

## OPERATING RESPONSIBLY

Since its foundation in 1856, Burberry has sought to achieve the very highest quality standards. This focus is an integral part of the brand and informs ongoing efforts to ensure that Burberry is recognised as much for operational excellence as it is for its luxury products. Putting Corporate Responsibility at the heart of Burberry's business practices is a key part of this philosophy, and speaks to the heritage and longevity of the brand as well as its pioneering spirit.

Burberry strongly believes that to be a great brand it must also be a great company. This belief is reflected in its continued pursuit to improve Corporate Responsibility performance and to inspire employees around issues of ethics, social and environmental responsibility and community investment.

The following section describes Burberry's current approach to tackling these challenging issues, including some of our achievements in 2009/10.

### Highlights of the Year

- 30% increase in visits to product suppliers' factories over prior year to 634
- Launched Sustainability Leaders Initiative across the business
- Continued to reduce our CO<sub>2</sub> emissions from the Group's buildings by a further 9% per £1,000 of turnover
- Committed to purchasing 29% of all our UK electricity from Combined Heat and Power and renewable sources in 2010 calendar year

One of Burberry's five strategic themes is pursuing operational excellence. Operational excellence in CR has five key areas of focus:

- Healthy business partnerships: based on shared values and high ethical standards
- Excellent products and service: quality, craftsmanship, heritage and service standards
- Environmental excellence: operating efficiently with minimum waste and maximum control
- Excellence in people management: attracting and retaining talented employees
- Contributing to society: investing and engaging in the communities where Burberry operates

For more information on Burberry's Corporate Responsibility ('CR') policies including its Ethical Trading Policy, performance and case studies, please visit the Corporate Responsibility section of [www.burberryplc.com](http://www.burberryplc.com).

### Corporate Responsibility 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 and Supply Chain Risk Committees are responsible for these specific topics. Both committees generate formal reports for the CR Committee.

In 2009/10, the Group strengthened its CR team to a total of 13 members. The global team, which is based in London, New York, Hong Kong and Tokyo, leads Burberry's supply chain, labour, environmental excellence and community investment initiatives in partnership with its stakeholders.

### Ethical trading: supply chain Monitoring the supply chain

Burberry believes that its products should only be made 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 and hygienic work environment; and who can exercise their right to freedom of association and collective bargaining.

All Burberry suppliers are governed by its Ethical Trading Policy that sets clear expectations regarding issues like living wage, child labour and regular employment. Seven Burberry team members are charged with ensuring the implementation of the policy throughout the supply chain as their sole responsibility.

This policy is based upon internationally accepted codes, International Labour Organisation conventions and is published in full in the Corporate Responsibility section of [www.burberryplc.com](http://www.burberryplc.com).

With periodic assistance from third-party auditors the team regularly visits factories to assess their performance related to Burberry's Ethical Trading Policy and develops factory improvement plans based on their findings. Follow-up visits are conducted to ensure that the plans have been implemented.

Complementing these audits are worker hotlines installed in select factories, which act as both a whistleblowing mechanism and counselling line.

The majority of Burberry's products are manufactured in Europe through third-party suppliers. All new Burberry suppliers, regardless of location, must be approved by the Corporate Responsibility team prior to production taking place.

Burberry understands that it cannot solve supply chain issues on its own and that a participative and collaborative approach is needed. Burberry will continue to maintain an open dialogue with its suppliers, peer companies, other brands, NGOs and trade unions to bring collective action to bear across the supply chain.

As part of Burberry's ongoing desire to reduce duplicative audits, we have developed partnerships with companies that produce in the same factories. Using the Fair Factory Clearinghouse (FFC) database tool, Burberry is now able to share and access credible information on factory social compliance which replaces the need for additional audits and allows for further investments in capacity building and training.

Burberry is a founding member of the BSR Luxury Brands working group. The group was established to explore common approaches to collectively address material Corporate Responsibility issues specific to the luxury sector like the use of exotic skins. The Group is currently developing an animal welfare policy for working group members.

#### **Supplier ownership**

Working closely with Burberry teams, suppliers are demonstrating their increasing commitment to compliance by actively participating in capacity building programmes such as management system development, productivity enhancement and worker rights training. These programmes improve worker-management relationships, improve production processes and empower workers and management to resolve problems jointly.

In 2009, the Company launched its Corporate Responsibility Handbook. The Handbook, distributed to all suppliers by the Burberry Chief Operations Officer, provides additional detail and guidance to assist suppliers with integrating our policies into their management systems.

#### **Product and supply chain standards – upstream**

Burberry strives to achieve the highest quality standards in all components and stages of its supply chain process.

Burberry recognises that its responsibility does not end at the first tier supplier and subcontractor level of the supply chain. The Company has been working to address issues deeper in the supply chain including raw materials like leather, fur and cotton.

#### **Leather**

Burberry joined the BLC Leather Working Group in order to have a clearer understanding of the environmental impact of tanneries, investigate the possibility of hide traceability and collaborate with other brands and tanneries to improve environmental standards within the leather industry. Burberry supports the working group's efforts to ensure the preservation of the Amazon Biome (rainforest).

#### **Fur**

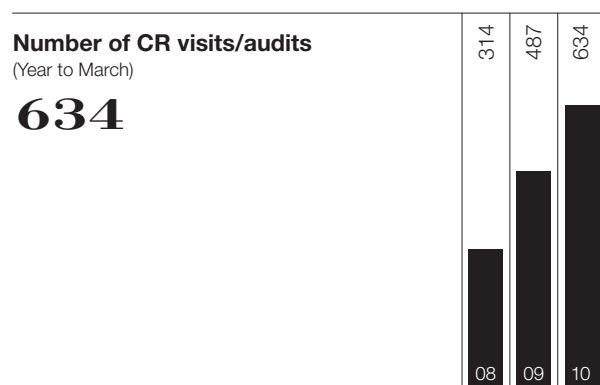
There has been, and will continue to be, occasions where consumer tastes demand the use of fur. Burberry believes that any materials derived from animals should be produced without inflicting cruelty or threatening the environment. Burberry will not use fur if there is any concern that it has been produced using the unacceptable treatment of the animals. For this reason, Burberry does not source such materials from China. Fur is carefully sourced, safeguarding the correct ethical standards and traceability. Fur is principally sourced from SAGA furs which is known for upholding high standards of ethical treatment of animals and shares the Group's concerns about animal welfare. The farms that supply fur are open to third-party inspections at any time and have been visited by the Burberry CR team.

#### **Uzbek cotton**

Following the deeply concerning reports relating to alleged forced child labour in the Uzbekistan cotton industry, Burberry has taken steps to exclude Uzbek cotton from its supply chain. In progress is a cotton traceability project related to Uzbek cotton and other raw materials.

**2009/10 supply chain achievements**

- Factory visits: 634 factory visits; a 30% increase on last year
- Stakeholder engagement: Actively participated in the BLC Leather Working Group and the Responsible Cotton Network
- Capacity building: Developed Corporate Responsibility Handbook for vendors
- Worker hotline: Expanded confidential worker hotline to Japan and Italy
- Raw Materials Traceability: Agreed and signed contract to launch a 2010 traceability project

**Environmental performance**

Burberry is committed to reducing its environmental footprint throughout its global operations. Environmental sustainability is a key responsibility and Burberry can play an important role in ensuring that its environmental impact is minimised in the countries where it sources materials and products through to the markets where products are sold.

Strong environmental performance is important to Burberry employees, customers and future generations and is good for business as it ultimately improves efficiency and leads to cost savings. Burberry's most critical environmental sustainability impact areas include carbon emissions (linked to energy use, travel and distribution network), solid waste and packaging materials (linked to shipping, marketing and sales).

Burberry established a Global Sustainability Committee in 2009 which meets quarterly. On the committee every region or function of the business is represented by a nominated Sustainability Leader.

Burberry regularly communicates its revised Global Environmental Policy to all vendors and integrates environmental best practices directly into our Non-Stock Procurement procedures and contractual negotiations.

**2009/10 environmental performance results****Energy:**

- Reduced CO<sub>2</sub> emissions from the Group's buildings by 9% per £1,000 of turnover
- Committed to purchasing 29% of the Group's UK electricity from CHP and renewable sources in the 2010 calendar year to drive demand for renewables in the UK
- Installed 'Solar Control Window Film' in the new Burberry Americas headquarters at 444 Madison, New York, with a projected annual savings of close to 300,000 kWh
- Implemented an automated PC shut-down system on the Burberry network worldwide to save energy overnight

**Packaging:**

- Launched a new Established range of consumer packaging made from an FSC accredited sustainable source and 100% elemental chlorine free

**Logistics transport emissions:**

- Continued to pursue a programme to divert freight to sea from air driving reductions in carbon emissions

**Business travel**

- Reduced air travel for UK employees by 10% per £1,000 of turnover, through utilisation of virtual meetings via video conferencing facilities globally

**Waste**

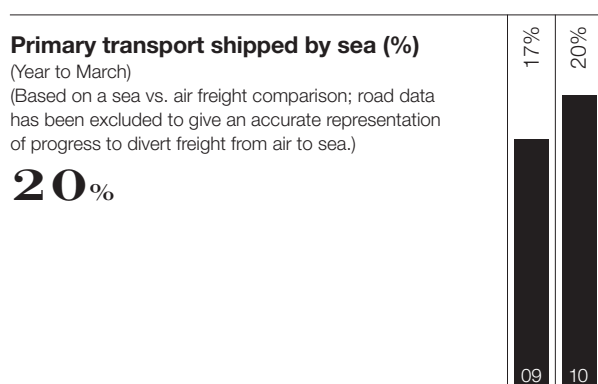
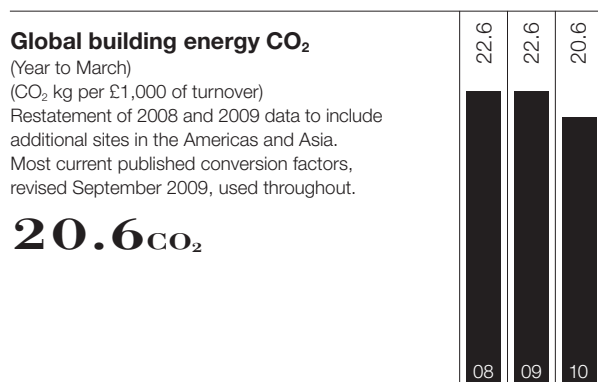
- Renewed focus on increasing recycling globally. In the UK, recycling has increased to 47% of the total waste produced
- Developed a closed loop textile recycling system in the UK. The Group's global recycling partner converts sample and raw material waste into car door insulation

#### Digitalisation:

- Converted lookbooks from paper to digital – used by buying teams and wholesale customers to choose products. This is estimated to save 32 tonnes of paper and £70,000 annually
- Digitised visual merchandising props ordering process for regional teams

#### Information technology:

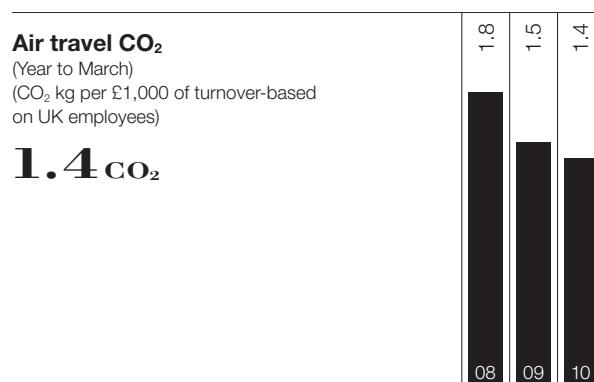
- Launched an online environmental data management system to cover 100% of Burberry's global sites



#### Air travel CO<sub>2</sub>

(Year to March)  
(CO<sub>2</sub> kg per £1,000 of turnover-based on UK employees)

**1.4**CO<sub>2</sub>



The data in these graphs comes from a combination of automated and manual internal processes. The majority is based on actual data, supplemented, when necessary, by approximations.

#### Excellence in people

##### Organisational effectiveness

The Burberry Human Resources team continue to drive people excellence with the focus being to recruit, retain and develop world class employees around the world, to deliver extraordinary results in the service of the Brand.

A commitment to diversity and respect for all is a key foundation underlying the Burberry culture and its success as a global luxury brand.

- Burberry's global nature is reflected not only through its geographic footprint, but also through its workforce. In the global headquarters at Horseferry House, Burberry employs nationals of 39 different countries from the five continents.
- Women make up a large part of the workforce in all parts of the organisation, from its manufacturing sites through to its headquarters (70% women). Burberry was acknowledged for this diversity at the 2010 Opportunity Now Awards where the Company won the 'Female FTSE 100 Award' as well as the 'FTSE Executive Women Award'.

The Burberry brand captures the energy of youth and is underpinned by its values – protect, explore and inspire. Burberry's workforce encompasses the digital generation and experienced craftsmen and women. In the 2009 Long Service Awards, the Company recognised service up to 45 years.

### 2009/10 results

- Recruitment: Successful implementation and roll out of Burberry's global careers website has attracted over 20,000 applications for roles in the Company this year.
- Organisational development: Continued evolution and development of the organisation has enabled the Group to continue to ensure its infrastructure and capability is able to deliver both the growth agenda in line with the key strategic themes and the business efficiencies Burberry is committed to.

In February 2010, Burberry announced the proposed restructuring of its Spanish operations in order to align Spain to its global business model and introduce the Burberry global collection. Burberry agreed a redundancy plan with the Works Council and unions, with the resultant loss of just under 300 jobs. All employees leaving the Company are being offered outplacement support.

As part of the global cost efficiency programme, Burberry France undertook a limited collective dismissal process. This restructure aligned Burberry France with the European Shared Services organisation model and affected the IT and Finance functions. The Group continues to embed this new organisation structure into Burberry France.

- Leadership development: Design, development and delivery of a new leadership programme targeting 100 high-potential managers identified in all areas of the business and regions. This leadership programme is developing an internal pipeline of world-class talent to provide future leaders for the business. Leadership capabilities are developed through mentoring, personal development plans, one to one coaching, worldwide events and workshops, and international mobility.
- Meeting structures: At the outset of 2009/10, Burberry established a robust meeting structure to improve meeting effectiveness and enhance internal communications and alignment:
  - Executive Operations Committee: Oversight of overall performance of Burberry and major cross business issues
  - Monthly Management Reviews: Review of operational performance, outlook and budgets
  - Management Update Forum: Discussion of product, corporate and regional performance by senior leadership
  - Global Quarterly Update: Communication of key strategies as well as product, corporate and regional performance to the whole Company

### Health and safety

As a core priority, Burberry continues to ensure a healthy and safe environment for all employees and customers. To assure the Board that this is the case, there is a formal health and safety audit process and programme that ensures all Burberry manufacturing sites and distribution centres are audited at least annually with major offices and retail locations audited at least once every three years. All audits were completed successfully with no problems reported.

During the year, there have been a number of visits by regional enforcement bodies all with successful outcomes and no required changes to systems or processes.

To further strengthen this area, a Corporate Health and Safety Manager was appointed whose role will be to further develop the Global management system and related training programmes, incident management and key performance indicators in the coming year. The most significant of which will be an integrated Health and Wellbeing Policy linking a number of key departments such as Human Resources, Talent Development, Facilities and the external Occupational Health Provider.

### The Burberry Experience

Following the success of the Burberry Experience sales and service pilot training programme during 2008/09, an enhanced programme has been rolled out to mainline stores and concessions this year. Led by the Service and Productivity teams at Corporate and in the Regions, more than 1,800 retail store employees have been trained this year. The training programme has been designed for and delivered to all retail staff to ensure that the customer experience is in line with Burberry's brand standards and luxury positioning.

The evaluation of the effectiveness of the training is ongoing, and has shown positive results and improvements in levels of service being delivered to our customers globally. The training continues to be enhanced and extended to improve leadership skills and productivity. The Burberry Experience will continue to be rolled out to new markets where Burberry operates globally.

### Community investment

Ongoing investment in the communities where the majority of employees live and work remains a key element of the Burberry Corporate Responsibility strategy.

### The Burberry Foundation

A key extension of the tradition of philanthropy at the Company, the Burberry Foundation (UK registered charity no. 1123102) provides a strategic platform for Burberry's community engagement and builds charitable giving in its regions.

Established in 2008, the Foundation is a philanthropic organisation dedicated to helping young people realise their dreams and potential through the power of their creativity. The Foundation's goals are to help young people to:

- gain confidence in their daily lives and develop self-esteem
- build connections to their families, friends, partners and society at large
- develop the ability to reach for opportunities in school, work and life

The Burberry Foundation's grant making is focused on supporting innovative programmes and building sustainable partnerships that leverage the Company's assets and combine financial support with the knowledge, creativity and dedication of Burberry employees.

The Foundation receives donations from Burberry and other benefactors to award strategic grants and make targeted donations of in-kind gifts. In 2009/10, the Group's donations to the Burberry Foundation amounted to £800,000 in cash and more than £150,000 in-kind. These contributions enabled the Foundation to support charities in Boston, Chicago, Hong Kong, London, Los Angeles, New York, San Francisco and Seoul.

For a list of charities supported by the Burberry Foundation, or for further information, please see [www.burberryfoundation.org](http://www.burberryfoundation.org).

#### Employee engagement

Burberry employees are encouraged to further support the Foundation's grant recipients through the Company's employee engagement programme, which allows staff to take up to four hours per month of paid leave to volunteer with any one of the Foundation's charity partners around the world.

In 2009/10, employees volunteered more than 3,500 hours of time, a tenfold increase on 2008/09, lending their personal talents and business skills to help young people.

A significant part of Burberry's employee engagement efforts this past year was dedicated to job training programmes for young people in London and New York City. These programmes brought 60 students to corporate offices and retail stores for job training and hands-on work experience ranging from two to ten weeks.

#### In-kind donations

Burberry donates products to the Burberry Foundation for distribution to charities in its grants portfolio. Donations range from one-off gifts of fabric or materials for an art or design course, to a large-scale annual Christmas Coat Donation programme which saw approximately 1,500 coats distributed to charities globally.

#### 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

In response to the catastrophic earthquake in Haiti on 12 January 2010, Burberry and its employees donated over £149,250 to British and International Red Cross agencies around the globe to assist with its relief and reconstruction efforts.

In 2009/10, corporate contributions totalled over £1.4 million.

#### 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.

**£1.4m**

■ Indirect donations  
■ Direct donations

