reliability of Kering's metrics is reinforced by its adherence to international standards and frameworks. For instance, Kering aligns its reporting with the Greenhouse Gas Protocol, which provides standardized frameworks to measure and manage greenhouse gas emissions. The company's sustainability targets related to reducing GHG emissions, energy consumption, and waste production are grounded in these widely recognized frameworks, lending additional validity and comparability to the data.

Kering also enhances the reliability of its data through third-party verifications and partnerships with global organizations. For example, the company's collaboration with the Science Based Targets initiative (SBTi) to validate its climate action targets provides an external verification layer that strengthens the trustworthiness of its reported data.

When we talk about carbon emissions, Kering reports its carbon emissions reductions with adherence to the Greenhouse Gas Protocol (GHG Protocol), ensuring standardized and reliable measurement across all operational scopes. In recent sustainability reports, Kering highlighted a reduction in total carbon emissions by 40% from a 2015 baseline, aiming for a 50% reduction by 2025. The reliability of these metrics is further supported by third-party verifications from environmental standards agencies, providing an external layer of credibility to Kering's reported data.

However, it is essential to scrutinize the consistency of data across different regions and brands within the group, as variations in data collection methods can affect overall reliability. To enhance transparency, Kering could benefit from adopting more frequent and detailed reporting intervals, along with real-time data monitoring technologies, to provide stakeholders with up-to-date information about their emissions reductions.

### **Integration of Data Across Reporting**

Kering integrates its sustainability data across various reporting mechanisms, including annual sustainability reports, integrated reports, and updates on its corporate website. This integration ensures that all stakeholders have access to consistent and transparent information, irrespective of the reporting platform. Furthermore, Kering's practice of open-sourcing the methodology of the EP&L account encourages industry-wide adoption and scrutiny, which not only promotes transparency but also invites external insights to refine and validate the data.

So when we talk about the quality and reliability of Kering's data and metrics for measuring sustainability performance, they are robust. The company employs advanced, transparent methodologies like the EP&L account and adheres to international reporting standards, which are complemented by third-party verifications. These practices not only underscore Kering's commitment to transparency and accountability but also set a benchmark in sustainability reporting within the luxury fashion industry.

# **Transparency and Accountability**

## **Level of Transparency**

Kering's sustainability reporting is marked by a high degree of transparency, which is evident in the detailed disclosure of their strategies, initiatives, and performance outcomes across various sustainability domains. This transparency is facilitated by the comprehensive use of the Environmental Profit and Loss (EP&L) account, which not only measures but also monetizes the environmental impacts of the company's entire operations and supply chain. By quantifying impacts in monetary terms, Kering provides a clear, understandable, and transparent measure of its environmental footprint, making it easier for stakeholders to assess the company's performance against its sustainability objectives.

Kering further enhances transparency through the publication of detailed reports that include not only the successes but also the challenges and areas where objectives have not been met. For instance, Kering's reporting on its progress towards reducing greenhouse gas emissions, achieving 100% renewable energy, and enhancing the traceability of its raw materials is presented with both achievements and areas of ongoing effort, reflecting a balanced view of its sustainability journey.

## **Instances of Accountability**

Kering demonstrates accountability in its sustainability practices by setting clear, measurable targets and regularly reporting on progress towards these goals. The company's commitment to reduce its environmental footprint by 40% and cut its GHG emissions by 50% by 2025, with progress tracked annually, shows a structured approach to accountability. Moreover, Kering has linked its sustainability targets with science-based targets, which are externally validated and aligned with global efforts to mitigate climate change, thereby holding itself accountable not just internally but also in the public domain.

Kering's reports are replete with examples where they have not only celebrated successes but also acknowledged areas requiring additional effort. For instance, the company openly discusses the challenges faced in reducing the impact of its supply chain and the need for more effective solutions to meet its ambitious targets. Such disclosures about areas of underperformance are crucial for maintaining stakeholder trust and demonstrating a commitment to true sustainability, rather than merely curating a positive public image.

## **Effectiveness of Communication**

Kering's sustainability reports are structured to ensure that the information is accessible and comprehensible, aiding stakeholders in understanding the company's impacts, initiatives, and progress. The use of clear graphics, specific data points, and concise language helps in communicating complex sustainability issues effectively. Kering also engages in sustainability roadshows and participates in forums to further communicate its sustainability strategies and achievements, thus maintaining an open dialogue with its stakeholders.

Overall, Kering exhibits a strong commitment to transparency and accountability in its sustainability reporting. By openly discussing both its successes and the areas needing improvement, and by holding itself accountable through science-based and externally verified targets, Kering sets a benchmark in corporate sustainability practices. These efforts not only enhance stakeholder trust but also position the company as a leader in sustainable luxury fashion, demonstrating that transparency and accountability are integral to its business strategy and sustainability commitments.

# Overall Communication

## Clarity and Comprehensibility

Kering's sustainability reporting effectively communicates its sustainability journey through clear, concise, and well-structured narratives. The reports are crafted with a logical flow that guides the reader from strategic objectives through to detailed action plans and results. This is complemented by the use of visual aids such as charts, graphs, and infographics that enhance understanding of complex data and metrics. Such visual elements not only break down the information into digestible pieces but also cater to a broader audience, ensuring that both experts and laypersons can grasp the significance of Kering's sustainability initiatives.

## Integration of Storytelling Elements

Kering excels in integrating storytelling into its sustainability reporting. By framing its sustainability initiatives within the broader narrative of luxury fashion, Kering connects with its audience on a deeper level, emphasizing the intrinsic link between high-quality luxury goods and responsible production practices. The use of case studies and examples of specific brands within the Kering family—such as Gucci, Saint Laurent, and Balenciaga—personalizes the report, making the sustainability efforts more relatable and tangible to stakeholders.

## Consistency and Frequency

The consistency and frequency of communication are strengths in Kering's approach. The annual reports are released regularly, ensuring timely updates on progress and ongoing efforts. Additionally, Kering maintains consistency in the style and depth of reporting across years, which aids in tracking progress and evaluating the impact of its sustainability strategies over time.

## Engagement and Interactivity

Kering engages its stakeholders through various platforms beyond the traditional report. This includes sustainability roadshows, partnerships with educational institutions, and active participation in global sustainability forums. Such engagements facilitate a two-way dialogue, where Kering not only disseminates information but also receives feedback. This dynamic interaction enhances the effectiveness of their communications strategy, allowing the company to continually refine its approach based on stakeholder input.

## Coverage of Relevant Sustainability Issues

Kering's reports cover a broad spectrum of sustainability issues, from environmental impact and resource consumption to social issues and employee welfare. This comprehensive coverage ensures that all relevant aspects of sustainability are addressed, providing a holistic view of the company's impact and efforts. Furthermore, the alignment of the report with global standards and initiatives, such as the Science-Based Targets initiative and the United Nations Sustainable Development Goals, reinforces the relevance and urgency of the sustainability issues covered.

Thus, Kering's sustainability reports are a robust tool for communication, effectively conveying the company's commitment to sustainability. The clarity of the reports, combined with engaging storytelling and strategic stakeholder engagement, successfully communicates the essence of Kering's sustainability journey. These efforts not only showcase Kering's dedication to transparency but also its leadership in integrating sustainable practices within the luxury fashion industry.

## **CRITICAL ANALYSIS**

### **STRENGTH AND WEAKNESSES**

#### **Strengths:**

1. Comprehensive Use of EP&L: Kering stands out for its pioneering use of the Environmental Profit & Loss (EP&L) account, which quantifies environmental impacts in monetary terms. This tool offers a clear, actionable insight into the areas where the company is making progress and where challenges persist.
2. Alignment with Global Standards: Kering's reporting aligns with globally recognized frameworks, including the Science-Based Targets initiative and the Greenhouse Gas Protocol. This not only enhances the credibility of their data but also ensures comparability across the industry.
3. Detailed Stakeholder Engagement: Kering actively engages with a broad range of stakeholders, including NGOs, industry experts, and consumers, which enriches their sustainability strategy and reporting.

#### **Weaknesses:**

1. Complexity and Accessibility: Despite the detailed information provided, the complexity of Kering's sustainability reports can be overwhelming for non-experts. The technical jargon and dense presentation may deter broader stakeholder engagement.
2. Consistency Across Brands: There is variability in how sustainability practices are implemented and reported across Kering's various brands. This inconsistency can make it challenging to assess the group's overall performance and progress.

#### **Areas for Improvement**

1. Enhanced Digital Reporting: Introduce an interactive digital sustainability report that allows users to customize the data they view according to their interests and expertise. This platform could include dynamic infographics and a glossary of terms to improve accessibility.
2. Real-time Sustainability Tracking: Develop a real-time tracking system for sustainability metrics that can be accessed by both management and stakeholders. This could involve the use of blockchain technology for greater transparency in tracking the supply chain and updates on sustainability initiatives.
3. Predictive Analytics for Sustainability Outcomes: Leverage advanced analytics to predict future sustainability trends and outcomes based on current data. This approach could help Kering and its stakeholders understand potential future scenarios and prepare more proactive sustainability strategies.

### **Credibility and Greenwashing**

Kering's commitment to reducing carbon emissions is backed by ambitious targets that align with the Paris Agreement's goal to limit global warming to 1.5°C above pre-industrial levels. The company's transparency in disclosing its progress towards these targets, including the challenges faced, strengthens its credibility. However, the company's heavy promotion of positive achievements without equal emphasis on the areas where targets have not been met could create a perception of greenwashing. To avoid accusations of greenwashing, Kering continues to provide detailed, verifiable evidence of its impact reductions and not just future goals. To counter this, Kering could:

- Increase Disclosure of Failures and Challenges: Regularly publish detailed case studies on targets not met or initiatives that did not achieve expected outcomes. This would provide a more balanced view and enhance the credibility of their sustainability claims.
- Third-party Audits: Strengthen the use of independent, third-party audits of their sustainability data and publish these findings to validate their reports.

### **Industry Comparison**

Kering is often seen as a leader in sustainability within the luxury fashion industry, particularly with its EP&L framework. When compared to peers like LVMH and Richemont, Kering generally provides more detailed data and has adopted more innovative approaches to sustainability in the scope and rigor of its emissions reporting. However, as the luxury fashion industry moves toward greater sustainability, continuous improvement in disclosure practices and the adoption of more stringent, science-based targets will be necessary to maintain leadership and trust.

To further enhance credibility and avoid potential greenwashing, I recommend that Kering:

- Implement standardized, real-time monitoring systems across all its brands to ensure accuracy and immediacy in data reporting.
- Increase engagement with independent, third-party audits to validate their emission reduction claims publicly.
- Publish detailed case studies demonstrating successful emissions reduction strategies and their direct impacts.

## Conclusion

Kering has established itself as a frontrunner in the luxury fashion industry's shift towards sustainability. Its pioneering use of the Environmental Profit & Loss (EP&L) account and alignment with international standards such as the Science-Based Targets initiative and the Greenhouse Gas Protocol highlight its commitment to integrating sustainable practices into its business model. These efforts are commendable and set a benchmark for transparency and accountability in the sector.

However, despite these strides, Kering faces challenges that are emblematic of the luxury fashion industry at large. The complexity and variability in reporting across its various brands can obscure the overall picture of the company's sustainability performance, potentially hindering stakeholder engagement and understanding. Furthermore, while Kering's detailed sustainability reporting and stakeholder engagement initiatives are strengths, the presentation of this data could be streamlined and made more accessible to a broader audience to enhance its impact and usability.

To continue leading in sustainability, Kering could benefit from incorporating real-time data tracking and predictive analytics into its sustainability strategies. These technologies could provide more dynamic insights into the company's performance and foster proactive adjustments to its sustainability practices. Moreover, increasing transparency about its challenges and failures, possibly through more frequent and detailed third-party audits, would address any concerns about greenwashing and strengthen the credibility of its sustainability claims.

In comparison with its industry peers, Kering is clearly a leader in sustainability. Yet, as the industry evolves, continuous improvement in the form of more innovative data utilization, enhanced report accessibility, and greater transparency will be crucial. These steps will not only solidify Kering's standing but also encourage industry-wide advancements, pushing the boundaries of what is currently expected in luxury fashion sustainability.

Overall, Kering's commitment to sustainability is evident and impactful, setting high standards and demonstrating significant progress. It is imperative that Kering maintains this momentum and continues to innovate, not just for its own benefit but for the luxury industry and global sustainability efforts at large.

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