

EVENTS/CAUSES

Kering encourages environmental accountability with open-source methodology

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Half of Gucci's leather handbags are produced with more sustainable tanning

By SARAH JONES

French conglomerate Kering is looking to drive awareness and progress within its own organization—and more widely—with the creation of a new methodology that uses financial terminology to measure environmental impact.

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The formulas and methodology the group used for its Environmental Profits & Loss Account (E P&L) will be open-sourced, enabling any competitor or company in another industry to value their own “natural capital” gains and losses. Kering recognizes that as only one company among many using the same suppliers, various companies will have to work together to enact change.

"As businesses, we need tools such as the E P&L to help us design solutions that will address our current and future business challenges," said François-Henri Pinault, CEO and chairman of [Kering](#).

"However, we at Kering cannot do this alone," he said. "And this is why sharing and collaboration are needed to scale solutions."

"We wish to encourage other companies to do likewise, to understand their impact on natural capital and integrate the value of nature into their businesses."

Analyzing impact

At a press conference May 19, Kering shared the results of its E P&L from 2013, for which it worked with PwC. This measures the impact the company has on air pollution, greenhouse gas emissions, land use, waste production, water consumption and water pollution.

This also quantifies the effect on consumer health and well-being monetarily.

Presenting the results in financial terms both helps to present it in a tangible way that business and stakeholders can comprehend and allows for comparisons between types of impact that would not have been previously possible. While not meant to relate to financial reportings, this enables Kering to prioritize its sustainable efforts.



Saint Laurent stores use LED lighting to reduce energy use

One of the major findings was that 93 percent of the group's environmental impact comes from its supply chain, compared with just 7 percent for its own operations, such as retail and transportation. Typically, environmental reporting from companies focuses internally, so this report gives a better understanding of Kering's entire footprint.

Looking beyond its own activities made the natural capital more difficult to measure, since farmers do not typically quantify their own environmental impact. Where it was difficult or impractical to collect data, Kering used research, picking the most recent studies and reports related most closely to the geographic location where activities take place.

More than half of the total impact comes from raw material production. A quarter of total impact comes from leather, and 17 percent is linked to cotton.



Stella McCartney chooses sustainable fabrics for her designs

Greenhouse gas emissions contribute 35 percent of the total impact, while 27 percent is tied to land use.

Kering's initiatives in sustainability have helped it outperform a typical company in its sector. If it sourced materials in standard ways, its E P&L would have been 40 percent greater.

Also, while the environmental impact of all global businesses is 18 percent of the worldwide GDP, Kering's impact only accounts for 8 percent of the total value of its merchandise.

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"Companies have always been using natural resources, but without quantifying them. Not that they quantify their other externalities," Mr. Pinault said.

"If we want to thrive and be ready for the future, we need to think and we need to act differently," he said. "We have no choice. The business model of the future must be one that is sustainable.

"At Kering, we believe that this is a leadership, but also a business opportunity. Sustainability allows us to differentiate ourselves and create structural competitive advantage, both in the midterm and in the long term."

Inspiring innovation

Using the results from the E P&L, Kering has already worked toward further innovative solutions to minimize its environmental cost.

In some of its stores, it has placed smart meters to detect areas of improvement in energy usage. Kering also worked with suppliers to develop energy and water saving methods at textile mills and it set up a program to track and identify leather farms that use practices

that fit the group's goals.

Often suppliers lack technology to be more sustainable, or they may not have developed a new more environmentally friendly method.

For leather goods labels such as Gucci and Bottega Veneta, Kering is also working on a new process for tanning that will reduce the use of heavy metals.

The conglomerate is doing its part to promote sustainability by partnering with a new technology company to develop innovative strategies for recycling fabric.

Textile waste is a significant problem in the fashion industry, and the pioneering start-up Worn Again is seeking to solve it once and for good by creating chemical recycling technology that will allow fabric to be repurposed. By partnering with Worn Again, Kering is reaffirming its commitment to ending textile waste in the luxury industry ([see story](#)).

Many of the brands, including Alexander McQueen and Brioni, have also begun using organic cotton, which has an environmental cost that is 80 percent less than conventional cotton. Kering has purchased the largest amount of fair mined gold by a luxury group, totaling 121 pounds, and it plans to continue working with mines.

Easily the most advanced brand in Kering's stable in terms of sustainability, British fashion designer Stella McCartney approaches her business with an innate sustainability mindset, which she explained to the audience at the 2014 FT Business of Luxury Summit.

From using wind power for a store to foregoing leather and PVC, Ms. McCartney considers environmentally friendly so automatically that she forgets she is doing it. This has become part of her namesake label's story, even if it is one that it does not overtly promote ([see story](#)).

While the E P&L includes data from 21 brands, Kering is choosing not to use it to compare brands or divisions, but rather to look at its entire impact as a group and help each individual brand map out its own strategy.

"What is important for us is really to be sure that every brand will reach its own target," said Marie-Claire Daveau, chief sustainability officer and head of international institutional affairs at Kering. "The journey of each brand will be different."

Final Take

Sarah Jones, staff reporter on Luxury Daily, New York

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