

OPERATING RESPONSIBLY

Since its foundation in 1856, Burberry has sought to achieve the very highest quality standards. Corporate Responsibility is at the heart of Burberry business practices, reinforcing the heritage and authenticity of the brand.

Burberry believes that to be a great brand you also need to be a great company. This belief is reflected in its continued pursuit of improved Corporate Responsibility (CR) performance; its tackling of issues related to climate change; and efforts to inspire employees on issues of ethical trade, environmental sustainability and community investment.

Burberry is a member of the UN Global Compact and uses the Compact's Ten Principles to guide its CR activities. The company is also listed on the FTSE4Good Index, achieved the Carbon Trust Standard and is an active member of both the Ethical Trading Initiative and Business for Social Responsibility.

The following sections outline Burberry's approach to tackling important social and environmental challenges, including some key achievements in 2010/11.

Overall highlights of the year

- Increased the number of factories with worker hotlines by 54% to a total of 33
- Joined the Ethical Trading Initiative – the first luxury brand to do so
- Launched a Sustainability Digital Film to employees globally to raise awareness of corporate sustainability initiatives
- Committed to increase the proportion of the Group's UK electricity purchased from combined heat and power sources from 29% to 100% to drive demand for renewables in the UK
- The Burberry Foundation distributed over 2,500 iconic trench coats to partner charities in London, New York City, Hong Kong and Seoul, all working with disadvantaged youth

CR governance

Michael Mahony, Senior Vice President Commercial Affairs & General Counsel, is accountable for CR matters on behalf of Burberry and the Board. He chairs the CR Committee, which formally reports to the Group Risk Committee. The CR Committee held three meetings during the year.

Two supplementary committees, the Global Sustainability Committee and Supply Chain Risk Committee met three times respectively.

In 2010/11 the Group strengthened its CR team to a total of 16 members globally.

Ethical supply chain

Burberry believes that its products should be made only in factories that comply with local labour and environmental laws and by workers who work fair but not excessive hours, are provided with a safe, hygienic work environment, and who can exercise their right to freedom of association as well as collective bargaining. The majority of Burberry products are manufactured in Europe through third party suppliers.

All Burberry suppliers are governed by the Group's Ethical Trading Policy, which sets clear expectations regarding the management of labour standards. Four new policies were added to this during the year, covering Bribery and Corruption, Foreign Contract Labour, Unauthorised Sub-Contracting and Animal Welfare.

Ten Burberry team members are charged with ensuring the implementation of the policy throughout the supply chain as their sole responsibility, working in partnership with third-party auditors and NGOs as appropriate to approve and assess the activities of suppliers. The team conducted over 700 audits, capacity building and hotline interventions in 2010/11. To complement its auditing programme, Burberry has trained workers in confidential worker hotline services in select factories to provide an effective whistle-blowing mechanism and counselling service.

To achieve long-term improvements in labour conditions, Burberry provides support and resources to suppliers to empower them to take responsibility for their factory and subcontractor conditions. The CR team delivers supplier training covering the Group's ethical trading expectations, management systems and counsel on transparency and standards for subcontractors.

Stakeholder engagement

Burberry understands that it cannot solve supply chain labour issues alone and maintains an open dialogue with suppliers, other brands, NGOs and trade unions to bring collective action to bear across the supply chain.

To increase engagement with ethical trade stakeholders, Burberry joined the Ethical Trading Initiative (ETI) in June 2010. The ETI is a tripartite alliance of companies, trade unions and voluntary organisations that work collaboratively to improve the lives of workers worldwide.

The work of the Business for Social Responsibility Sustainable Luxury Working Group, of which Burberry was a founding member, also continued this year, focusing on animal welfare guidelines and the exotic skins supply chain. As a result, the release of a common Animal Welfare Policy by the Group was communicated to Burberry suppliers, detailing its high expectations in respect of welfare standards.

Burberry is also a member of the Leather Working Group, supporting its efforts to improve transparency in the leather industry.

Fur

As a luxury brand with a strong outerwear heritage, there will be occasions where Burberry design teams or consumer tastes expect the use of natural hides in Burberry collections.

Burberry will not use fur if there is any concern that it has been produced using the unacceptable treatment of animals. Burberry safeguards the correct ethical standards and traceability in all fur sourcing. Specifically, it sources fur from furriers who want to uphold high standards of ethical treatment of animals and who share its concerns about animal welfare. Burberry publicly supported the Truth In Fur Labelling Act in the US in 2010.

Sandblasting

Burberry does not utilise sandblasting on any of its products manufactured by or on behalf of the Group. Burberry requires its suppliers to use hand brushing to distress denim products, and use all appropriate Personal Protective Equipment to ensure that workers' health is protected during the process.

Audits, training programmes, factory management follow-up visits and hotline programmes (Year to March)

721



721
634
487

Environmental sustainability

Burberry is committed to finding innovative ways to minimise environmental impacts from the production, distribution and sales of its products, and to reducing its environmental footprint throughout its global operations.

In order to embed sustainability further this year Burberry strengthened its Global Sustainability Committee to include representatives from a wider variety of functions within the business. The members are designated Sustainability Leaders, responsible for embedding sustainable business practices throughout the Group's operations. In support of the Sustainability Leaders' work, Burberry engaged all employees globally via targeted digital communications encouraging them to continue to inspire and challenge each other towards new ways of operating.

2010/11 environmental performance results

Carbon Trust:

- In April 2010, Burberry was awarded the Carbon Trust Standard for its UK operations

Energy:

- Solar panels are being installed at the distribution centre in Vineland, USA to utilise the energy produced to power the centre
- Inductive motor optimisation panels were trialled in all UK manufacturing sites to reduce energy consumption

Business travel:

- Due in part to executing the Group's under-penetrated markets strategy, air travel for UK employees increased by 52% per £1,000 of turnover

Waste:

- There was a renewed focus on diverting waste from landfill. In Horseferry House there was a 54% increase in waste recycled during the year
- The closed loop textile recycling system launched in the UK last year has been expanded to Europe. Since April 2010, Burberry's recycling partner has converted over 130 tonnes of sample and raw material waste into car door insulation

Logistics transport emissions:

- An unprecedented rise in sales coupled with the shift from seasonal to monthly deliveries impacted the Group's ability to ship goods by sea. To address this, a number of key initiatives have been introduced, including centralised logistics decision making, shortening of critical path and increasing strategic raw materials pre-buys in order to accommodate sea transportation lead times.

Performance disclosure

Burberry makes annual disclosures to the Carbon Disclosure Project and Forest Footprint Disclosure.

Global building energy CO₂ (Year to March)

(CO₂ kg per £1,000 of turnover)

(Data excludes discontinued Spanish operations)

20.4_{CO₂}



Burberry acquired its Chinese operations with effect from 1 September 2010. (On a like-for-like basis, excluding both the discontinued operations in Spain and acquired business. In China in 2010/11, our CO₂ emissions per £1,000 turnover were 20.5 CO₂). Restatement of 2008 and 2009 data to include sites in Asia and Emerging Markets.

Primary transport shipped by sea (%) (Year to March)

(Based on a sea vs. air freight comparison; road data has been excluded)

12%



Air travel CO₂ (Year to March)

(CO₂ kg per £1,000 of turnover, based on UK Employees)

3.0_{CO₂}



Community investment

Investing and engaging in the communities where Burberry operates remains a key element of the Burberry CR strategy. In 2010/11, Burberry dedicated a total of £3m, or 1% of profits before tax, to charitable causes around the globe, a twofold increase on 2009/10. The majority of this giving was a donation to the Burberry Foundation.

Burberry Foundation

The establishment of the Burberry Foundation in 2008 (UK registered charity number 1123102) marked the creation of a strategic philanthropic platform, which enabled the Company to refine, focus and accelerate its community engagement efforts.

The Foundation's mission is an embodiment of company founder Thomas Burberry's core values: to protect, explore and inspire. Specifically, it is dedicated to helping disadvantaged young people to realise their dreams and potential through the power of their creativity.

The Burberry Foundation supports innovative organisations and programmes that leverage Burberry assets, combining financial support with the knowledge, creativity and dedication of Burberry employees.

The Foundation receives donations from Burberry and other benefactors, which enable it to award strategic grants and make targeted donations of in-kind gifts. In 2010/11, the Foundation received £2.3m in cash and more than £260,000 in-kind donations from Burberry. This enabled the Foundation to support thousands of young people in Boston, Chicago, Hong Kong, London, Los Angeles, New York, San Francisco and Seoul, via key partnerships with 17 charity organisations.

Employee engagement

As part of the Company's employee engagement programme, Burberry employees are encouraged to dedicate up to four hours of paid leave per month in support of the Foundation's charity partners. Employees provide critical one-off assistance to hundreds of young people, as well as long-term support via one-on-one mentoring and weekly help with school homework.

In 2010/11 over 25% of employees located in cities where the Foundation is active offered their personal talents and business skills to help disadvantaged young people work towards realising their full potential. In total, over 3,700 hours or 490 working days were dedicated to volunteering.

A significant proportion of employee engagement efforts are dedicated to increasing the employability of disadvantaged young people in London, New York City and Hong Kong. Over the past three years, 126 young people were brought into corporate offices and retail stores for job training and hands on work experience, ranging from two to ten weeks. Beginning with a week of intensive training designed and delivered by Burberry volunteers, the entire experience provides participants with the opportunity to explore their own creativity and talents whilst developing the skills and confidence needed to succeed in today's complex business world.

Successful programme graduates receive an iconic Burberry coat to further boost their confidence as they look to enter the job market armed with new skills and experiences. This year alone, more than 200 employees dedicated over 1,500 hours to help change the lives of 65 young people through the job training programme.

In-kind Donations

Burberry regularly donates products to the Burberry Foundation for strategic distribution through partner charities. Donations range from one-off gifts of non-trademark fabric and materials for art and design courses, to a large scale annual Christmas Coat Donation programme.

In 2010/11, a record number of coats were distributed in London, New York City, Hong Kong, and Seoul, to charities working with disadvantaged young people to help them access employment or re-enter education. 31 organisations matched the coats with recipients for size and need, with testimonials from recipients confirming that, far from being just a gift of warmth, a Burberry coat is a gift of confidence and inspiration that will last for years to come.

Corporate Donations

An ongoing part of doing business is to selectively support customer and supplier related events and charitable causes. Each regional office has a discretionary charity budget which is managed and approved locally.

Disaster Relief

Burberry supported relief efforts following two catastrophic events this past year. In support of relief efforts after devastating flooding in Pakistan, Burberry contributed to the Disasters Emergency Committee, an umbrella organisation for 13 humanitarian aid agencies. In response to the earthquake and tsunami in Japan in March, Burberry and its employees contributed to Save the Children and British Red Cross to assist with relief and reconstruction efforts.

Community Donations (£m) (Year to March)

Direct donations are contributions made by the Company. Indirect donations are donations from third parties that have been facilitated by Burberry.

