

CAPTURING THE IMPACTS OF CONSUMER USE
AND PRODUCT END OF LIFE IN LUXURY

K E R I N G



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INTRODUCTION

One of the complex topics for sustainability in fashion and Luxury is around the environmental impacts associated with the end of life of a product and the consumer use phase. There are many variants that can influence precisely how these impacts are generated including product care, product life span and product second life. These choices are driven by the individual consumer and determine a product's energy consumption, water use, chemical and micro-fiber release into waterways, and finally how the product is disposed. Choices for disposal of a product could be direct to landfill, or alternatively, it could provide an extension of the product's life through recycling or up-cycling, or even delivery to a secondary market for re-sell.

To understand the Luxury consumer's behavior around these product choices, Kering has launched the first major survey of its kind internationally and will extend the scope of its pioneering Environmental Profit and Loss (EP&L) account to also capture and measure the impacts of product use and disposal. The EP&L will then cover the full life cycle of a product from raw material creation all the way to consumer disposal.

BROADENING THE SCOPE

Historically, Kering developed the EP&L as an innovative tool to measure and quantify the environmental impacts from all its business activities within its own operations and across the supply chain, otherwise known as 'cradle to gate'. These impacts cover GHG emissions, water use, water and air pollution, waste and land use. The EP&L is a key enabler of a more sustainable business model and provides visibility on impact areas and regions, in order to better customize and target effective sustainability initiatives.

Following its initial analysis of environmental impacts from cradle to gate, Kering committed to extend the scope of its EP&L to cover the assessment of the impacts occurring during the use of products and their disposal as well. Kering launched a pilot study in 2015 focusing on the UK market and it was clear that further research and development would require a broader industry effort to better identify consumer behavior patterns and provide more detailed analysis. Based on this first pilot, Kering is enhancing its EP&L methodology and is launching a major survey to understand Luxury consumer behavior around product care, product life span and product second life. The objective is to ultimately highlight the different impacts resulting from individual choices and find ways to help clients reduce the environmental footprint linked to the use and disposal of the products developed by Kering's houses, whereby this could be extended to the Luxury sector overall.

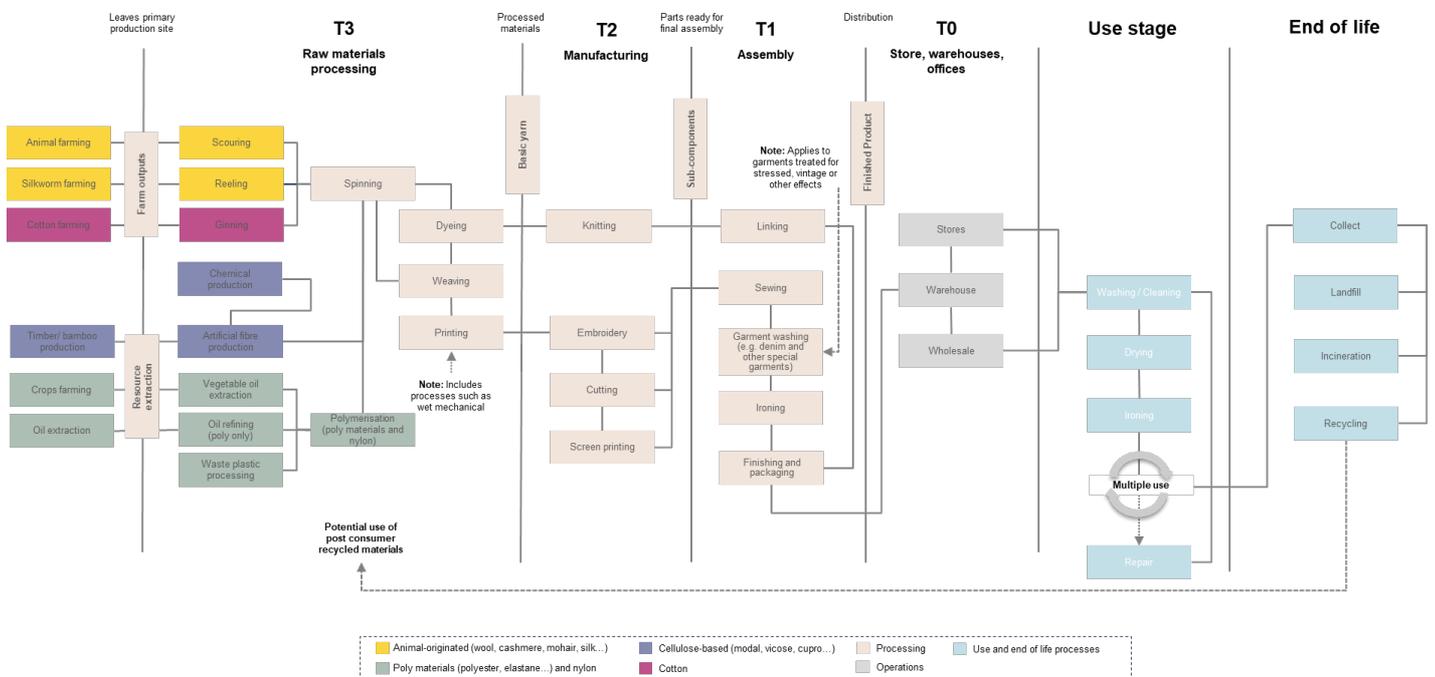


CONSUMER SURVEY

The Kering survey will cover Luxury consumers across six countries (France, United Kingdom, Italy, China, USA, Japan) and will target more than three thousand interviewees. Behavior trends, such as frequency of use, whether products were washed at home or dry

cleaned, frequency of ironing or steaming, product repair or second life will be assessed in four categories of products: ready-to-wear, leather goods, shoes and silk accessories. This data will help Kering build its approach to measure the environmental impacts via its EP&L and linked to the use phase and end of life.

Fig 1. Process map for ready to wear including use phase and end of life activities

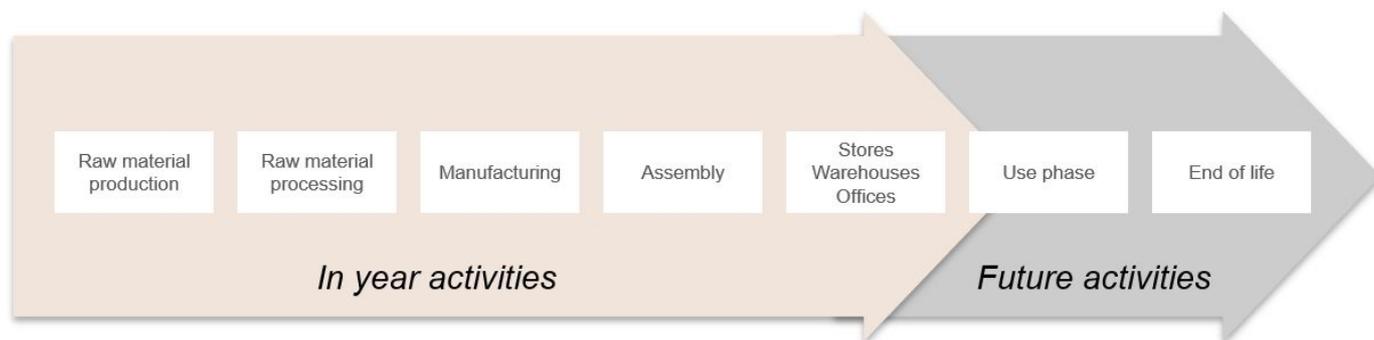


Production vs Consumption Perspective

Considering use and end of life impacts provides Kering with greater insight into the EP&L results.

There are two ways of looking at the impacts of product use and end of life: from the point of view of production or that of consumption.





Production

Taking a production perspective allows one to consider the full lifetime impacts of the products that are produced in a fiscal year. For example, if a leather bag produced in the year was used for five years and then thrown away, the output would be the net present value of the full five years of use and the disposal impacts.

This approach aligns with the existing EP&L view as it focuses on products produced in a year. Adding use and end of life impacts to the current EP&L enables, for example, the full lifecycle of environmental impacts from a leather bag from raw material creation to disposal.

But what about a leather bag which wears out after five years versus a leather bag which lasts ten years? Although the result might look the same using a production perspective, one would need to enable a comparison between those two bags considering their different life span.

Consumption

A consumption perspective on the other hand takes the useful life of a product into account. By looking at an annualized impact, a leather bag with five years of useful life has full lifecycle impacts divided by five, and one with ten years of useful life, divided by ten. Thus, under a consumption perspective, the bag with double the useful life would show half the overall impact.

This approach does not align with the current annual production view of the EP&L but does make it easier to see the environmental impact from the perspective of the consumer and the products they purchase.

Kering's Perspective

Both the production and consumption approaches are hugely valuable. Reducing the impacts of production has clear benefits to the environment and to society. Increasing the durability and long-lasting quality of products – which is inherently the Luxury proposition - helps tackle overall consumption. This is a key challenge for the fashion as a whole.

Consequently, Kering is developing an approach that is looking at both of these perspectives. Implementing this balanced approach will enable Kering to get a deeper understanding of its business and products, maintain consistency in the EP&L methodology as well and enable comparisons across products. For example, the consumption perspective could be applied when comparing the environmental impacts of different products while taking into account their lifespans. The production perspective on the other hand will guarantee consistency with the EP&L methodology when looking at the total footprint of production across a fiscal year.

Kering will also be considering all of the potential product pathways and associated environmental impacts of its House's products starting with the four categories outlined. Luxury products are often differentiated by their durability and quality, giving rise to thriving secondary markets, which help reduce overall consumption and environmental impacts. These secondary markets are growing and gaining popularity with consumers. Kering's survey will explore the extent of this behavior to enable a clearer picture of the full lifecycle and the environmental impacts associated with its House's products.



Based on the survey results, Kering will publish a report and share these learnings. Additionally, Kering will look to update the EP&L methodology to include this new consumer use and end of life aspect and open-source

it, as per Kering's opening-sourcing philosophy. PwC will support Kering with the development of the methodology and also the approach of how to include these additional insights from the survey into the EP&L.



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