E P & L
A practical tool for natural capital accounting

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Michael Beutler
Director of Sustainability
About Kering

LUXURY

Imagination needs wings. Imagination needs caring.

SPORT & LIFESTYLE

Imagination needs wings. Imagination needs caring.

GUCCI · BOTTEGA VENETA · SAINT LAURENT
ALEXANDER McQUEEN · BALENCIAGA · BRIONI
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CHRISTOPHER KANE · BOUCHERON
GIRARD-PERREGAUX · JEANRICHARD · QEELIN

PUMA · VOLCOM
COBRA · ELECTRIC · TRETORN
Considering the Cost of Business to Nature

We rely on the environment for the success of our business

Pollination
Erosion control
Pest control
Fresh water
Forestry
Mining
Agriculture
Production

What are our impacts, how do we measure them?
The importance of integrating natural capital into our business decision-making

- Understand where our impacts and risks are due to our reliance on natural capital

- Resource availability is key to our business and we are reliant on raw materials (cotton, leather, precious metals, wool, etc)

- Understanding the stresses on these resources to manage risk

- How to source more sustainably and adapt to changes can help guarantee availability of supply and minimize our impacts
Emerging Risks

- Over 40 global companies issued profit warnings last year due to raw materials pricing
- An Environmental Profit & Loss account is a leading indicator on raw material supply availability & price volatility

“The increased purchasing costs are partly related to higher cotton prices...”
Karl Johann Persson, CEO Hennes & Mauritz March 2012

“Higher cotton and raw material costs and higher processing fees contributed to the drop in first half gross margin”
Takeshi Okazaki, CEO Fast Retailing April 2012
Environmental Profit & Loss (E P&L)
An Environmental P&L account is a means of placing a monetary value on the environmental impacts along the entire supply chain of a given business.
What are the benefits of an E P&L

The E P&L has multiple benefits, but primarily it is a tool for deeper understanding and better decision-making. It is a driver of integrated thinking:

- **Strategic Tool**: Results make transparent where to direct sustainability initiatives to be effective & make real improvements in reducing environmental impacts

- **Risk Management Tool**: Understanding the value and nature of environmental impacts in the supply chain provides an early view of emerging risks, enabling a company to incorporate these risks into their business planning and thus respond strategically to protect and enhance shareholder value

- **Transparency Tool**: By reporting the results, a company is being transparent about the extent of their environmental impact, which provides a basis for a more meaningful and evidence based engagement with stakeholders and enables a company to clearly demonstrate the efforts to reduce the negative impacts of their business
A case study:

PUMA E P&L

PPR will become Kering, subject to approval at the annual general meeting on 18 June 2013.
PUMA E P&L case study

What impacts are covered?

- GHG Emissions
- Water Consumption
- Land Use
- Air Pollution
- Waste
PUMA E P&L case study

what is the scope?
Roll out across 18 brands globally with very different ways of working and supply chain reach: Luxury European-based and Sport & Lifestyle primarily Asia-based

E P&L Expert Review:

- Reviewed the original methodology
- Recommended areas where it could be improved
- Provided guidance on the way forward

We improved methodology based on recommendations and due to individual brand supply-chain characteristics

- Water pollution as an additional parameter

- Focus on primary data collection

- Work with our supply-chain partners to innovate ways to address E P&L results
E P & L

What’s next?

∞ Businesses and governments recognizing the importance of valuing natural capital

∞ Reporting standards evolving and revised to address future demands: integrated reporting combined with a clear definition of a businesses environmental impacts

∞ Adoption of E P&L approach across industry sectors

∞ B Team co-founded by Jochen Zeitz, Director of Kering and Chairman of the sustainable development committee, and Sir Richard Branson. October Press Release: “An initial challenge could focus on creating a global standard to help businesses account for the environmental impacts of their operations, as the traditional business model does not account for and value natural capital.”
PPR will become Kering, subject to approval at the annual general meeting on 18 June 2013.