

# CIRCULARITY AMBITION Coming Full Circle



KERING



# Summary

Moving away from the conventional model of “take-make-waste” is not only about recycling, but about rethinking the way we produce, use and extend the life of resources and products. Our circularity approach is completely aligned and in tune with our climate and biodiversity strategies. The three work together to create our framework for action.

A circular economy provides the opportunity not only to move towards a positive impact on resources, but also to innovate in order to better serve our customers and to further advance our sustainability goals. This is more than a strategy, this is a whole new mindset that reinforces what defines us: creativity, exceptional know-how, high quality.

We will increase the longevity of our products by supporting new business models designed to keep clothes in circulation for the longest possible time; design our products and materials so that they are durable and can be made again; accelerate the transition to regenerative farming practices which we are linking to science-based research, improving the health of our ecosystems as well as the livelihoods of those who work on the land; expand our repairs services. We are shifting our production practices to reduce waste, reduce energy and water use, and to eliminate microfibre leakage and single-use plastics.

As a business, we see the circular economy as an opportunity to create an industry fit for purpose for future generations, that works with nature rather than against it. We mean business and have set a series of targets to keep us on track: zero product destruction; 100 per cent renewable energy by 2022; zero single-use plastics by 2025; 100 per cent of raw materials to comply with the Kering

Standards by 2025; zero microfibre leakage by 2030.

We know systemic change requires investment, creative thinking and the will to change. In this document, we have outlined some of the initial, tangible, actions our brands are taking on a range of issues, from upcycling their waste materials to make new products, reviewing the cycle of the fashion calendar, looking at techniques for design for disassembly and enabling easier access to repairs and resale markets. We are investing in the Kering Regenerative Fund for Nature and creating training opportunities to ensure we have the future skills required for a circular system.

But we know it's not enough. This is about working together, not just for our brands at Kering but as an industry. We need open-source solutions and collective action. The Fashion Pact, which launched in 2019 – a global coalition of companies to stop global warming, restore biodiversity and protect the oceans – was a first step towards taking responsibility for the impact of our industry as a whole. In February, we announced the Made in Italy project led by the Apparel Impact Institute, to work alongside other brands to improve the efficiency, waste management and energy use of our suppliers.

We are collaborating with a range of experts, from The Microfibre Consortium to the Apparel Impact Institute, Fashion for Good and the Ellen MacArthur Foundation. We are engaging openly with Italy's leading environmental NGO Legambiente to ensure that our actions are underpinned by transparent auditing and that they ultimately lead to a shift in the way we operate, so that we can achieve the ultimate goal for a circular system – decoupling our economic development from the consumption of finite resources.



# Coming Full Circle

## Kering's Approach to Circularity

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### LUXURY THAT LASTS

#### DURABILITY BY DESIGN

**Kering Eyewear** designing for durability  
**MCQ** ensuring long-term relevance

#### A CULTURE OF REPAIR AND REUSE

**Ulysse Nardin** verifying authenticity  
**Pomellato** mending with gold  
**Brioni** a suit for life  
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#### BUILDING A BUSINESS MODEL THAT GIVES PRODUCTS A SECOND LIFE

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### REGENERATIVE SOURCING AND CLEAN PRODUCTION

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**Gucci** regenerating for the future  
Kering Regenerative Fund for Nature

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**Balenciaga** changing the system

#### MAKING MANUFACTURING PROCESSES CLEAN AND EFFICIENT

Clean by Design  
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Zeroing in on microfibre pollution

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### MAKING PRODUCTION PROCESSES MORE EFFICIENT

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#### REDUCING UNNECESSARY PRODUCTION AND ELIMINATING SINGLE-USE PLASTIC

Tackling single-use plastic packaging

#### REUSE/UPCYCLE/RECYCLE

**Gucci** Round and round  
**Saint Laurent** revitalising leather leftovers  
La Réserve des Arts

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# Context

The fashion landscape has changed irreversibly over the past two decades. The climate emergency is at the top of everyone's agenda and particularly that of the fashion industry, which has a significant impact in terms of use of energy, water and resources, and through chemical pollution. Compounding this, the Covid-19 pandemic has given the industry the opportunity to rethink its model. It has shown us how we are all connected, economically and socially, and indeed how our connection with nature is essential; the impact of the pandemic has been felt at every level – from the cotton fields to the textile mills to the shop floor. The enforced pause in the fashion cycle has given brands and designers the opportunity to stop and reflect and take stock. Though there was much we were already doing before the pandemic, the last year has focused our attention more acutely on “re-building better”. It has highlighted the importance of resilient supply chains and the need for traceability and accountability across the supply and production process as it has shown us that we need to act fast to keep the threat of pollution and global warming under control. We know that we must be more respectful of the relationship between fashion and the natural world – by understanding our dependence on nature, halting our negative impacts and acting to restore and regenerate natural systems and processes. We know that we can change the way we source raw materials – our cotton, cashmere and leather – to drive positive outcomes for both nature and livelihoods.

Kering, which has for more than a decade been at the forefront of leading innovation and investment into accounting for the environmental impact of its brands, has been taking its responsibility – to measure and re-

duce greenhouse gas emissions, limit its use of natural resources and safeguard the environment for the future – very seriously. While policymakers are beginning to act with greater decisiveness, bringing in legislation designed to stop the use of single-use plastics, ensure that products and materials are not destroyed unnecessarily and that products are repairable and recyclable, Kering is already committed to being accountable across these key areas. With only a few years left till 2030, the point at which the entire industry needs to have pivoted to climate- and nature- positive approaches if we are to meet the UN Fashion Industry Charter for Climate Action and Paris Agreement goal to limit global warming to 1.5 degrees, the urgency is great. We need to have the strategic and measurements frameworks in place to act decisively and effectively on a series of actions that restore ecosystems and biodiversity while mitigating climate change by nurturing the relationship between us, our clothes and nature. Kering understands the challenges ahead.

The attitude of customers is changing, too. New generations have different priorities and role models. Social media has become a place to question and challenge systems, perspectives, inequalities and injustices. At the same time, there is a greater awareness of the interconnectedness of the climate, the environment and the way we consume – and the impact of the clothes we wear and how we care for them.

It is in this context, and guided by the Ellen MacArthur Foundation's report *Vision of a Circular Economy for Fashion*, that Kering is working on a holistic and strategic approach to changing the linear “take-make-waste”

model to one that keeps products and materials in use while regenerating nature. The action starts with the soil, promotes biodiversity, educates its brands and designers on materials and the durability of design, explores closed-loop systems, considers microplastics, eliminates single-use plastic and invests in new technology and new skills to recycle and regenerate materials efficiently and cleanly. It brings into play a support system that offers repairs and incentivises resale to ensure that every product fulfils its potential for the longest life possible. It recognises the need for a new rhythm to the fashion calendar, allowing time for creativity and experimentation. For Kering, circularity is more than a strategy. It is a new mindset that focuses on innovation, creativity and responsibility to design out waste, regenerate the soil and reinvent the way we use – and reuse – materials.

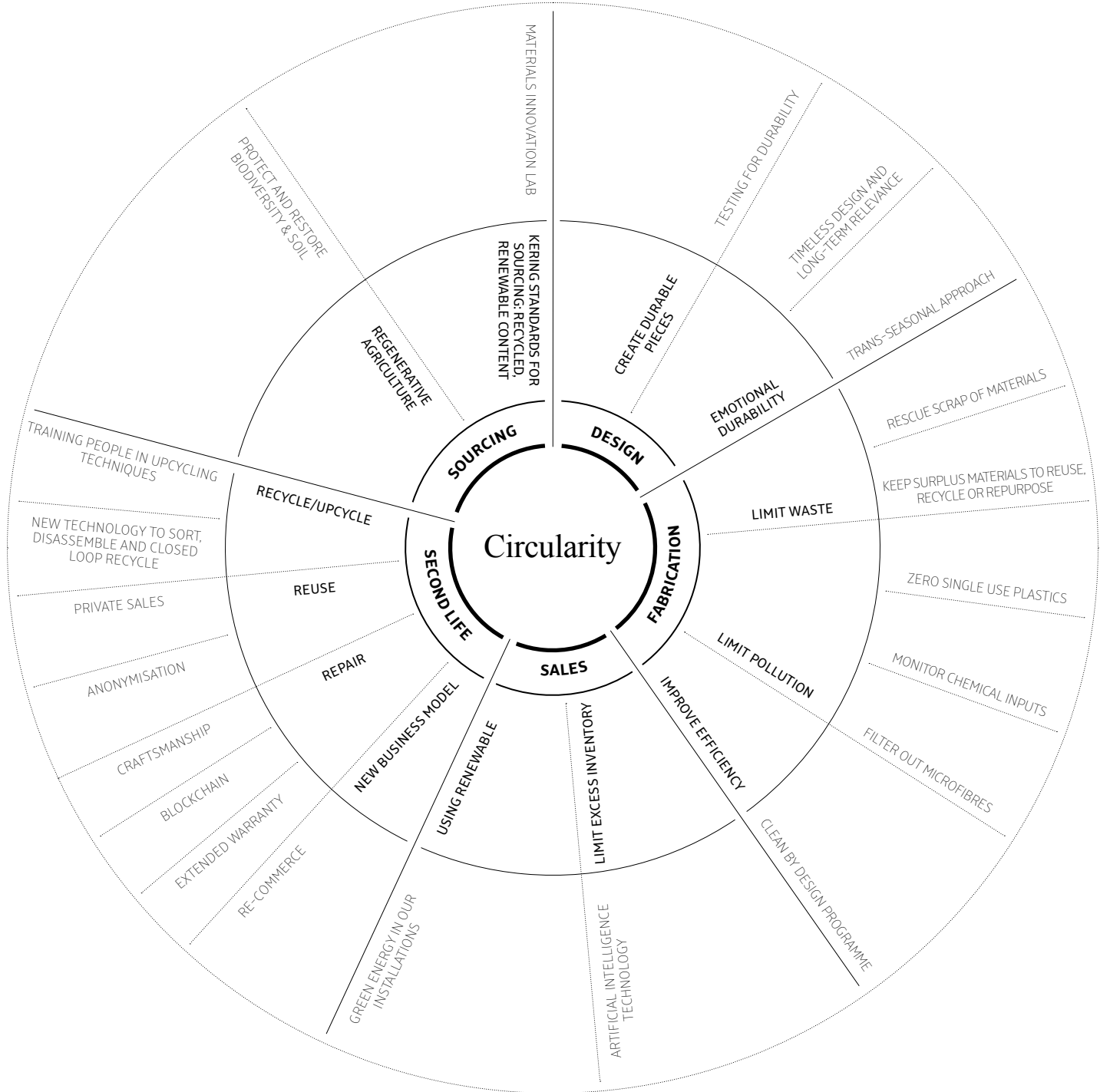
Kering has already made headway in piloting projects that promote circularity, but we are deepening those initiatives. We are introducing new technology and ideas and creating a honeycomb of systemised solutions that all of our brands can easily access and implement so they can share knowledge and resources.

We believe that a pioneering and radical circular approach is essential to build a luxury fashion industry for the future that is fit for purpose, and that works with nature rather than against it. We do not pretend to know all the answers and are actively seeking to collaborate with others who have more knowledge and expertise. Most importantly, we are determined to take risks, regenerate, experiment and invest for the future of our industry and the planet as well as the wellbeing of the world's population.



# Coming Full Circle

## Kering's Approach to Circularity



# 1

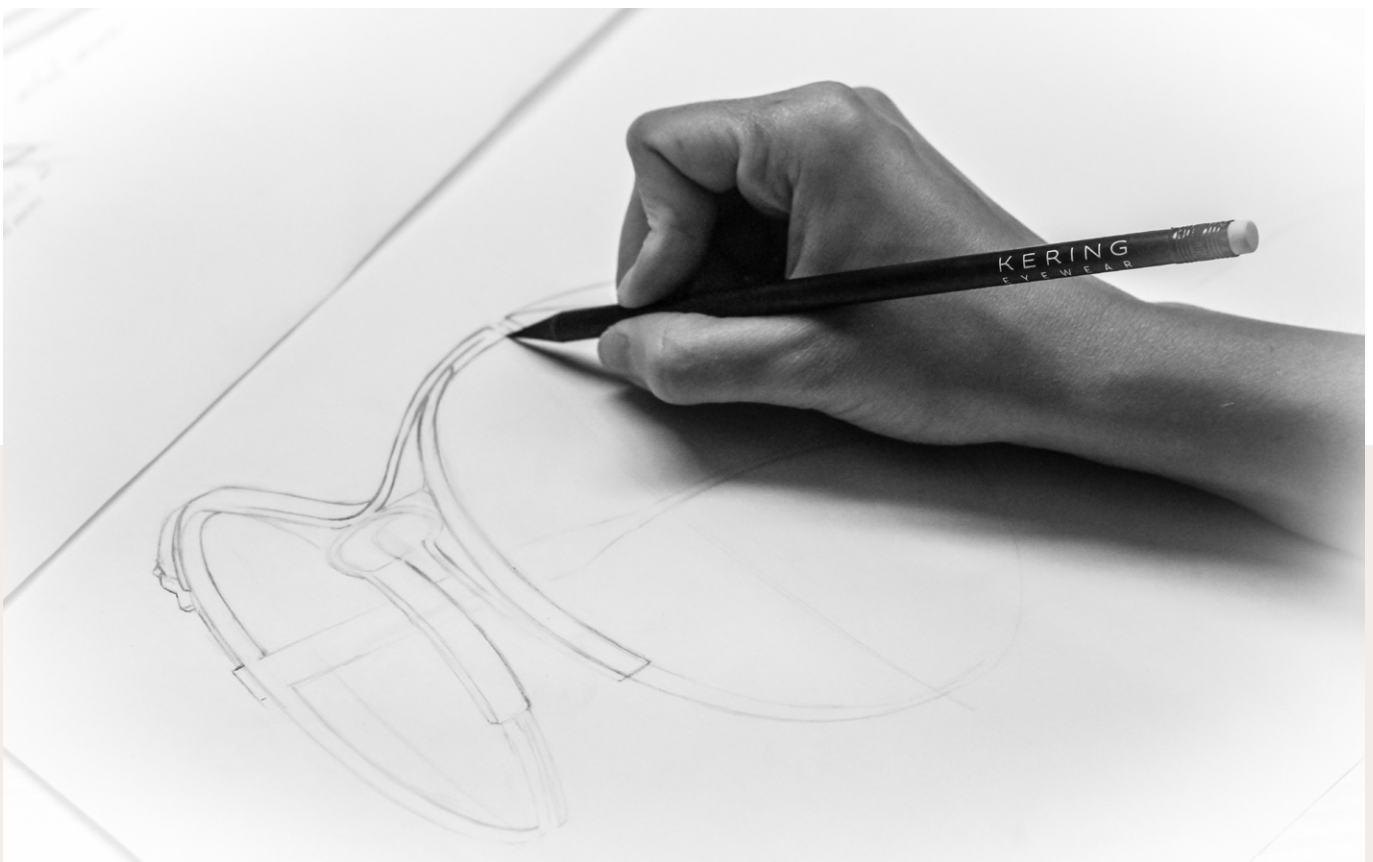
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## LUXURY THAT LASTS

Of the three pillars in the Ellen MacArthur Foundation's 2017 report *A new textiles economy: redesigning fashion's future*, a priority for the luxury industry if it is to make collective progress is that clothes should be “used more”. In practice, this means that products need to be kept at their highest value for the greatest amount of time, using, for example, repair services and business models such as re-commerce. We recognise the responsibility to design products with durability in mind, in terms of physical longevity and repairability, while making sure that a product has long-term relevance and desirability. To achieve this, we carry out numerous tests to guarantee quality and assure longevity. In addition, we are mindful of excess inventory – and technology is helping to predict more precisely production levels so that we keep unnecessary production to a minimum.

## 1.1 DURABILITY BY DESIGN FOR TODAY AND TOMORROW

Measuring the physical durability of one product compared to another is tremendously challenging. Quality control tests are carried out by our brands to ensure the long life of our products, and to extend this, in April 2021, we set up a new Test Innovation Lab in Prato, just outside Florence, to be at the forefront of testing technologies for safety and durability.



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### Kering Eyewear: designing for durability

Glasses are a specific category, designed with both form and function in mind. Kering Eyewear must have long-lasting durability as well as long-term appeal aesthetically. Frames are tested to a high degree – during the design phase, technical feasibility is carried out on both sunglasses and optical frames using 2D and 3D CAD to verify functionality and aesthetics; then resistance tests are done on real samples to check for breakage and fading so that we can make

sure a product stays in pristine condition for the longest possible time as well as being confident that it is built to last.

We have developed an internal roadmap to develop new materials in line with the *Kering Standards for Raw Materials and Manufacturing Processes* to improve the environmental impact of our frames and we have been able to test and explore a range of new materials with several success stories.

To ensure quality control and consistency across design, materials, safety, comfort and technical features, we have established a selected network of strategic suppliers. To have full visibility and control of all the materials and components used throughout this very complex supply chain, Kering Eyewear developed – and has been continuously investing in – the first blockchain platform in the industry.





Measuring and qualifying the durability of a product continues to be a complex issue. Keeping a product in use for longer – and ensuring that it is designed to last – requires the best-quality materials, the highest levels of craftsmanship and time to think and consider how it will be worn and used. There is a perception that luxury products have a higher physical durability, but it is essential to us that we are able to quantify that, so that we can improve our products by using this measurement as part of the life cycle analysis for environmental footprint labelling or of our Environmental Profit & Loss tool, which measures and quantifies our environmental impact. For this reason, we are launching the first research programme on physical durability of luxury products with the Institut Français de la Mode, so that durability of our materials and products can be investigated more thoroughly. The resulting research, to be published over the next three years, will help better inform us and our brands so we can keep improving our practices.

“Keeping a product  
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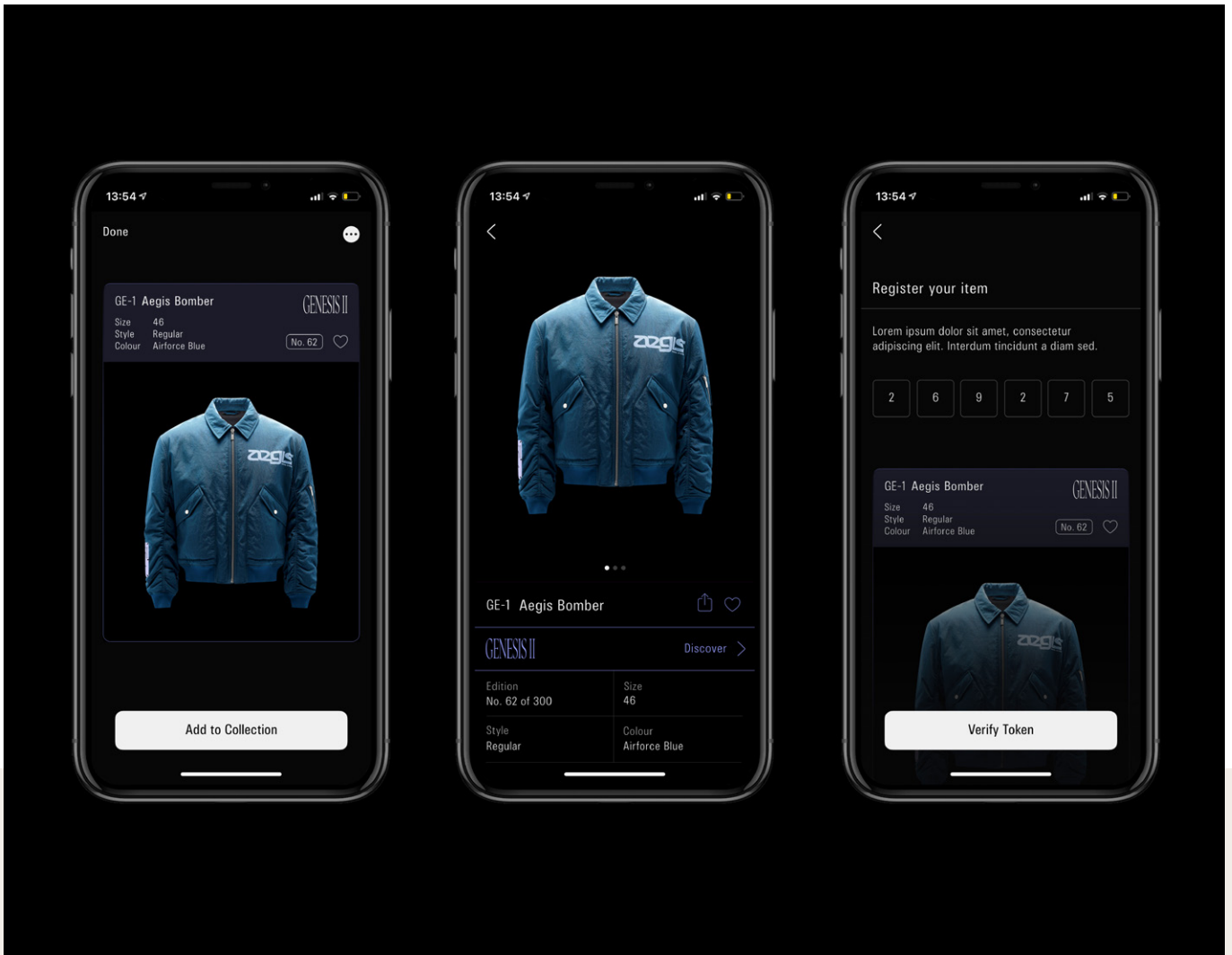
### **Long-lasting appeal**

Products should be designed to have long-term appeal to last physically as well as emotionally. Fashion might be about a fleeting moment, but a new generation of consumers is looking for a more meaningful connection – an emotional attachment. Collections need to be designed with a level of continuity, so that a garment or accessory might be re-worn in a few years' time, or styled with something from a previous collection. We have always sought to design iconic pieces with the aim of building a unique “vestiaire” that transcends seasons and fashion. Our circular approach to luxury is – and always has been – about making luxury pieces that stand the test of time.

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## MCQ: ensuring long-term relevance

When MCQ launched its first collection in September 2020, it was created as an entirely new system of making and marketing fashion, designed to break away from traditional models, seasons and systems in order to give each item of clothing its own currency and credibility.

MCQ integrates blockchain technology, essentially a means of storing and transmitting information, into the collections – or icons, as they are called – so that each piece of clothing can be tracked every step of the way. An NFC (near-field communication) tag allows a garment to become a piece of media, complete with videos, music, a launch party; and tells its own story, from its number in the production

line, when and where it was made, where it was sold, who designed it and who owned it. Ownership can be registered publicly or anonymously. The owner then becomes part of a community who can see each other's digital wardrobes and collections. Eventually, the MYMCQ platform will allow pieces to be sold or traded peer to peer, with every icon existing as part of a network of stories and collaborators. In this way, collaborators and owners become as important as the item itself, giving each piece its own currency.

Each numbered item exists inside the MCQ universe to collect, swap, sell or keep. Its relevance endures beyond a season or a trend, and connects the owner to a social network of the creatives involved. Every icon – and there

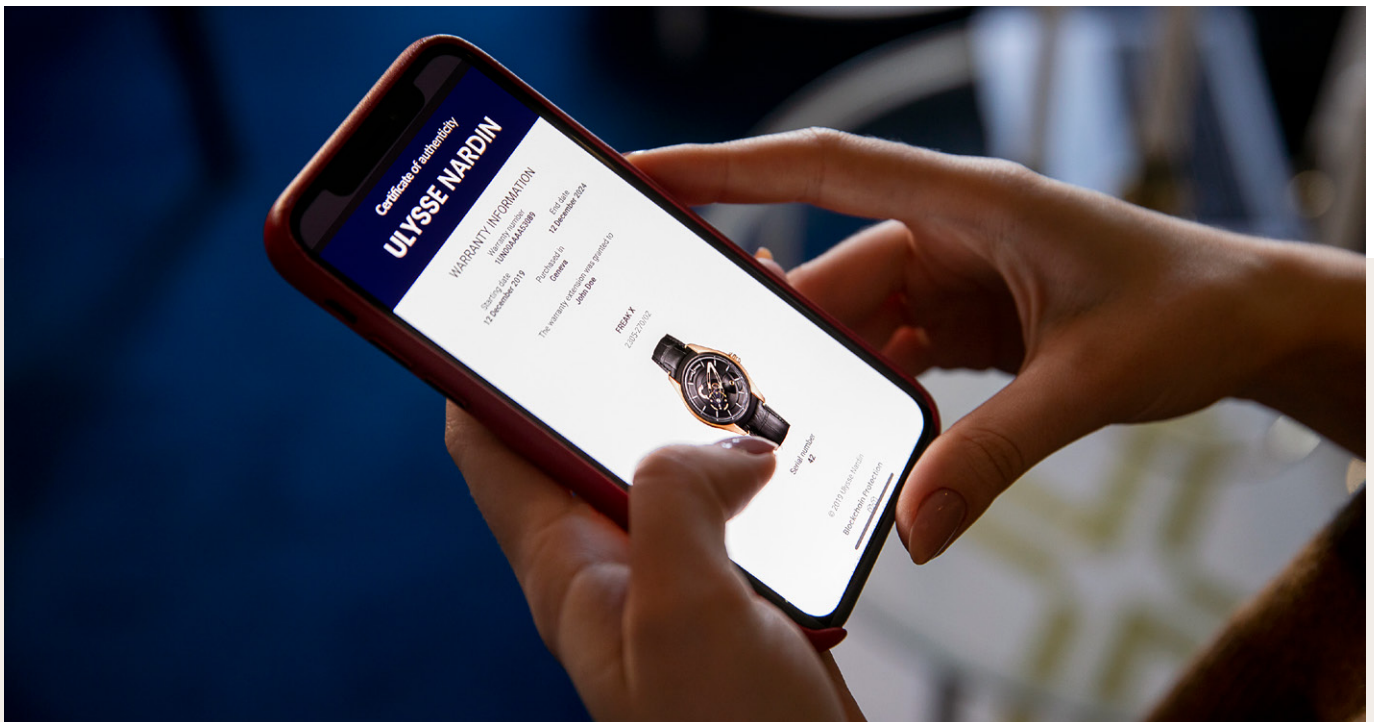
might be two or three icons in a cycle – is designed by a new creative or team of creatives from the worlds of music, art, fashion, photography and film. The second collection, or icon, Genesis II, for example, lists five collaborators and three organisations as the creative team that designed it, including the London-based vocalist Shygirl and the poet and spoken word artist James Massiah. It will continue to exist within the platform alongside future icons.

MCQ is rethinking conventional business models, including packaging – items have the same packaging from production all the way through to the consumer, the idea being that the packaging travels with the garment as its life cycle continues.



## 1.2 A CULTURE OF REPAIR AND REUSE

A new interest in the culture of repairs is making the simple act of sewing on a button part of a more responsible way of looking after our clothes. And customers do want to be seen to be looking after their clothes and accessories as much as with their precious items such as watches and jewellery. This approach, which is aligned with the principle “used more” in the Ellen MacArthur Foundation’s *Vision of a Circular Economy for Fashion*, is one that we share, and all our brands, big and small, have excellent repair services as standard after-sales care. We are using the latest technology to extend the warranty of a watch, guaranteeing its authenticity and owner history. And in the case of jewellery, we are looking back at ancient techniques to upcycle damaged gemstones with the help of master craftsmanship.



### Ulysse Nardin: verifying authenticity

Developments in blockchain technology are transforming what we can offer in terms of warranty, and this is a very exciting development. We can already see how it might benefit the customer at Ulysse Nardin, where blockchain is allowing us to keep track of the authenticity of a watch, and, in the near future, to pass that warranty on to the next owner. It is the first time that a luxury watch brand has used blockchain

– a system of recording information that is impossible to change – to create a global database of information, such as warranty and after-sales care, about each watch that is tamper-proof and which provides the customer with secure verification of authenticity as well as a record of maintenance. This database also provides validity of ownership and other information should a client wish to sell their watch.



“At Pomellato, broken stones are being given new life as beautiful, poetic, one-of-a-kind jewels that celebrate their fragility and flaws.”



## Pomellato: mending with gold

Pomellato Kintsugi is a collection that shows the beauty of repairs. So that precious gems are never wasted or discarded, Pomellato has applied the ancient art of kintsugi, a traditional Japanese mending technique, to up-cycle damaged gemstones, including jet and kogolong, which would otherwise be discarded, employing a Japanese artist to mend the stones using gold. The technique originates in 15<sup>th</sup>-century Japan and is an expression of the Japanese philosophy of resilience and compassion. “Kin” means gold and “tsugi” means to mend. Pomellato’s Creative Director was drawn to the elegance of Japanese thinking

and the idea of something broken becoming more precious through this ritual of repairing.

While it is perfectly normal for gemstones to contain flaws and inclusions, broken stones are being given new life as beautiful, poetic, one-of-a-kind jewels that celebrate their fragility and flaws with the highly skilled application of gold to join the pieces back together again.

Repurposing, rather than discarding, is so relevant to our own lives and our commitment to sustainability.



Indeed, after-care and access to repair services are an integral part of our approach to circular fashion in luxury. As part of our commitment, we have created specialist repair hubs for our customers located in China (one in Shanghai – see below – and another in Hong Kong) and America (at our US headquarters in Wayne, New Jersey). This is intended to provide a localised service and an immediate solution for clients, offering the same services as the brands provide at their ateliers, with skilled craftspeople who see repairs as part of the art of creating, and who are specially trained by experienced Italian technicians to carry out these repairs. The technicians themselves are trained by the Kering after-sales team and the brands' ateliers in Italy, learning the skills required to make a bag or a pair of shoes. In addition, the workshops are fully equipped with state-of-the-art machinery.

We have plans to open further repair hubs in Dubai and in Europe, staffed by our trained artisans, and additional support will be given to suppliers through our brand-new logistics hub in Trecate, north-west Italy, 50km from Milan. We already provide a service for re-soling trainers, and several brands now have pilot schemes which offer trainer cleaning and maintenance. Our after-sales service helps to create brand loyalty and is part of a system designed to extend the life of trainers and keep them looking pristine for longer.

For all our brands, after-sales is part of the circularity approach, and it is extremely important to us as a company to ensure that items are kept in use or keep their value for resale. We are committed to expanding accessibility to our quality repairs and renovation services as part of the customer journey and experience.



## Kering's Shanghai Repairs Centre

**In Shanghai, our after-care services have been widely used in the past four years. In 2020, the hub repaired 20,000 items. This number looks set to rise to 25,000 in 2021, an increase of 25 per cent. If an item is vintage it is possible to check with the brand, and if the material is still available, the item can be fixed.**

**Problems such as damage to stitching, repairs to handles or faded colour can all be corrected as part of our after-sales commitment and two-year warranty. To help recruit craftspeople with the right skill level, we are in discussion with a university to put in place an apprenticeship scheme.**







## Brioni: a suit for life

Each Brioni suit purchase marks the beginning of an enduring relationship between the client and the House. A Brioni suit is designed to evolve with the wearer, as the seam allowance can accommodate for a lifetime of alterations to adapt to changes in body shape. Moreover, any rip, frayed pocket edge or damage caused by everyday wear and tear can be repaired or reconditioned.

This unique approach to repairs and after-care service subscribes to the concept of slow luxury. There is respect for the quality of the fabric and its sourcing, the tailor's craftsmanship and the experience of a client's changing needs. Customers are given advice on how best to

take care of their suit, coat or shirts. It is an exchange between the client and the House which ensures that garments are cared for over the years. Brioni offers a pit stop for an alterations and reconditioning service, including quick repairs in most of its stores across the world.

For bespoke, clients have the opportunity to select fabrics available in limited quantities from earlier seasons. In this way, Brioni and the client team up to avoid sourcing new materials and thus lessen the environmental impact. In the spirit of circular fashion, Brioni also donates leftover fabric to NGOs and fashion schools.



## 1.3 BUILDING A BUSINESS MODEL THAT GIVES PRODUCTS A SECOND LIFE

There is a range of new business models emerging across the fashion industry – from subscriptions and rentals to re-commerce. When you buy a quality item and look after it, the chances are it will keep its value, and that is why the entire life cycle of a product is so important to us at Kering, one of the principles of our EP&L. Our vision is that the second-hand market becomes a service and an opportunity for our luxury brands. We can authenticate – and give value – to a product, that the customer can then sell on, either through a service that we offer or using the information we provide.

Elevating and promoting the experience of buying luxury items second hand makes perfect sense for leather goods as well as for ready-to-wear. *A new textiles economy* notes that a circular economy “entails gradually decoupling economic activity from the consumption of finite resources, and designing waste out of the system.” The report found that doubling the average number of times a garment is worn would reduce its greenhouse gas emissions by a staggering 44 per cent. Our consumer survey *Capturing the Impacts of Consumer Use and Product End of Life in Luxury* has shown that, on average, some 65 per cent of luxury products are given to a friend, resold or donated to charity. It shows that a significant proportion are already being given a “second life”.

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According to Vestiaire Collective, the leading global luxury resale platform, an individual can reduce the environmental impact of a bag by more than 90 per cent when they buy it second hand as compared to buying new.

While we cannot dictate how many times a piece of clothing is worn, we can create simple ways for clothing to be kept in circulation, which is why, in March 2021, we announced an investment in Vestiaire Collective. It is both a business opportunity and an important signifier of how seriously we take the secondary market in luxury goods. In the US alone, the number of second-hand pieces in people’s wardrobes is predicted to grow from 21 per cent in 2021 to 27 per cent in just two years’ time, with the value of the second-hand sector forecast to be worth more than \$60 billion by 2025.

The fashion community identified by Vestiaire Collective as a core part of its customer base are people who want to reduce their consumption habits and who understand the inherent longevity of well-designed, quality items. We share these values; and view the re-commerce market as one of the main links in the circularity chain, and are seeing resale as both an entry level for a new generation, as well as a thriving ecosystem to promote ideas and practice around care, maintenance, repair and reuse.

Ultimately, there are many ways of bringing re-commerce into the DNA of a brand and each of our teams has its own approach to the business opportunities presented by after-care services, repairs, finding ways to take back and resell pre-loved pieces, and to the introduction of a new flexibility and understanding that is bringing with it a whole new approach to aesthetics, creativity and artistic vision.







## Alexander McQueen & Vestiaire Collective: keeping loved clothes in play

There is a holistic approach to circularity from within Alexander McQueen that looks at the whole cycle, starting with the materials themselves and continuing into perpetuating the garment's life. In February 2021, Alexander McQueen launched a pilot scheme with the luxury re-commerce platform Vestiaire Collective in which the house invited McQueen customers to sell their pre-loved pieces in return for store credit.

The innovative programme aims to make it easier for client to resell their garments and

accessories – as part of the service, the items are picked up from the client and the pieces are authenticated and bought by Alexander McQueen Vestiaire Collective, and a credit is immediately issued, so the client doesn't have to wait for the resale to happen. The items are tagged with an NFC tag for future clients to know the product has a confirmed authenticity. Users understand they are participating in a circular economy, extending the life of their clothes and accessories, and ensuring they look after those pieces while they are in their care.





## How re-commerce works as part of the service of luxury

Re-commerce is being included in the business plans of our brands and creating a new dynamic creatively, too. We believe that pre-owned luxury is integral to the culture of how a new generation of customer is shopping with sustainability in mind. As part of our strategy to ensure that there is a strong ecosystem to continue the lifespan of our clothes and accessories, in March 2021 we invested in Vestiaire Collective. It announced a €178 million financing round backed by Kering and Tiger Global Management to accelerate our growth in the second-hand market and to drive change for a more sustainable fashion industry. By investing in Vestiaire Collective (with an approximate 5 per cent stake) and by being represented on the platform's board of directors, Kering is illustrating its pioneering strategy, supporting innovative business models, embracing new market trends, demonstrating the impact of the resale market to feed into our EP&L, and exploring new services for fashion and luxury customers.

We embrace this new culture of mixing new pieces with pre-loved items and see this mix of old and new as a future direction of retail, with a shift from the seasonal must-have purchase to a more fluid, trans-seasonal approach.

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## A HOLISTIC APPROACH — REGENERATIVE SOURCING AND CLEAN PRODUCTION

At Kering, we believe that it is no longer sufficient merely to say that the industry is minimising its negative impact in the natural world: we must do better and act to restore and protect nature, which is why we are prioritising regenerative agriculture, committing to agricultural resilience and protecting the earth. Healthy soil is the starting point for the natural and renewable materials we use. These already account for more than 90 per cent of all those we source, particularly cotton but also leather, wool and cashmere, which all come from grazing land.

Regenerative agriculture is a way of growing crops and grazing animals that, by working with nature, ensures the health and long-term viability and resilience of the land and the wellbeing of those who tend it. The focus on restoration and regeneration of nature is about “doing more good” through agriculture rather than simply “less bad”. As well as preventing soil erosion caused by intensive conventional farming methods, it most importantly improves the livelihoods of the farmers as well as looking after the welfare of their animals. We also believe at Kering that we can build regenerative approaches that include wildlife – regenerative farming is not only about the soil and the plants, but also about allowing the co-existence of wildlife and farmers.

We believe that circularity begins with materials – to design products that last, we have to make sure that these are not just high quality but are also cultivated in a way that restores and respects nature – and, we believe, this should extend to the entire production process. As one of the fundamental principles of a circular approach, we are speeding up the transition towards regenerative agriculture across our supply chain.

One of the most important points about regenerative farming is that it can lead to a net positive impact in terms of carbon and greenhouse gas emissions for materials that are grown and grazed appropriately. We have strict standards for the raw materials we use – with the goal of setting the bar high and supporting continuous improvement with our suppliers. As a first step we are committed to maximising our use of materials that are verified or certified as organic, regenerative and regenerative organic. We are also providing training and expertise for our brands to give the most up-to-date strategies, from sourcing materials to upcycling, including workshops with external specialists such as Circular.Fashion<sup>1</sup> and the Sustainable Angle<sup>2</sup>.

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### **Switching to renewable energy and increasing efficiency**

Ninety per cent of all the electricity used in our own operations worldwide is already renewable, and we have committed to achieving 100 per cent renewable energy by 2022. To increase energy efficiency and manage waste in our manufacturing processes with our supply chain, we are working closely with the Clean by Design programme, which looks at water pollution and carbon emissions across the industry, to improve outcomes in our textile mills.

In addition, Kering is taking seriously the problem of microfibre fragmentation from textiles as part of the circular economy’s key commitment to protect our ecosystems. We are collaborating on a pilot scheme to filter out microfibres.

<sup>1</sup> Circular.Fashion is a start-up agency, accelerated by Fashion for Good, that delivers a range of solutions to the fashion industry on circularity.

<sup>2</sup> The Sustainable Angle is a not-for-profit organisation which aims to initiate and support projects that lower the environmental impact of the fashion industry. Its main project, the Future Fabrics Expo, has become the largest dedicated showcase of innovative and sustainable material solutions for the fashion industry.



## 2.1 WORKING WITH NATURE

Kering’s Environmental Profit & Loss tool shows that our biggest environmental impacts happen in tier 4 of the supply chain – that is, with the goat herders, in the cotton fields and the cattle pastures where we source our cashmere, cotton and leather. Thirty-two per cent of Kering’s environmental impacts relate to potential biodiversity and land use impacts, mostly from the production of raw materials in tier 4 of our supply chains. We have the opportunity to change the systems to generative positive outcomes through nature-based solutions.

To accelerate our transformative action, Kering and Conservation International have launched the Regenerative Fund for Nature. By 2025, we will transition one million hectares of current crop and grazing land into regenerative farming practices that restore nature and mitigate climate change. This represents about three times our total land footprint.

“The focus on restoration and regeneration of nature is about ‘doing more good’ through agriculture rather than simply ‘less bad’.”






## Gucci: regenerating for the future

As part of its Natural Climate Solutions Portfolio, Gucci is funding and incentivising farmers to switch to regenerative agriculture through “carbon farming”. As an example, Gucci has funded wool growers in Patagonia to enable them to convert to regenerative grazing on 1,800 hectares of grasslands, which will promote soil health, water quality, increased biodiversity, animal welfare best practices

and carbon sequestration for the long term. Looking within its own supply chain, Gucci has also taken a first significant step in a broader, long-term strategy for regenerative agriculture: with a goal to source regenerative raw materials for its products, the House has been working on feasibility studies to identify and scale up regenerative agriculture projects within its sourcing regions.







“The soil is the starting point for circularity.”

## Kering Regenerative Fund for Nature

The soil is the starting point for circularity with raw materials grown in a way that sequesters carbon from the atmosphere and stores it in the soil, thereby reducing greenhouse gas emissions. Regenerative farming makes use of organic compost and natural fertilisers, removing harmful chemicals and pesticides from the land. These chemical inputs impact badly on the farmers, both on their health and their wallets. Removing them makes sense all round.

We are committed to reducing our overall environmental footprint and we know from our EP&L that our biggest challenge is how we use land. The Regenerative Fund for Nature aims to catalyse change in how we use the land in the future – not only within our supply chains but beyond. By supporting producers who are cultivating important materials (cotton, cashmere, leather and wool, for example) as they test our approach to move towards more regenerative practices, we can deliver many “co-benefits”, including enhanced soil health, restoration and protection of biodiversity, climate change mitigation and improved rural livelihoods. The work of the fund draws on our decade of experience in sustainable sourcing across all our supply chains and the partnerships that we have built, including our long-running programme for sustainable cashmere production in South Gobi, Mongolia, and our collaboration with Savory Institute that supports the pioneering Ecological Outcomes Verification (EOV) as a way to measure outcomes. We ask: Is the soil getting better? Is biodiversity improving?

With the Regenerative Fund for Nature, we will provide grants to support producers at the front lines of agricultural change in 17 countries, to grow fibre, as well as to provide pasture for animal grazing, focusing on wool, leather, cotton and cashmere. We want to show that livelihoods and biodiversity can be changed for the good through better soil management and by supporting local farmers through impactful transformations. These projects will be a way of scientifically measuring the positive effect of regenerative farming and will contribute to showcase regenerative raw materials as the foundation for circularity.



## 2.2 SETTING STANDARDS FOR CIRCULAR MATERIALS

Kering Standards for Raw Materials and Manufacturing Processes presents clear criteria and best practice for every material we use, from cotton to gold. In 2017, we committed to 100 per cent alignment with the Kering Standards by 2025.

Circularity is one of the three principles that underpin the Kering Standards, alongside integrity and the application of the precautionary principles. The Kering Standards drive the use of raw materials that are preconfigured for circularity, meaning that they start their journey without depleting resources, they are renewable from regenerative production or their feedstock comes from recycled waste (pre-consumer or post-consumer). Through our standards and criteria that outline “best in class” sourcing practices, we aim to promote the use of materials that are entirely decoupled from an extractive and wasteful production and are instead regenerative.

The Kering Standards have a progressive approach, from minimum requirements to additional conditions. They are designed to highlight the continuous progress needed by our industry. Each year, we are making improvements, from better land management practices to organic and regenerative agriculture. We need to go further, and Kering is currently working on circularity indexes that measure each step of the processes and provide life cycle assessment. And just as the Kering Standards, these indexes will be drafted with experts and will be made public for greater scrutiny.

“We committed to 100 percent alignment with Kering Standards by 2025. Circularity is one of the three principles that underpin the Kering Standards.”







## Balenciaga: changing the system

The Balenciaga design team's core practices are already made up of several circular techniques. Continuing its ongoing research, the team has recently taken part in two workshops: one prepared by the sustainability team, and a second, more operational one, with Circular.Fashion, an external agency that delivers a range of solutions to the fashion industry, including strategies to achieve material and product cyclability, emotional durability and longevity.

Balenciaga has established a well-developed strategy to improve its material efficiency. The first step was to merge the men's and

women's collections, minimising the environmental impact of production. The next step was to design two seasons' collections simultaneously, so Summer and the following Fall are designed at the same time. This allows for much greater efficiency in terms of materials used across the collections – a decrease in types of fabrics used and a reduction in metres of fabric used for sampling because the same fabrics are being used more widely. This merging of seasons and genders also keeps continuity, ensuring that clothes and accessories fit together from one season to the next and remain relevant to both the Balenciaga universe and in the wearer's

wardrobe over a longer period of time.

Balenciaga's Summer and Fall 21 collections use both certified sustainable materials and significant upcycling of second-hand clothes. The concept was to create something extraordinary from the most ordinary of inputs. Of the plain materials used in the collection, 93.5 percent are either certified sustainable according to Kering Standards or upcycled from its own obsolete fabrics and from purchased deadstock of military surplus boots, motorbike trousers and women's leather shoes. One hundred per cent of the print bases have sustainable certifications.



## 2.3 MAKING MANUFACTURING PROCESSES CLEAN AND EFFICIENT

The Ellen MacArthur Foundation's *Vision of a Circular Economy for Fashion* calls for products to be manufactured using "safe and recycled or renewable inputs". By safe, we mean free from hazardous substances, and Kering has been phasing out such hazardous chemicals in our supply chain. We were among the first in luxury to implement a Manufacturer Restricted Substance List, which goes beyond the industry standard to include chemicals used in the production process so as to minimise their impact on workers' health and on the environment, not just on the finished product. As part of the RE100 initiative, led by the Climate Group and the Carbon Disclosure Project, which we joined in 2020, Kering has pledged to use 100 per cent renewable energy by 2022, switching to, and investing in, renewable energy suppliers; and producing renewable energy on our own sites through rooftop solar panels.

Another key pillar of circularity is that waste and pollution are eliminated from production processes. Overall, according to the Global Fashion Agenda and McKinsey report *Fashion on Climate*, the fashion industry is responsible for 4 per cent of the world's greenhouse gas emissions. The main environmental issues occur in the textile mills, with dyeing and printing using significant volumes of water and chemicals. Spinning and weaving are also energy intensive. To tackle these issues, Kering joined the Clean by Design initiative in 2015 and we have introduced the programme to a number of our suppliers with impressive results.





## Clean by Design

Clean by Design was launched in 2009 by the Natural Resources Defense Council, a leading NGO in environmental protection, specifically to target water pollution and carbon emissions caused by the fashion industry. Clean by Design provides a clear methodology to manufacturers and textile mills on how to save water and energy and how to reduce chemical inputs, while also improving overall efficiency. Kering joined the project in 2015, working with 25 Italian mills which specialise in processes such as spinning and dyeing who are our key suppliers.

Between 2015 and 2018, we saved 8,000 tonnes of carbon a year, an average reduction of 19 per cent of greenhouse gas emissions, and made a transition towards natural gas or wood in place of oil. It made sense to extend the programme to other suppliers, including six wool and silk workshops in 2017 and two Italian jeans manufacturers in 2018. In February 2021, as part of our ongoing commitment to increase collaboration across the industry, Kering joined forces with other brands in partnership with the Apparel Impact Institute (Aii) to bring Clean by Design to a further 20 Italian manufacturers. We aim to invite more luxury brands to join us in this collaborative “Made in Italy” effort, as it is a challenge that needs to be met across the industry. We cannot do this alone, but we will lead by example.



## Working with Legambiente, Italy's leading environmental NGO

Kering's Made in Italy Clean by Design project announced in February 2021 in collaboration with Burberry and Stella McCartney and led by the Apparel Impact Institute is being overseen and coordinated on the ground by the Italian environmental NGO Legambiente.

This is the first time Italy's leading environmental NGO has worked with the clothing and textile industry, even though our industry has one of the biggest impacts on air quality and the health of our waterways. It will use a scientific approach to the analysis of data to ensure the process is being run correctly and transparently.

The programme, funded by the three brands and open to others to join, is designed to develop real and concrete actions to improve the efficiency and sustainability of the mills taking part. It also raises awareness across the Italian textile industry that it is possible to clean up, improve efficiency and reap financial rewards.

The Aii Clean by Design programme is a continuous process which goes far beyond the initial energy and conservation measures to bring circularity and closed-loop systems to manage water waste legally and efficiently. While this initial collaborative programme will start with some 20 mills, it will be an ongoing process, with more mills added as more brands come on board to fund it within their supply chains. Mills are not used exclusively by one brand, so to extend the reach of Clean by Design this must be a shared effort and a shared investment. Ultimately, the main incentive for mills to get involved is that they will save on energy and fuel costs, improving their efficiency and performance. As the programme spreads, particularly with the credibility Legambiente brings, so, too, will the reputations of the mills involved.

“We cannot do  
this alone  
but we will lead  
by example.”

## Zeroing in on microfibre pollution

The impact of microfibre pollution on the health of humans and the environment is a key concern for the textile industry. Exact figures have yet to be established, but it is evident that a high percentage of microfibre pollution found in the oceans and carried in the air originates from clothes, not just from synthetics but from natural fibres too. We need to work both on eliminating toxic chemical use as well as the release of microfibres and microplastics from our production processes.

Kering is currently partnering with The Microfibre Consortium in a collaborative approach between manufacturers and brands to address and outline the emerging need for a better understanding of microfibre pollution and its negative impact in aquatic and atmospheric environments. The consortium is calling on the collective industry to measure, map, guide and reduce the levels of microfibre shedding.

The Kering Materials Innovation Lab is launching a pilot in 2021 to test an industrial scale microfibre filtration system in Kering's supply chain. The results and feedback from this pilot will be used to further optimise and refine the filter and to validate efficiency in capturing microfibres. The findings will be open to the rest of the industry.

Kering is looking for solutions. We are convinced that the best solution is to prevent leakage as early as possible in the product life cycle, in the first instance by working on ecodesign, such as using the highest quality of material and long fibres that are more durable, with specific fabric structures, material compositions, fibres, yarns and dyeing processes for more durable products, at the same time as limiting microfibre shedding.

Eliminating microfibres has to be an open source and collective approach. At Kering, we require our suppliers to comply with our Sustainability Principles, and they must implement mitigation measures to reduce microfibre leakage at the manufacturing phases, including:

- preferred use of continuous and/or reinforced fibres;
- use dyeing, finishing and cutting processes that preserve fibre yarn strength and reduce fibre irregularities;
- choose washing processes that reduce microfibre leakage (closed-loop or microfibre filters);
- and increase pre-washing and filtering of the finished product in the manufacturing plant.

“Eliminating microfibres  
has to be an open  
source and collective  
approach.”



# 3

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## MAKING PRODUCTION PROCESSES MORE EFFICIENT

To accelerate more rapidly towards a circular economy for fashion, efficiency in production processes and use of resources will continue to be paramount. Kering's Materials Innovation Lab is a central hub for all the brands to access a comprehensive library of materials that are recycled or made from non-hazardous and renewable inputs.

To achieve a circular fashion model, we are addressing the entire system across our brands and pooling resources to reduce waste, eliminate single-use plastic and ensure best practice. We do not destroy product or surplus materials but make sure that they can be reused, recycled and repurposed. To better predict sales and minimise excess inventory, we are using artificial intelligence technology.



## The Materials Innovation Lab

The Kering Materials Innovation Lab (MIL) serves as a central hub that connects both suppliers and brands to access to materials, processes and technical support that create a circular fashion system. The Lab, based at Kering's Italian headquarters in Milan, was set up in 2013. At its heart is a library of thousands of materials that provide sustainable and innovative solutions and which conform to the Kering Standards. All our creative teams can organise visits to the MIL to research specific areas of textile sourcing. It is a unique resource.

The MIL studio itself is an expression of its practices, with recycled materials used in its interiors, including Solid Textile Board wall panels made from overstock Kering fabrics.

As an integral part of making our processes circular, the MIL is looking at processing technologies (dyeing, printing, finishing, treatments et cetera) and the manufacturing and processing of the material itself. Its main focus is ready-to-wear textiles. One example of recycled materials being used is regenerated wool, which is made using the skill and expertise of the mills in Prato in Italy. The mills are able to produce a specific colour of wool by carding different coloured fibres together without the need to re-dye it, saving on water and chemical use.

There are other innovative solutions being piloted at the MIL, including textile-to-textile recycling solutions via mechanical processing (which maintain quality standards that are usually compromised in these processes) and fledgling but promising chemical recycling technologies now entering the market. For synthetic fibres more specifically, since 2015 Kering has been supporting a pioneering start-up, Worn Again, to bring to market a revolutionary innovation in clothing production and recycling. This new technology addresses the major obstacles in textile-to-textile recycling.

The MIL is piloting innovative solutions such as recycling branded or logo fabric by shredding it and re-weaving it into a new material; and shredding overstock fabric to create high-quality padding to replace recycled polyester or down. There is also a take-back scheme to collect polyamide scraps from production to be fed into a closed-loop system and reintroduced to the cycle. This applies not just to textiles but also to trimmings, including zips, buttons and buckles, too.

In the MIL ecosystem, collaboration with prominent organisations, such as Kering's innovation partner Fashion for Good for scouting of innovators and piloting circular projects, is key; among many other collaborations is the Full Circle Textile Project that brings together the relevant stakeholders across the spectrum of chemical recycling of cellulose-based textiles, to bring structure to the innovation process, test their output with industry experts and best enable the scaling of the technology.

“A specific colour of wool can be made by mixing different recycled/ regenerated yarns together without the need to re-dye it.”





## Bottega Veneta: circular design and improving waste management in stores

Bottega Veneta is committed to finding the most effective means to transition towards a circular economy.

Its design team attended a training session with Circular.Fashion to learn how best to apply the principles of circular design in its design processes. In addition, Bottega Veneta fulfils circularity criteria in the choices of its raw materials. For example, it has sourced cashmere from the South Gobi project in Mongolia (a pioneer project by Kering that accompanies the herders towards fully regenerative practices, see [2.1 Working with Nature](#)) for years, has introduced biodegradable polymer and recycled plastics in its shoe collections in addition to recycled nylon in

its ready-to-wear and leather goods collections. Regarding jewellery, Bottega Veneta is looking into recycling old prototypes in silver.

To complement these efforts on the product side, Bottega Veneta has also studied the circularity of its stores in depth: in collaboration with a specialist consulting firm, Bottega Veneta researched its stores worldwide to study how recyclable and non-recyclable waste in the stores could be better managed with a circular approach. This allowed them to identify the value lost in stores today and understand how recyclable packaging has a value as a resource when collected to be recycled.

To begin with, they analysed the current state

of the waste generated in stores. Eight waste flows were identified and valued with regards to their volume and their frequency including goods packaging, beverages for clients, lunch for staff, cleaning supplies, back-office supplies, ordinary maintenance, visual merchandising, and store refurbishments.

This study has allowed Bottega Veneta to not only assess waste management in-store but also understand the actions that must be taken to prevent the production of waste. These range from the use of returnable glass bottles for water; the circular design and disposal of visual props to identifying materials that can easily be re-circulated and standardising energy efficiency at a global level.



## 3.1 REDUCING UNNECESSARY PRODUCTION AND ELIMINATING SINGLE-USE PLASTIC

A circular system is designed to create a thriving fashion industry that not only avoids negative impacts on nature, but actively enhances the environment. We recognise the need to take steps to reduce unnecessary production and monitor the volume of textiles we bring into the cycle in the first place. To this end, Kering is working across our brands to bring greater transparency and efficiency in an effort to share resources and materials. To speed up this work, we are investing in artificial intelligence better to predict sales forecasts and manage purchasing and production levels. By using technology, we can more accurately anticipate demand and seasonal trends to avoid unwanted production of excess stock.

### Tackling single-use plastic packaging

In 2019, as part of the Fashion Pact, the global coalition of companies and suppliers committed to stopping global warming, restoring biodiversity and protecting the oceans, we pledged to end single-use plastics in our business to consumer (B2C) packaging by 2025 and business to business (B2B) by 2030. We see the removal of single-use plastics across the industry as a priority, and have set even more ambitious and rigorous targets internally.

While there has been significant progress at B2C and e-commerce level with a move from plastic to cardboard (from FSC or recycled sources), the elimination of packaging when suppliers and third parties are involved requires systemic change across the supply chain and our warehouses. Our brands are examining where they can eliminate plastics starting with obvious steps such as removing plastic fillers from e-commerce or replacing protective plastic on items like glasses with tissue paper, before moving onto bigger, more complex areas.

“By using technology,  
we can anticipate demand  
to avoid production  
of excess stock.”



## 3.2 REUSE/UPCYCLE/RECYCLE

Destroying excess inventory, products and materials makes no sense. Such practices are out of kilter with our environmental policies and values. For the past two years, Kering has been building a pioneering centralised dashboard to track stock levels across all our brands and coordinate ways to sell it, reuse it or otherwise recycle it. Using data analysis, we are able to monitor how much unsold stock each of our brands has and where it is in the world. Our brands continuously assess their inventory and take a range of actions to decrease their unsold stock levels. Options include friends and family sales for all Kering employees, and finding ways to reuse or resell the stock in their own outlets. We also invest in pilot schemes to research ways to recycle obsolete stock that can't otherwise be sold.

Kering is also working on overstock fabrics, including a system to share stocks of unused fabrics from one brand to another. But where there is no other option, for example with logo-branded textiles that cannot otherwise be sold or reused, we are finding creative ways to upcycle or recycle. We are developing new technologies to sort and disassemble complex clothes and shoes with CETIA, an engineering centre located in south-west France. CETIA is focusing on new technologies to find ways to robotically disassemble shoes, trainers, bags and complex luxury clothes, so that the resulting components can be recycled or reintroduced as raw materials. Learning how a product is taken apart will help our teams to rethink how they design, to make it easier and more efficient for a product to be disassembled, ensuring that recycled materials become a viable resource for the future.

Over the past two years, Kering and our brands have contacted 100 partners and set up 65 initiatives which are creating business opportunities around sorting, selling and recycling clothes and accessories. We are committed to teaching new skills in an emerging sector of the fashion and textiles industry that is centred on clothing disassembly and upcycling. We are working with social impact companies on the same approach to reuse show sets and store displays. We also support social enterprise schemes to train people in upcycling skills including Le Relais, for used fabrics and uniforms, and Tissons la Solidarité, which is a community-based network that creates skills and jobs around reusing and upcycling garments.







## Gucci: Round and round

Gucci has a number of innovative schemes to tackle circularity across its business. Through Gucci-Up, the House reuses and/or recycles scraps, helping make leftover materials obsolete. Between 2018 and 2020, some 27 tonnes of leather scraps were recovered and regenerated in collaboration with NGOs and social cooperatives in Italy. Also in 2020, 25 tonnes of leather offcuts were collected and reused as fertiliser. Yet another leather project was launched in the same year to promote upcycling through anonymisation. Now, all Gucci's discontinued non-branded fabrics and leathers are reused internally or through external channels, such as donating these materials to non-profit organisations.

Since 2015, Gucci has been working with Green Line, an Italian company specialising in the collection and recycling of textile scraps for reintroduction into fashion supply chains – 290 tonnes were collected from Gucci's suppliers between 2018 and 2020 alone.

Since 2019, Gucci has reused protective boxes for transporting its accessories to re-

duce the number of new boxes it makes. This is a relatively simple step with the potential for huge impact. Gucci has already been able to reuse one million of its protective boxes, with a saving of about 90 tonnes of plastic since it launched.

In 2016, Gucci became the first luxury brand to use Econyl®, a fabric made from regenerated fishing nets and old carpets, for its ready-to-wear collections. Econyl® is also the principal material used in its recent Gucci Off the Grid, the House's first collection under Gucci Circular Lines, which is itself a determined effort to create fully circular products, taking into consideration everything from the recycled and recyclable materials the collection uses its packaging, and even the Econyl® scraps from manufacturing, which are collected and re-spun into new Econyl® yarn.

Gucci is committed to maximising its use of recycled precious metals accessories' hardware and jewellery by 2025, thus reducing the mining and extraction environmental impacts associated with virgin raw materials.

Already, since the end of 2019, Gucci has met its 100% target for the use of recycled palladium coating for metal hardware for accessories, including bags, belts and shoes, and, in 2020, Gucci recovered about 17 tonnes of precious metals (brass and gold) from leftover and discontinued accessories' hardware.

With the launch of its New Green Packaging in 2020, Gucci has also eliminated virgin single-use plastic in its retail and e-commerce packaging. The new product packaging is fully recyclable; the paper is uncoated and comes from sustainably managed forest sources. Any remaining plastic components are from recycled materials, such as the shopping bags handles made from recycled polyester which are knotted to eliminate the use of glue.

Gucci is committed to upcycling and to regenerated materials, cornerstones of its strategy to support a circular economy. It is moving away from the traditional linear model so that circularity is integrated into its entire value chain.





## La Réserve des Arts

In 2017, Kering set up a partnership with La Réserve des Arts, a not-for-profit association that supports the cultural and creative sector in the development of the circular economy and social enterprise. This platform for raising awareness on reuse and training in ecodesign and cultural entrepreneurship collects materials from theatres, galleries, museums and the fashion and luxury sector and makes them available to its members – independent craftspeople, artisans and students. When it is no longer needed, material from show sets, from shop windows and visual merchandising and dead stock is collected and revalued (for example, all branding is removed, it is cleaned and so on), before being redistributed at affordable prices as a way of supporting the independent craft sector.

The La Réserve des Arts shops sell everything from discarded buttons and beads to offcuts of wood, rolls of obsolete fabric and bundles of hangers. With its workshops, in Paris, Pantin and Marseilles, which members can both use and access materials from, it acts as a laboratory for creative people to find innovative ways to use recovered waste. It also provides training on the circular economy for culture and the value of materials as well as giving skills in upcycling. In addition, La Réserve des Arts teaches its trainees how to talk about their work so that they can be ambassadors for the circular economy. La Réserve des Arts works alongside several of Kering's houses on collecting and revaluing activities as well as ecodesign consulting projects.

With the support of Kering, a former volunteer with La Réserve des Arts in Paris is setting up a sister organisation in Milan with a similar mission to reuse waste from the luxury and cultural sectors to support emerging makers with materials and training to build a business from their craft.







## Saint Laurent: revitalising leather leftovers

Saint Laurent is applying a circular approach considering efficient use of materials, reuse and recycling.

The leather goods division has first started to embrace those concepts by developing dedicated programmes.

First, the majority of the leather cutting has been progressively moved within Saint Laurent's own ateliers to give access to the most advanced technology and globally improve cutting efficiency. Surplus leather

from a handbag line can be also reused to produce small leather goods items such as wallets and cases. This is, for example, the case for the Monogram line and is currently in development for other lines.

In the past few years, looking for innovative and sustainable solutions, Saint Laurent has also started to give a second life to its leather cutting leftovers through an exclusive partnership in order to make new leather materials in place of virgin materials. The latest handbag created with this upcycled

leather will be launched for Fall 21 in the Sunset line.

This innovative approach has been extended beyond products and today most new stores opening in Europe, the Middle East and Africa are equipped with flooring in the back of house that is made from leather offcuts from previous collections. Through this approach, the brand gives a second life to its leather cutting leftovers and avoids consuming virgin materials; both aspects are significantly reducing environmental impacts.





# Empowering Imagination