

**Mitigating Diffuse Impacts of Fashion Supply Chains and Linking  
Planetary Boundaries to Business: A Case Study of Kering Group**

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## **Mitigating Diffuse Impacts of Fashion Supply Chains and Linking Planetary**

### **Boundaries to Business: A Case Study of Kering Group**

We have witnessed a dramatic shift in the fashion world. Humanity is at the juncture where a person is judged depending on their fashion style. The trend is set, right from the stylish fashion capitals, where models dazzling with glamorous outfits walk down the ramp, to designers setting the tone of what is trendy. These modish styles are picked up by the industrial players in the textile industry to finally feed us. Broadly, this constitutes the cycle of the fashion industry, namely textile and clothing. The textile and clothing industry ranks as the second biggest economic activity, for its intensity of trade (Challa, 2007). This makes it a very lucrative sector. The very reason for the masses following fashion trends is because of the way they are manipulated. One should not forget the fact that we are in a capitalistic world, where the inner drive behind each and every force is ‘money’.

The deceived notion of fashion has out rightly juxtaposed personal satisfaction over environmental protection. The stiff competition has snatched away the sustainable composition of our eco-system. The growing population has burdened the industry to increase the supplies. However, this comes at the cost of environment.

It is imperative to understand the benefits that society can receive by exploiting the untapped sustainable textile industry. With the growing awareness towards biodiversity and environment conservation, a restructuring of fundamental principles is required in the textile industry.

#### ***Kering Group***

We aim to highlight through our paper, one such group named “***Kering***” which was successful in diversifying its work culture to minimise its impact on the environment and the society. Kering is a parent fashion group with over 15 million euros in profit. It is an

international fashion brand with over 30,000 employees and manages the development of a series of renowned houses in fashion, textile goods, jewellery, and watches.

The change to Kering's identity and its move towards sustainability was announced by its CEO François-Henri in 2013 when he changed the name of the company from "Pinault Establishment" to "Kering" alongside a new motto – "*Empowering Imagination*". He explained that the name comes from France's region of Brittany where "ker" means home. Pinault states that Kering is "a family home where our brands and employees inhabit". Doesn't it sound like the English word "caring"? Yes, it does. "I wanted a name that describes the attitude we have towards brands, our people and our customers and stakeholders, as well as the environment", Pinault said (Fernandes, 2019).

This paper would be followed in 7 sections where section 1 would be a historical background showing how the world was headed towards an unprecedented disaster, which would delve deeper into the impacts that the fashion industry has on the environment. This section would bring out the argument of why there was a need to skip our way to a new route. Section 2 would deal with the strategies of Kering, to build a sustainable business, showing how its practises are different from those of standard neo-liberal corporations. This would be followed by Section 3 where we will bridge the gap of our understanding of the concepts discussed in class to strategies and plans curated by Kering. Section 4 would highlight what other players in the industry have achieved till now and what's the differentiating factor across other groups. Section 5 would finally enlighten us about how successful the group has been by looking at factual information, and what it aims to achieve in the future. Section 6 would conclude and give suggestions.

## 1. Historical background

### *Our Planet in Peril*

Humanity has achieved remarkable feats in the past 50 years. “We have lifted 1 billion people out of poverty, increased life expectancy by over a decade, and probed distant parts of our solar system. With the creation of the internet, we have also connected billions of people across the planet, and we are currently launching a network of stratospheric balloons to beam the internet into some of Earth’s most remote, rural communities” (Kering Biodiversity Strategy, 2020). In a capitalist society, even though we might achieve a lot of success, the environmental costs of our success are catastrophic.

To put things in perspective, “three quarters of terrestrial ecosystems are now “severely altered” as a result of human actions, and we have lost 80% of the world’s wetlands (IPBES, 2019). At least 200 vertebrate species have gone extinct in the past 100 years (Cebbalos et. al, 2017). And, during the short span between 1980 and 2000, humanity cut down 100 million hectares of tropical forest for agriculture, mainly to build cattle ranches and palm oil plantations in Latin America and South East Asia.

And to make it worse, the future projections are bleak. “In 2019, the landmark IPBES Global Assessment report, which is the most exhaustive scientific analysis ever conducted on the status of life on earth, warned us that as many as one million plant and animal species are at risk of extinction, many within decades (IPBES, 2019). These expected declines are exacerbated by climate change, which is not only already accelerating the loss – particularly within the tropics – but also threatening the fundamental life-support systems of the planet.

Although it is widely acknowledged that our natural resources and ecosystem services are being degraded at an alarming rate, and there is an evident need to halt biodiversity loss and ecosystem decline, the business case and incentives to take any action are currently weak. “The challenge is that environmental issues are still viewed as “externalities” in the

current economic paradigm. Hence, nature continues to be degraded and under-valued rather than being seen as the essential natural capital that requires stewardship and investment for our society's future survival" (CISL, 2019).

Coming specifically to the fashion industry now, since our case study represents that, it has detrimental impacts on both climate change and biodiversity loss, which means it is becoming increasingly important for businesses to mitigate the diffuse impact of their supply chains, especially in the fashion and textile sector.

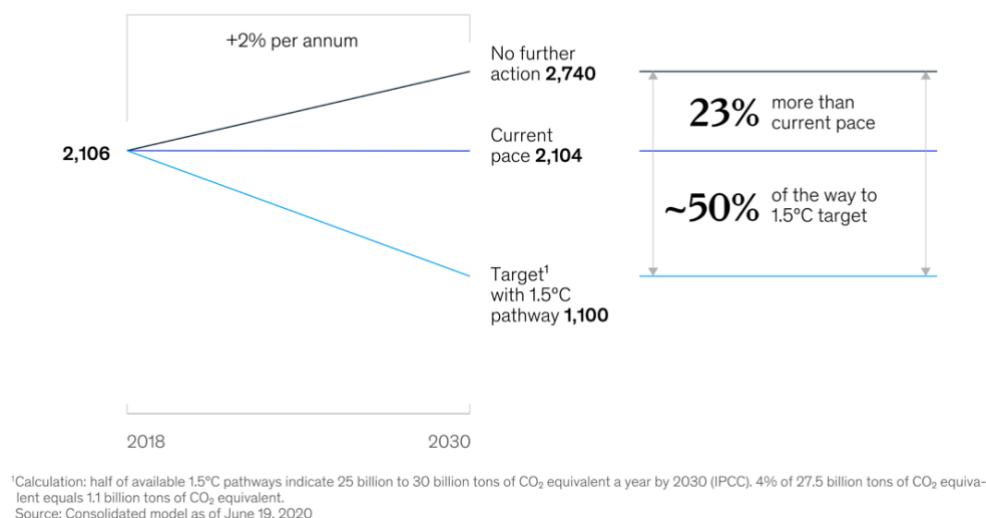
### ***Fashion Industry's Impact on Climate Change***

It is widely acknowledged that the fashion industry makes a sizable contribution to climate change. "McKinsey research shows that the sector was responsible for some 2.1 billion metric tons of greenhouse-gas (GHG) emissions in 2018, about 4 percent of the global total. To set that in context, the fashion industry emits about the same quantity of GHGs per year as the entire economies of France, Germany, and the United Kingdom combined" (Berg, 2020).

Despite efforts to reduce emissions, the industry is on a trajectory that will exceed the 1.5-degree pathway to mitigate climate change set out by the Intergovernmental Panel on Climate Change (IPCC) in the 2015 Paris agreement. To reach this pathway, fashion would need to cut its GHG emissions to 1.1 billion metric tons of CO<sub>2</sub> equivalent by 2030.

**Under the current trajectory, the fashion industry misses the 1.5°C pathway by 50 percent and abates only emissions from incremental growth.**

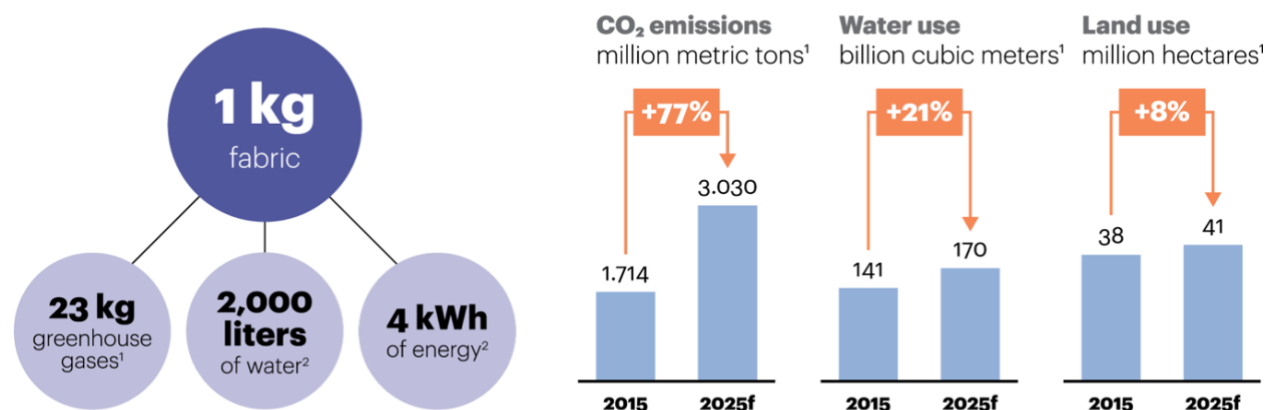
**Emissions abatement assuming the industry decarbonization continues at current pace,**  
million tons of CO<sub>2</sub> equivalent



These indicators clearly imply that abatement actions are the need of the hour and the industry needs to act urgently to reduce its emissions. The graph below shows the environmental impact of producing and processing textiles is becoming increasingly negative.

Figure 4

**The environmental impact of producing and processing textiles is increasingly negative**



<sup>1</sup>World Bank reports

<sup>2</sup>LCA (life-cycle assessment) benchmarking, by Natascha M. van der Velden & Martin K. Patel and Joost G. Vogtlander

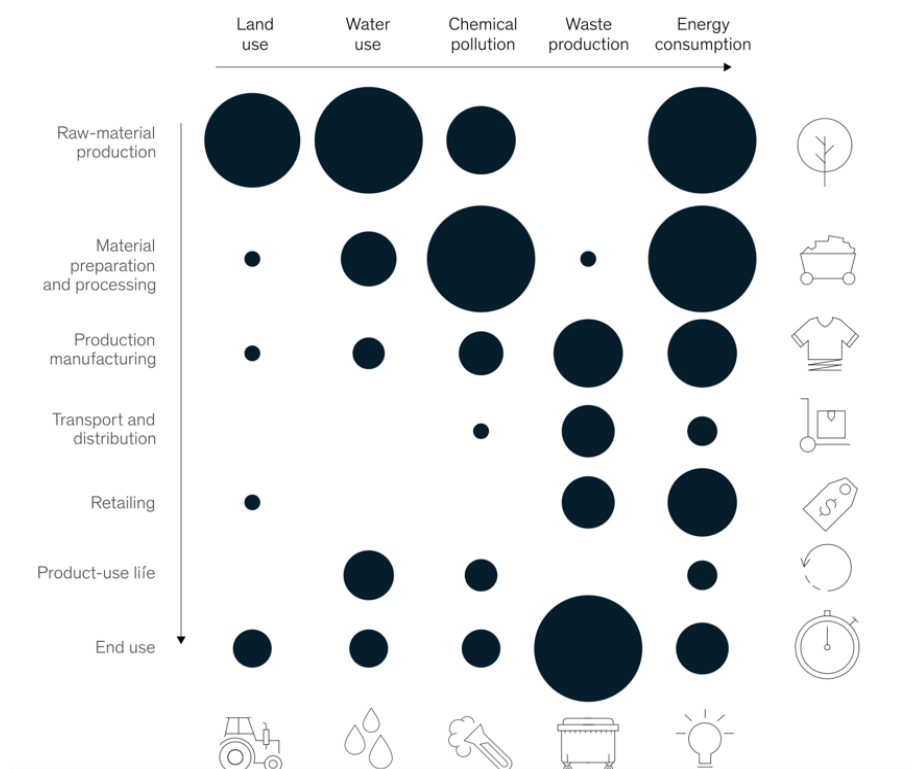
## ***Fashion Industry's Impact on Biodiversity***

Biodiversity is a term used to capture the immense variety of life on our planet. It covers all plants, animals, bacteria, fungi and more, and includes not just microscopic organisms but indeed ecosystems that span continents. While much has been written in the literature about the fashion industry's impact on climate change, less well known and well covered is the industry's heavy footprint on biodiversity.

The apparel industry is a significant contributor to biodiversity loss. "Apparel supply chains are directly linked to soil degradation, conversion of natural ecosystems, and waterway pollution. Additionally, the fashion industry relies heavily on biodiversity, predominantly through the production and processing of all the different materials used to make our clothes, as well as the materials used for packaging" (Granskog, 2020). The graph below is indicative of the fact that most of the negative impact on biodiversity comes from raw material production, material preparation and processing, and end of life.

**Most of the negative impact on biodiversity comes from raw-material production, material preparation and processing, and end of life.**

Relative impact on biodiversity along the apparel value chain, larger circle = higher negative impact



## 2. Kering Fighting for Sustainability through Distinctive Practises & Strategies

In this section, we look at how Kering's practises are different from standard neo-liberal corporations and how it is taking actions on the concerns put out in the previous section.

As consumers from around the globe were embracing the benefits of living an eco-friendly life, Kering decided to make sustainability one of its main concerns. The group saw sustainability as a necessity and had the desire to push the brand towards "higher levels of economic, environmental, ethical and social performance" (Fernandes, 2019). Through their truly distinctive practises within the sustainability and biodiversity strategy, Kering's goal is to be the ones who truly set the standards for sustainable luxury by reducing their environmental impact and bending the curve of biodiversity loss.

### ***a) Environmental P&L***

One of the most distinctive steps Kering has taken is to develop an innovative tool called the *Environmental Profit and Loss* (EP&L) for measuring and quantifying the environmental impacts of its activities. To measure the environmental footprint, the EP&L focuses on analysing elements such as carbon emissions, water usage, pollution, land use, air pollution and waste. In addition, value chain elements such as raw materials, processing, manufacturing, assembly, operations and retail are also taken into account, thereby making the various environmental impacts of the group's activities visible, quantifiable, and comparable (Fernandes, 2019). These impacts are then converted into monetary values to quantify the use of natural resources.

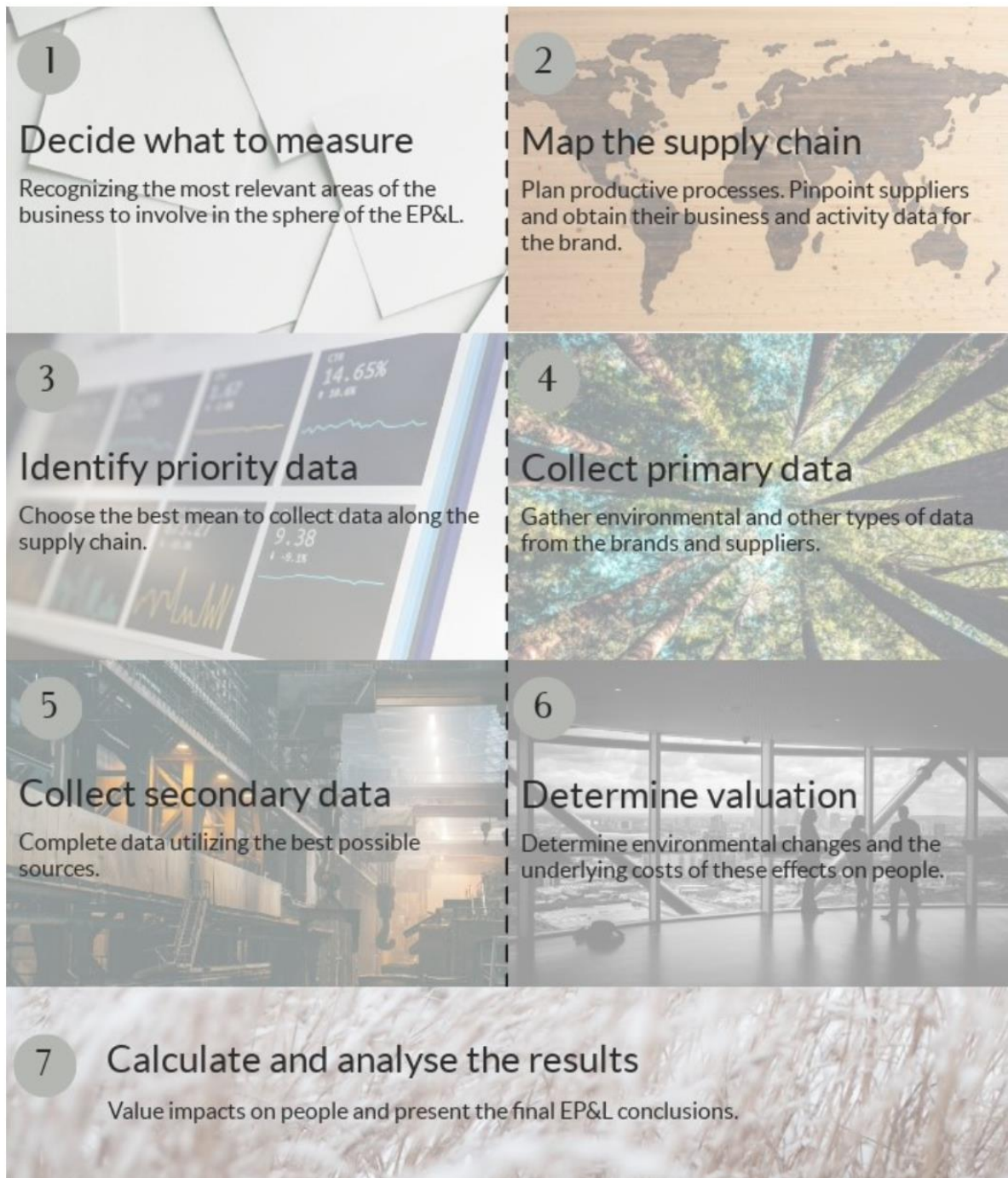




## WHAT IS AN EP&L?







































The EP&L is given in monetary values mainly due to three reasons: environmental effects are translated into a “business language” (easily understandable), it allows for comparisons between distinct impacts and distinct geographies, and also helps the comparison amongst brands and departments. It is important to note that the EP&L numbers are in no way related to the company’s financial results. “In fact, they were the representation of an estimate cost to society of the changes in the environment as a result of business activities and of the supply chain” (Fernandes, 2019). This methodology was first developed in 2011 and divided into seven steps:



*FIGURE 7 - EP&L STEPS*

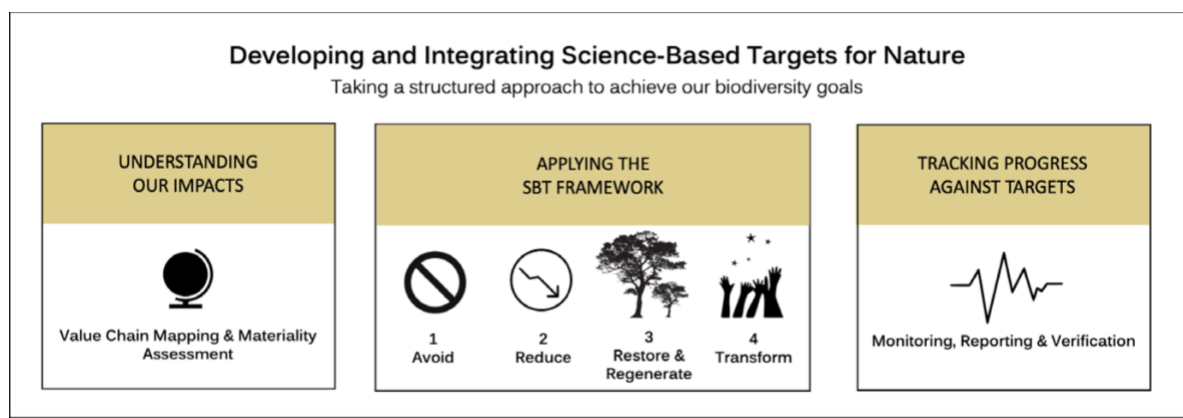
This tool brought many benefits for the quantitative analysis of the brand's sustainability, as it helped to achieve a greater understanding of the drivers and consequent impacts, along with providing better relationships with suppliers and ultimately, more transparency for stakeholders and better performance. The graph below visually represents the idea behind implementing the EP&L. It clearly shows them that raw material production

and processing is where most impact occurs, so they can then work to rectify it by appropriate actions.

	TIER 0: STORES, WAREHOUSES, OFFICES	TIER 1: ASSEMBLY	TIER 2: MANUFACTURING	TIER 3: RAW MATERIAL PROCESSING	TIER 4: RAW MATERIAL PRODUCTION	TOTAL IN MILLIONS:
AIR EMISSIONS 						7% €34.9
GHGs 						36% €186.0
LAND USE 						32% €169.8
WASTE 						6% €32.3
WATER CONSUMPTION 						6% €33.3
WATER POLLUTION 						13% €68.0
TOTAL IN MILLIONS:	8% €41.7	6% €33.3	10% €53.7	11% €55.8	65% €339.8	100% €524.3

## ***b) Science Based Target Networks (SBT) and the 4 pillars of Kering's Biodiversity***

### ***Strategy***



Kering has collaborated with its houses to structure one of the leading sustainability initiatives. With its perfectly curated plans and strategies, it has built rigorous standards for sustainable raw material sourcing, strengthened gender equality policies in both, direct operations and manufacturing hubs, and has created a comprehensive, open-sourced measurement tool with an environmental profit and loss (EP&L) (Kering Biodiversity Strategy, 2020).

Through the scope of their SBT approach, they believe they can successfully achieve their targets by 2025. In order to get a better understanding, let's deep dive into the structure of the framework.

#### Step 1: **Value Chain Mapping and Material Assessment**

The first step of the framework is attributed to the first step of the production cycle i.e. *raw material extraction*. The group only sources the raw materials with minimal carbon footprint, which is calculated through the use of the biodiversity impact metric<sup>1</sup>. They have structured their material outsourcing in such a way that each and every extraction location is pin-pointed and evaluated in regard to its dependencies on nature. Only the goods which pass their sustainability check in step 1 are then branched out under step 2 for further evaluations. Their report suggests that they have already been successful in tracing about 88 per-cent of their materials, with an aim to achieve 100 per-cent traceability by 2025. (Sustainability Progress Report, 2020).

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<sup>1</sup> Biodiversity Impact Metric: In addition to how Kering focuses on achieve traceability and assesses its material impact on the environmental welfare. It has contributed widely in its domain through innovate tools for mass application. It has collaborated with the CISL to build the Biodiversity Impact Metric (BIM). It is a cutting edge technology, which enables its users an initial risk pooling of biodiversity impacts from agricultural production (both in data-rich and data-poor countries). Hence, rather than stiffly monopolising and patenting their technology they aim at building a community rich economy.

## Step 2: **Applying the SBT Framework**

They have branched out the SBT framework under 4 principles of biodiversity. This is the guiding framework which has enabled Kering to move towards an ecologically sustainable company.

The 4 principles are as follows:

- Avoid
- Reduce
- Restore and Regenerate
- Transform - Going Beyond

### **Avoid**

In order to meet their biodiversity goals, Kering aims to minimize the use of resources. It aims to increase operational efficiency while avoiding the use of resources. Further, it also ensures ‘no take’ from areas with high conservation value. (Kering Biodiversity Strategy, 2020). The foundations of the company are strictly guided under CITES, the IUCN Red List, and other relevant national and international conventions (Kering Biodiversity Strategy, 2020). The extraction of natural wood-pulp based raw materials are avoided from ancient and endangered forests. By 2025, it aims to achieve 100 percent traceability of raw materials through value chain mapping (Kering Biodiversity Strategy, 2020).

To give an example, Kering’s brands do not work with suppliers that source leather from farms involved in any form of deforestation, such as in the Amazon Biome (where forest is still cut to make way for cattle farms). The brands enforce this principle through contractual clauses which include traceability measures. They also work with the NGO Canopy to ensure their supply chain is free of products sourced from ancient and endangered

forests as part of the *CanopyStyle* Initiative, particularly when it comes to viscose and other cellulose. Together, these sourcing practices protect biologically-rich ecosystems, and allow wild plant and animal species to thrive in large, undisturbed contiguous areas. These actions also ensure the continued protection of forests, which are critical carbon sinks.

## **Reduce**

It is natural to assume that the consumption of the entire spectrum of raw materials cannot be avoided. Kering then resorts to reduce their consumption of raw materials to ensure sustainability. Kering and its house members take a full 360 degree approach of combating the irrational consumption and extraction of raw materials. Hence, this seeks to minimize the intensity, duration, and extent of impact on the environment.

Across all raw materials, suppliers must meet “minimum” requirements immediately. For example, in the case of leather, this means only purchasing skins from suppliers who are willing to disclose the source. Suppliers must also meet “additional conditions” by 2025. For instance, in the case of leather, this will mean having full traceability up to the farm, with the implementation of best ecological and animal welfare standards.

## **Restore and Regenerate**

It is very important to understand, in order to promote a community living, one must devise ways to support others. The impaired environment causes hardships for the society. Kering has assumed its responsibility and put out a bold step to restore and regenerate its surroundings. This requires intensive research by professionals. Kering has managed to build a team of *agricultural scientists, botanists and foresters* who work through carefully-planned interventions grounded in science. It shows exemplary contribution in the field of sustainability. They have also devised a “*Nature Fund*”(one million hectares for the planet) and by 2025 aim to restore one million hectares of destroyed croplands through its scheme.

To give an example, In French Guiana, they are working with conservation partners ‘Solicaz’ and ‘Forest Finance’ to reforest a former alluvial gold mining site. This project goes beyond regulatory requirements (which mandate that 30% of former mines must be restored), and instead focuses on 100% restoration, making it the first full reforestation program of a mining site in the Amazon. Beginning with detailed ecological assessments of local species, their partners began by creating in-situ plant nurseries, and preparing more than 90,000 seedlings to plant over 116 hectares. By focusing on full ecosystem restoration, this project not only restores habitat for local biodiversity, but also facilitates carbon sequestration (Kering Biodiversity Strategy, 2020).

### **Transform**

The innovation sector needs to pace up in order to ascend towards a sustainable future. Kering believes they need to go above and beyond. Hence, the ‘transform pillar’ is considered as the backbone for the Kering group, since the company is full of creative experts who are constantly striving to transform innovative ideas into action. Kering believes it is not only about production and extraction but the way the end products are delivered.

### **Step 3: Monitoring, Reporting and Verification**

As a next step, Kering will develop an operational plan that stems from the above strategy. The plan will facilitate on- going monitoring towards their commitments on an annual basis, enabling them to publicly report on key areas of progress. Given the depth and breadth of their biodiversity programming, they will draw upon a number of monitoring tools, including their EP&L.

### ***c) The 3 Pillars of the Sustainability Strategy: Crafting Tomorrow’s Luxury***

In order to be a company that sets the standards for sustainable fashion and luxury, Kering redefined its strategy with the motto of “crafting tomorrow’s luxury”. It’s holistic



strategy shows us distinctive practises which are often difficult to relate to modern day neo-liberal corporations. The three pillars of the sustainable strategy are: **Care, Collaborate and Create**, under which are concrete objectives to be achieved (Kering Sustainability Strategy, 2017).

**CARE:** Under this pillar, Kering is taking steps to reduce its environmental footprint and preserve the planet and its natural resources by using innovative tools and new practices like the EP&L and Science Based Target Networks (Kering Sustainability Strategy, 2017).

## CARE

“We CARE for our impact on the planet, on climate change and on natural resources by reducing our environmental footprint and preserving our raw materials”



Extend their EP&L (Environmental Profit and Loss account) methodology to cover a product's use and end-of-life phases, to better understand and reduce impacts.



Reduce their EP&L across the supply chain by 40% by 2025, via actions that tackle the impact of their sourcing, manufacturing and operations.



Implementing science-based targets to reduce carbon emissions by 50% in selected scopes by 2025.



Tracing 95% of raw materials (for example cotton, leather, precious skins, wool) by 2018, to ensure a transparent and responsible supply chain.



Deploying Kering social, environmental and animal welfare standards across 100% of their supply chains, to safeguard the sourcing of raw materials for the long-run.

FIGURE 9 - 2025 STRATEGY: CARE

SOURCE: KERING, 2018<sup>33</sup>



**COLLABORATE:** Under this pillar, the group is keen on supporting and empowering their employees by creating new opportunities and promoting social welfare and equity. Kering aims to bolster stakeholder engagement in promoting sustainable luxury to ensure the well-being of its employees, suppliers and customers worldwide. The group actively participates in global industry initiatives and strengthens its partnership with prestigious schools and universities (Fernandes, 2019).

## COLLABORATE

"We COLLABORATE with people across our business ecosystem including suppliers, and engage with our employees and clients to preserve our industry's heritage, instill gender parity and diversity and be an employer of choice"



Create a suppliers' platform, which offers training on Kering standards and enables the sharing of best practices.

Provide craftsmanship and artisanal training programs to those in operating regions, so as to safeguard the rich heritage of their communities and the future of luxury.

Reach gender parity and ensure salary equality in all functions, across all levels.

Implement a sponsorship programme for training and coaching key women managers, and roll out mentoring programmes in all regions.

Promote the development of innovative career paths, irrespective of gender.

Offer teams a more sustainable and caring working environment: a well-being policy, a benefits policy and, from January 2017 a global parental policy which means parents receive standardized benefits irrespective of their personal circumstances.

Ensure exemplary working conditions for all those people working in their supply chains, going beyond social compliance and enabling their capacity building

FIGURE 10 - 2025 STRATEGY: COLLABORATE

SOURCE: KERING, 2018<sup>34</sup>

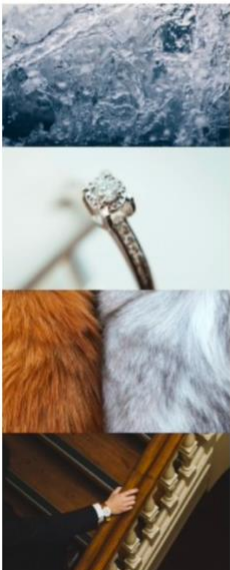
**CREATE:** Create, means creating innovative alternatives and driving change to influence the entire industry.

**Imagining Disruptive Innovations:** Under this step, Kering collaborates with start-ups and academia to develop new sourcing solutions and innovative raw materials by making use of biotechnologies and circular economy principles, such as using recycled fibres to create new garments. For e.g. It created a **Materials Innovation Lab (MIL)** in 2013, whose primary role is to identify sustainable and responsible alternatives in materials and fabrics (Kering Sustainability Strategy, 2017).

**Empowering Future generations:** Kering empowers future generations by partnering with different universities across the world to design sustainability curriculums. For instance, In 2018, Kering and the London College of Fashion launched fashion and sustainability open-access online courses for students and general public interested in promoting sustainable practises.

# CREATE

"We CREATE innovations to ensure our planet, our industry and our brands thrive for the long-run by launching disruptive innovations and empowering the future generations"



Develop new sourcing solutions, raw materials and processes by applying innovations such as biotech and the circular economy to luxury's current practices and collaborating with start-ups and academia.

Establish a Watches & Jewelry Innovation Lab, following the success of Kering's Materials Innovation Lab for textiles and fabrics.

Reinforce the education of next generation of designers via co-developed sustainability curriculums at universities and educational institutes around the world.

Launch a Young Leaders Advisory Group to enable future business leaders to reimagine and inspire the group's decision-making.

FIGURE 11 - 2025 STRATEGY: CREATE

SOURCE: KERING, 2018<sup>35</sup>

### 3. Theoretical Relevance

#### *Downshifters: Surviving Well*



Apparel industry faces a stiff competition. All the efforts exerted by the management can be a source of pleasure for some while be a drudge for others. It can be demanding and unsafe with poor working conditions. As the world progresses, it merely produces a skewed relationship between the quality of life and health. It is very important to understand the definition of sustainability while encompassing all of this. Sustainability must be understood with an equal weight given to the practice of *downshifters*.

Downshifters are the people who have carefully curated their work-life balance. They unite together to shield oneself from the brutal forces of a capitalist economy. These individuals make a conscious choice to reduce their work hours to improve their quality of life (Graham, 2013).

Kering group establishes a culture of equality at all the levels and allow the teams to work autonomously by maintaining work-life balance. For e.g., It understands the hardships a parent can undergo and has thus, curated a compensation plan for maternity leave. It has also implemented a global parental policy, which allows a 14 week baby leave to all the parents.

A range of other initiatives such as a ‘right to disconnect’ have also been implemented. It entails the right of all the employees to disconnect from work during non-working hours. They also have 24/7 onboard medical assistants as they place health as their number one priority.

### *Managing and Forming a Transparent Supply Chain Link*

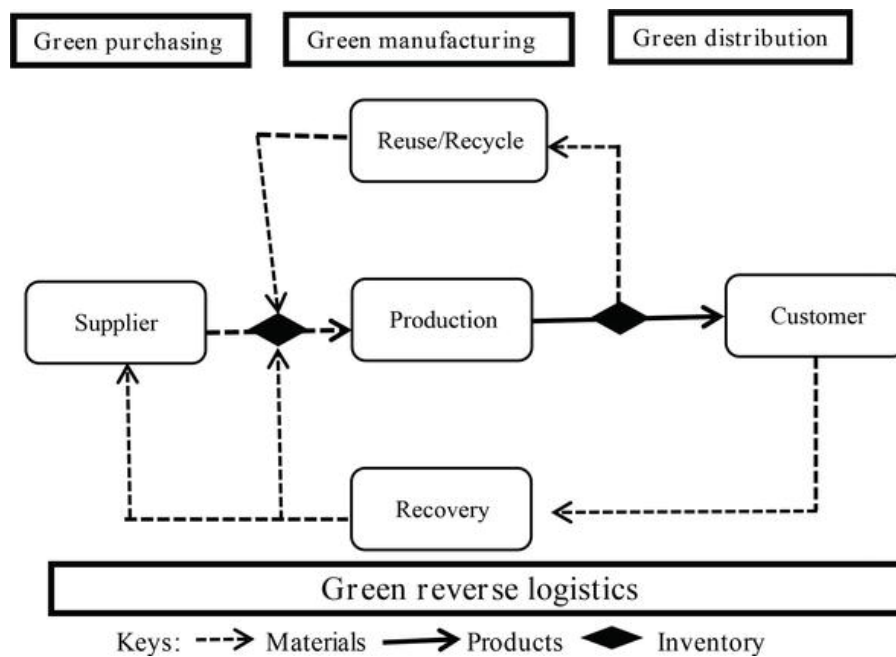


Figure 1: Principles of a Green Supply Chain Management

A supply chain can be a subject to a plethora of market forces. As we obtain a product, it is very important to understand its implications on the distant others. This is the first step towards building a community economy (Graham, 2013). Traceability within the fashion industry is a big challenge. Kering has invested in forensic science which puts them a step closer to achieving this. They have used innovative thinking and entrepreneurial spirit and applied the principles of “transparent and green business supply chain” by following the green reverse logistics shown above.

In addition to this, they have successfully transfused the EP&L electronically. The diffusion of the two has given rise to a Digital EP&L in June 2019. This has given an access

to a whole new level of possibilities as it becomes an interactive platform with unprecedented transparency and access to open data which others can use (Sustainability Progress Report, 2017). As we discussed in class, there is an urgent need to bridge the gap between producers and consumers. In this regard, Kering is ensuring it keeps their customers 100% updated about the entire supply chain.

***Forming and Supporting Social Groups: Key Concern for Community Economy***

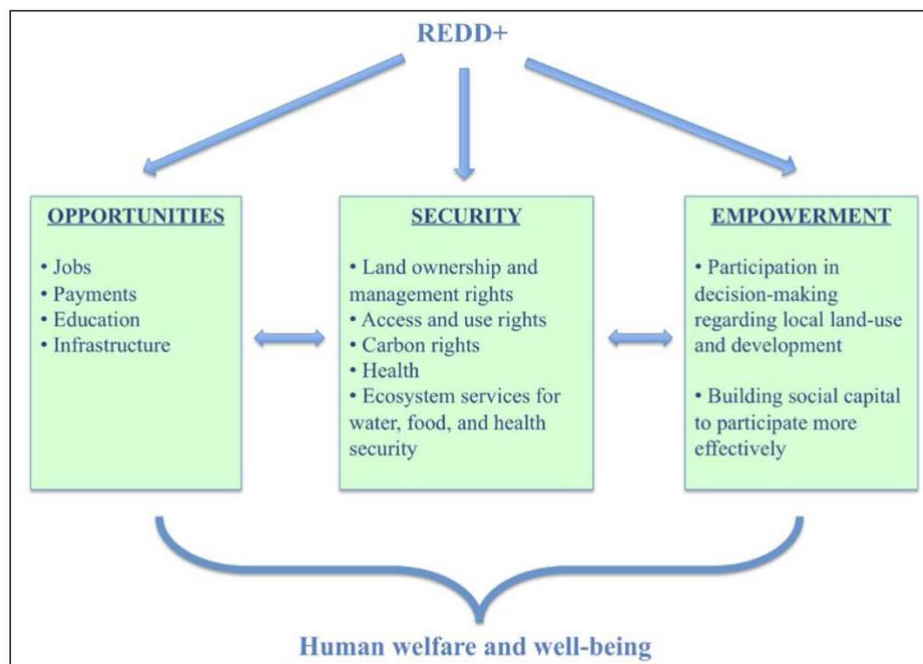


Figure 2: Supporting Communities through REDD+ Project

“Reframing” involves imagining the economy differently. It means taking notice of all the things we do to ensure the material functioning and well-being of our households, communities, and nations. It means finding ways of framing the economy that can reflect this wider reality. In a reframed economy, businesses would imagine themselves as economic actors on many different stages, who can reshape the economy through just practises (Graham, 2013).

Kering believes this is only possible through collaboration. It clearly sets out ethical principles that should be applied universally. Sustainability for Kering is interlinked with their code of ethics. Kering’s ethics whistleblowing system was strengthened in 2018 which

was accessible to all the working members of the group (Sustainability Progress Report, 2017). In addition to this, it has launched a global mentoring program for women from under-privileged sections of society and for local communities where their factories are located.

A collaborative approach in which *surplus is distributed* to the most vulnerable is the need of the hour for businesses. In this regard, Kering has been formulating surveys and has successfully produced the first ever report on “gender” in luxury supply chains, which helped them assess the living conditions and hardships of women workers. They could then empower them economically by upskilling or training them. Kering has been widely acknowledged for empowering women around gold mines in Ghana. Moreover, they widened their hands to support the cotton farmers in India. Many local communities have also been supported through the **REDD+ project**, with measures for human welfare and well-being as shown in the graph above (Sustainability Progress Report, 2020).

### *Innovative Finance Mechanisms*

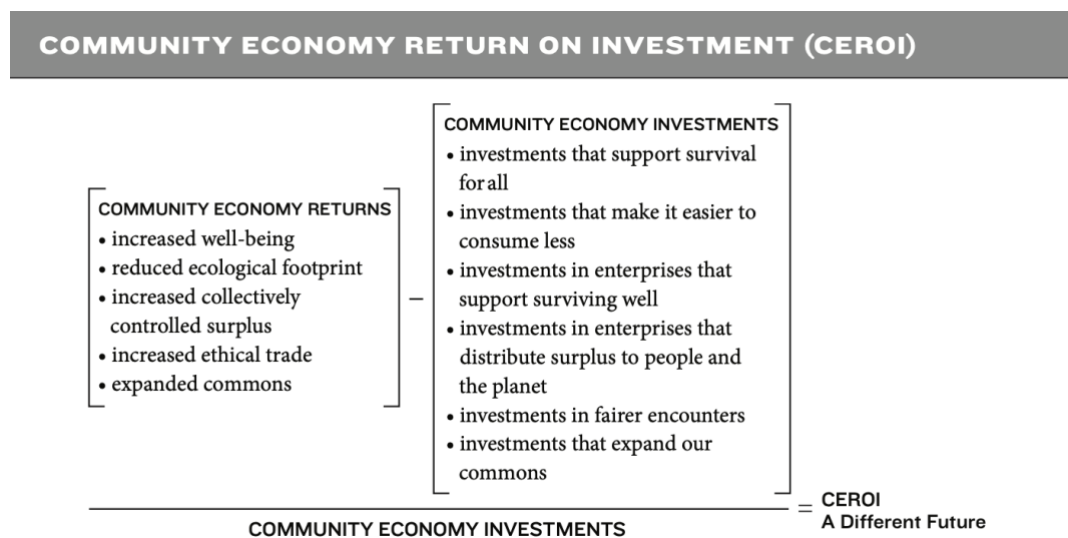


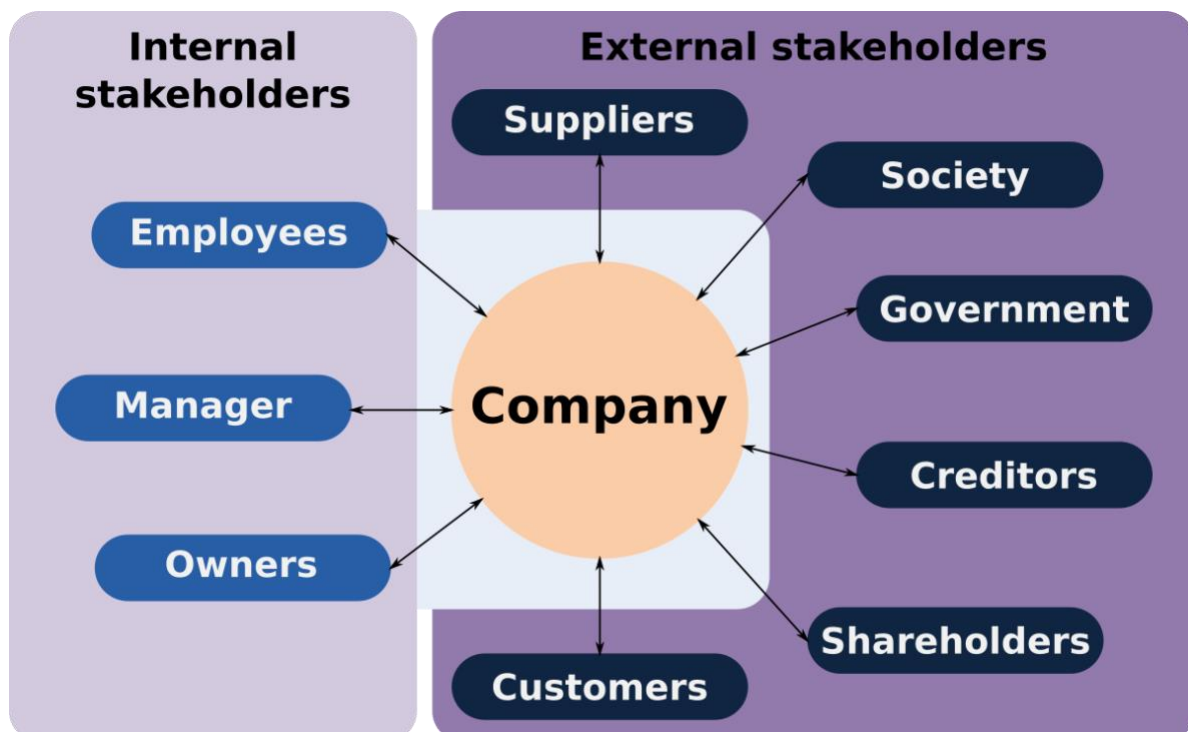
Figure 3: Innovative Finance is using Finance for the betterment of society and environment

The finance sector has become the pinnacle of global discussion. Although finance is the primary directors of economic activity in a capitalist society, it also has an important societal role in encouraging *green investments* that are beneficial to natural and human

ecosystems. The role of finance needs to be reconsidered and as we discussed in class, there is a need to connect monetary investments with non-monetary investments to build a secure future. In order to re-establish the rules of reframing the economy, we must understand the importance of finance and how it can be an enabler of the future (Graham 2013, pp. 159-188).

Kering is leading its studies on living wages and is collaborating across industries to formulate what is called as a “*Fair Wage Network*”. This will create a real time living database to bridge the gap between living wages and real wages. The main motive behind this is to deliver an industry wide operational tool, to judge the financial structure of all the businesses on the same grounds. Additionally, there are **green funds** in the company that are allotted to infrastructure development and for community building. This way, it is redirecting its revenues to life sustaining rather than life destroying practises.

### *The Stakeholder Theory*



The Stakeholder Theory is a view of capitalism that stresses the interconnected relationships between a business and its customers, suppliers, employees, investors, communities and the environment. This theory of sustainability argues that a firm should create value for all its stakeholders, not just shareholders. In the context of Kering, the entire sustainability strategy is based around this premise only. Whether it's care for the planet, collaboration with people and community support, transparency with customers through innovative measures like EP&L or partnership with government agencies and other players, its actions take all stakeholders into account.



#### 4. Comparative Relevance: Sutlej Textiles and Industry Ltd.



*Sutlej textiles and Industry limited* has evolved as a one stop solution for all types of yarn and premium range of innovative textiles crafted for home fabrics. It has captured clients in India and has a global clientele base spread across 65 countries. It has been working actively to innovate and set industry benchmarks. The organisation thrives on the notion “the possibilities of tomorrow”. The core team focusses on setting short targets, with each accomplishment marking a new beginning.

The innovation at Sutlej is driven by the growing needs of its customers. Growing awareness for sustainability amid resource shortage across the world has motivated Sutlej to adopt an environmentally friendly method of production. It nurtures the core values of transparency, accountability, empowerment, and good governance.

The organisation has successfully implemented a unique strategy of building a sustainable business with a prudent balance of financial robustness and social responsibilities. In order to ensure efficiency, it has harvested its working under the umbrella of community building as

- Corporate Social Responsibility
- Sustainability → 1) Eco Friendly Initiative  
2) Conservation Drive

Similar to Kering’s way of functioning, the organisation is committed to improve the standard of living for the community. Their vision is guided from the philosophy of “giving

back to society”, and it aims at enriching the eco system, in a way it could nurture self-dependence and empower communities.

Both the case studies present a very clear chain of action they undertake to ensure sustainability. While both the groups are motivated to have a dramatic impact on the environment, there is a very thin line of distinction in their respective scope of actions.

Kering ties its ethicality to the core fundamentals of a sustainable vision, for instance, their SBT approach and the 3 pillars of sustainability. These core principles would always support the business at any cost. On the flip side, Sutlej has an outstanding team of innovators who move in an informed manner and it is inclined towards getting their operations on the right path to reduce their environmental impact. Kering majorly bases its business on forming support and social groups. However, it is not only about ethicality and principles but also about setting targets. This is where Sutlej overtakes Kering.

Kering has an aim of achieving their targets by 2025, however *Sutlej focuses on making it short but achievable*. Achievability is exactly where long run vs short run targets differ. Short run targets minimise procrastination, while laying out a clearly defined path of success. This helps in increasing efficiency and productivity. In order to prevent devastating effects of unprecedented situations like COVID-19, short run targets become a channel to reach an end goal. In situations like these, Kering would have to pivot their business and draft a new line of operation, while on the other hand Sutlej will always be ready to tackle it with their new targets already in position.

## 5. Sustainability and Progress made by Kering

An obvious concern whenever a big company like Kering undertakes sustainability measures is that of “*greenwashing*”, a concern which we had to carefully evaluate. In this section, we’ll be elaborating on why we believe their practises are sustainable, primarily by looking at *factual information* and how much progress they have made between 2015-2020, and whether that progress aligns with their targets. We believe their progress and the distinctive steps they take are remarkable and on a sustainable path.

### *Actions Speak Loudest*

Three years on from the 2025 sustainability strategy announcement Kering has been making promising progress, including achievements in all three pillars:

#### **CARE for the planet:**

— Kering reduced the group’s overall environmental impacts by 14% in EP&L intensity between 2015 and 2018. It also reduced the Group’s GHG emissions by 77% in intensity in their own operations, and reached 100% renewable energy use in over seven countries (Kering Sustainability Progress, 2020).

— Even further, Kering is on track to meet the 50% science-based target<sup>2</sup> for GHG emissions, having achieved a 36% intensity reduction between 2015 and 2018.

— As of 2018, Kering became entirely carbon neutral as a group in their operations and across our sourcing and supply chain.

— And finally, it became the first private sector company to partner with The Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES)<sup>3</sup> and to support biodiversity science.

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<sup>2</sup> Kering has a Science-Based Target (approved by the Science-Based Target initiative) to reduce all its GHG emissions from a 2015 baseline by 50% by 2025 related to Scope 1 and 2 and controlled Scope 3 (upstream transportation and distribution, business air travel, and all fuel and energy associated emissions).

<sup>3</sup> IPBES is an intergovernmental science policy platform established to improve the interface between science and policy on issues of biodiversity and ecosystem services.



**TARGET: 40% reduction of environmental impact by 2025**  
**PROGRESS: 14% reduction in our EP&L intensity (2015 to 2018)**



**TARGET: 100% alignment with our Kering Standards by 2025**  
**PROGRESS: 68% alignment in 2018**



**TARGET: 2025 target achieved**  
**PROGRESS: 100% responsible gold**



**TARGET: on track to reach 100% by 2025**  
**PROGRESS: 73% sustainable leather**



**TARGET: on track to reach 100% by 2025**  
**PROGRESS: 30% organic cotton**

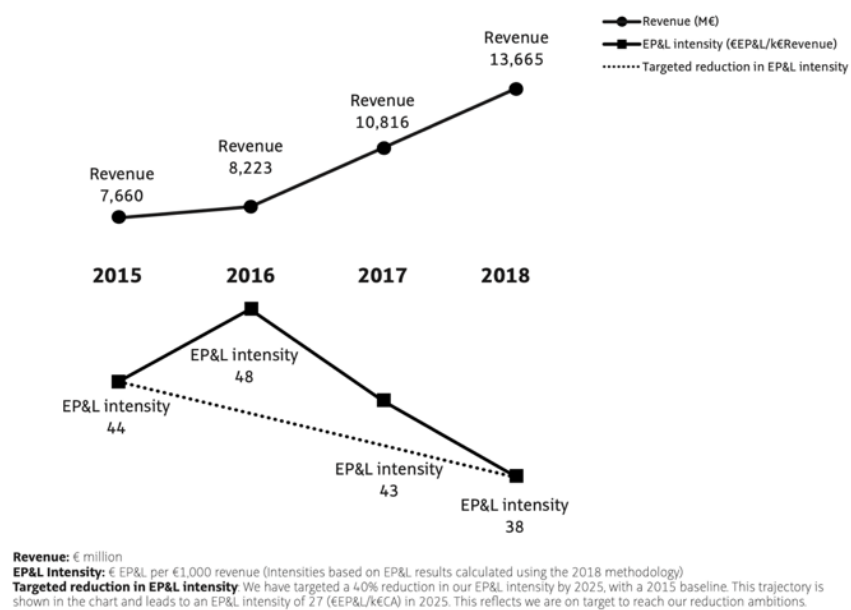


**TARGET: 100% traceability of our key raw materials by 2025**  
**PROGRESS: 88% traceability score of our key raw materials overall**

The graph below shows that, the EP&L intensity has been constantly declining since 2016 despite an increase in revenue. They had targeted a 40% reduction in EP&L intensity by 2025, which means it should reduce down to 27 from 44. And this trend essentially reflects that they are well on target to achieve their reduction ambitions.

## UNDERSTANDING OUR 2018 EP&L RESULTS

FIGURE 1: EVOLUTION OF THE EP&L IMPACTS RELATIVE TO REVENUE



## COLLABORATE with people:

- As of 2019, women accounted for 55% of the Group's managers, 63% of the total workforce, 33% of our Executive Committee members and 60% of its Directors, making Kering one of the *40 companies with the highest female representation in the Bloomberg gender equality index* (Kering Sustainability Progress, 2020).
- Kering empowers people in the regions of its supply chains through micro-loans, skills training and education.
- It created the first MOOC (massive open online course) dedicated entirely to sustainability and Luxury fashion with the London College of fashion in which learners from 150 countries have participated at no cost.

### TARGET: Implement a global Parental Policy



PROGRESS: 14 weeks of baby leave to all parents



55% women in managerial positions



TARGET: Implement a sponsorship program for training and coaching women managers and roll out mentoring programs in all countries. Promote the development of innovative career paths and ensure all genders are always considered for new opportunities.

PROGRESS: Empowering women is a priority at Kering and aligned with our 2025 sustainability strategy we have set up a number of initiatives to do so

### **CREATE new business models and Innovation:**

- Kering identifies promising change making start-ups to around the world. It also established the Sustainable Innovation Lab (SIL) to support the design teams with a library of 3,800 sustainable fabrics.
- Kering created innovative financing mechanisms, like the *Kering Ethical Gold Platform*, to support the shift to sustainable raw materials.
- It has also set up a series of pilots across the supply chain including traceability technologies, low-impact alternative materials and manufacturing processes, like *mushroom leather and eco-dyeing* (Kering Sustainability Progress, 2017).

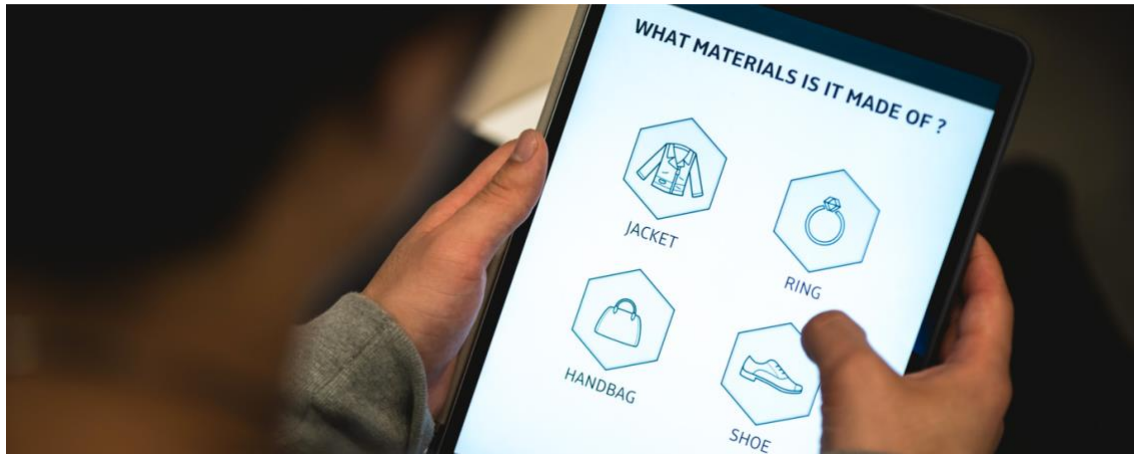
### **A library for sustainable design**



**3,800 samples  
of sustainable fabrics**

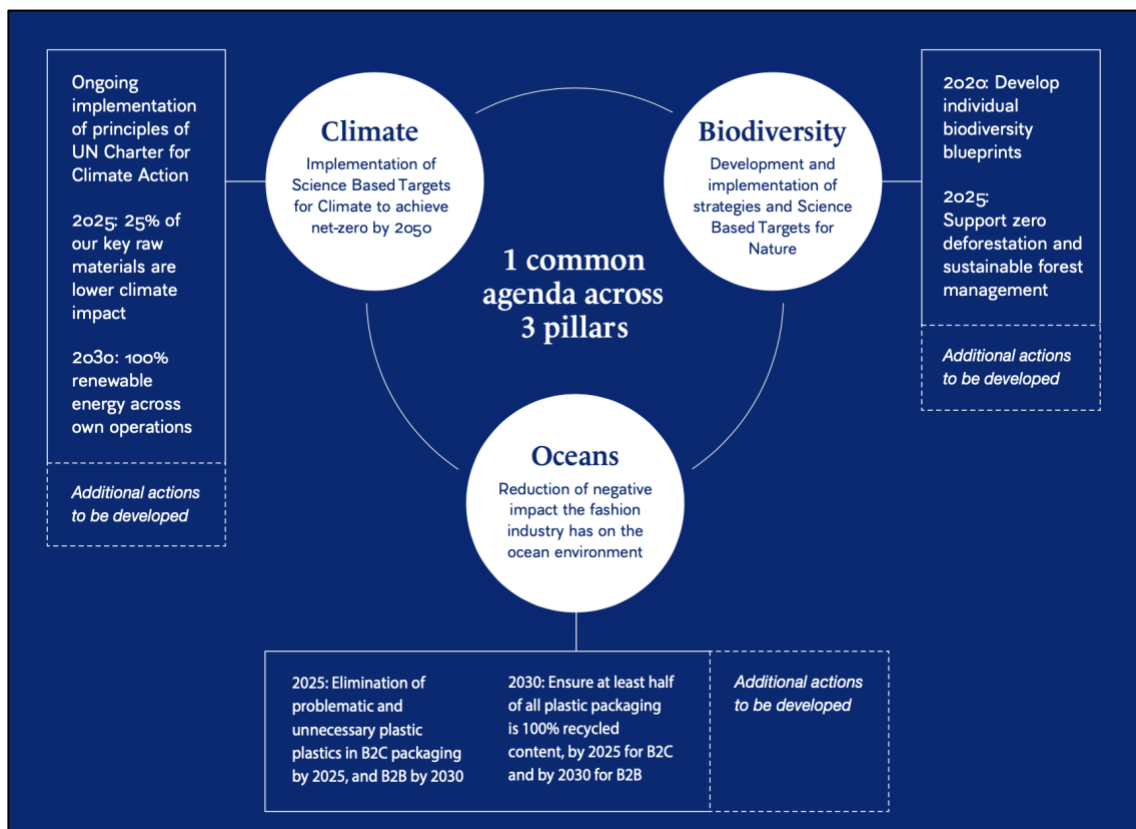
### ***Helping Consumers Reduce their Footprint too***

Kering recently launched an international survey which allows them to look closely at consumer use and end of product life. It recognizes that sustainability in fashion and Luxury are linked to the environmental impacts associated with the phases in a product's life cycle that are influenced by product care, product life span and the product's second life. It all comes down to the day-to-day choices that an individual makes and how they treat their products. Choices like how often they wash or dry clean their clothing, which then determines a product's energy consumption, water use, chemical and micro-fibre release into waterways etc. Another concern is also how a person discards an item. Kering plans to share the results of the survey to provide a deeper understanding around the different impacts that consumer choices can create.



### ***Collaborating: Influencing change through “The Fashion Pact”***

The fashion pact is a global coalition of 60+ companies, an initiative started by Kering with the aim of establishing sustainability in the fashion industry and is based on the 3 agendas listed in the graph below: Climate, Biodiversity and Oceans (Fashion Pact). The Fashion Pact’s objectives draw on the Science-Based Targets Initiative (SBTi), and it focuses on action in three essential areas for safeguarding the planet, as shown below.



## 6. Conclusion

Given the pace at which our natural resources and ecosystem services are being degraded, sustainability in the business world is the need of the hour. It is not just enough for businesses to say that sustainability matters to them but there is a need to come up with newer and newer ways of achieving sustainability. In that regard, we firmly believe that sustainable strategies adopted by businesses must be holistic: they should be *environment centred*, *people centred and innovation centred*. CARE for the planet, COLLABORATION with community and CREATION of innovative and disruptive ways of doing businesses is what we require. Kering has taken a step in the right direction by acting upon all of these steps.



### *Suggestions*

Broadly speaking, doing a case study on a company in the fashion industry has made us recognize the shortcomings of “markets” in general. To give an example, most consumers are not even aware of where the clothes they wear come from, who made them, what the condition of the workers was in the factory where they were made, the environmental and social costs behind production etc. In a capitalist economic society, the underlying nature of



transactions remain largely hidden because, in our globally connected world, a large proportion of products come from a great distance and the length of the modern supply chain creates an anonymity between producers and consumers. How many of us would actually know the Zara dress we wear comes from such a long supply chain as shown below?

### The journey of a single Zara dress



Thus, an effective restructuring of markets and businesses require us to bridge the gap between producers and consumers and requires both demand side and supply side interventions. On the demand side, **ethical consumption** requires us to be cognizant of where our products come from and what economic and environmental impacts they have. Additionally, we need to support **ethical markets/businesses** and expand **fair trade networks** and ensure that we take collective action by boycotting products which involve unsustainable practises. On the supply side, we would recommend a **regulatory body** whose primary role is to assess the sustainability of companies and penalise them for non-compliance, and also release yearly **ethical consumer guides**. Additionally, like Kering does, all companies must be forced to prepare **environmental profit & loss accounts** to assess the monetary value of their carbon footprint. The government's role is also of utmost importance

as it is the one to set the rules. It must ensure that green funds are allotted and make sustainability a nationwide agenda for all businesses.

### ***Limitations***

One might argue that the idea of “luxury” is in itself something that increases inequality because only people above a certain class of income can afford the company’s products. But if we are looking at it in this way, then the very idea of a business under capitalist societies accelerates inequality and widens the income gap. However, business is an inevitable part of the modern economic systems and there’s no going away from it, realistically speaking. So why not look at sustainable ways of doing it? The intention behind presenting this case is to look at alternate ways of doing business so we can recognize how things are being done differently across the world.

Another small grey area present in this case is that the biodiversity strategy was just put in place last year. While we have results for the sustainability strategy and can see that the business is on the right trajectory, for the same thing to hold true in their biodiversity strategy, Kering will really have to make sure they do not deviate from the steps they’re undertaking for profit considerations and try to continue on the same path at a faster speed.

### ***Challenges ahead***

While Kering has initiated the right steps, we want to be cognisant of the fact that the road ahead will not be without challenges. Given the fashion industry’s impact on the environment, there really is a need for more players and stakeholders to step up. Kering needs unprecedented innovation and industry/government collaboration to have an impact in the true sense by 2025. And it’s also a question of speed. The fashion industry don’t just need to take actions but take them at rapid speed. Sustainability, thus, can no longer be something in the periphery of a business strategy but needs to be at the very core of it.

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