



His Excellency Mr. Ban Ki-moon, UN Secretary General
United Nations Organization, Global Compact Office
First Avenue & 46th Street
New York, NY 10017, USA

8 January, 2013

Dear Mr. Secretary General,

I am pleased to share with you our ongoing commitment and pursuit of social and environmental sustainability in 2013 as a signatory to the UN Global Compact. Sustainability is paramount to the overall business strategy of the Group and the Ten Principles of the Global Compact are reflected in our business practices, operations and policies.

Since our "Communications on Progress" in 2012, we have continued to implement sustainability best practices and our progress was recognized for the second year in a row by a GRI A + rating. I am also pleased to report that Kering led the 2013 Carbon Disclosure Project (CDP) survey in the Luxury and Apparel industry and we have been included in the Dow Jones Sustainability Indices (DJSI) World and Europe for the first time. In the industry sector where Kering is listed, only twelve out of the eighty-nine companies assessed last year were added to the DJSI World index, and the DJSI Europe index selected four companies out of eleven assessed.

The Global Compact's values in regards to human rights, labour standards, environmental practice and anti-corruption help drive us in becoming a more responsible and sustainable company and are championed throughout our Group. In particular, we are proud to share our new "Code of Ethics" which has been aligned with all major international reference standards and reflects the Ten Principles of the Global Compact within its guidelines. Since our first Ethics Charter in 1996, we have made significant progress in



continuing to uphold our pledge to make ethics and sustainability the cornerstones of our business activities. To this end, our new "Code of Ethics" has been updated to enhance and improve upon a number of key areas and has been translated into eleven languages. So as to be more effective, especially in our regional spheres of operations, and efficient overall we have reorganized our Ethics structure and governance. We now have three Ethics Committees that consist of the Kering Group Ethics Committee and two regional committees reporting to the Group Committee; the Asia-Pacific Ethics Committee (APAC) and the Americas Ethics Committee (Americas). The committees monitor the distribution and implementation of the "Code of Ethics" and the principles it defends; are proactive in developing the Group's policy and actions in sustainability; and respond to complaints from any Group employee. The worldwide hotline helps facilitate this process and employees can choose to utilize the confidential hotline in all eleven languages the Code is translated in. We will also now have a higher visibility of social responsibility due to our new Code's inclusion of the Group's Supplier's Charter stipulating the principles that Kering and our brands require suppliers to commit to. Lastly, so as to ensure understanding and adoption of the new Code, we are launching an e-learning program in early 2014 covering four themes (anti-corruption, fraud, conflict of interest, social network exposure) which we will review annually for our 33,000 employees.

Further to the increased focus on social responsibility in our new "Code of Ethics", Kering's brands continue to employ comprehensive social compliance programs. As examples, in our Luxury division, Gucci and Bottega Veneta conducted 3042 audits in 2012 (2,356 audits and 686 audits, respectively) against SA8000 standards for working conditions. In our Sport & Lifestyle division PUMA's sustainability arm, PUMA.Safe, has ensured that PUMA's social and environmental standards are applied within the company and by its suppliers. Beginning in 2004, the brand has also been working with the Fair Labor Association and has been certified by the organisation since 2007. Overall in 2012, Kering carried out 3,464 audits and we will continue to enhance our audit programs to meet the demands of a



changing global working environment.

In our last "Communications on Progress" I highlighted the social and environmental targets we have determined to achieve by 2016. These targets are a reflection of our dedication to sustainability and integral to our overall sustainability strategy. They cover the key areas of becoming more sustainable as a business including sustainable sourcing of our raw materials; reduction of CO₂, waste and water; hazardous chemicals and materials; paper and packaging; and supply chain auditing. We have since been working closely with our brands to implement a comprehensive roadmap and a portfolio of initiatives in each brand in order to work effectively towards our goals. We will be providing a progress report on our target status to our shareholders and stakeholders in Q2 2014.

As a Group, developing new solutions and innovations to help with our 2016 target attainment and to address the sustainability challenges we face in our sector has been a top priority for us. As such, one of Kering's main focus areas is on the sourcing and processing of the raw materials used in our brands products. A number of the initiatives we have been developing, we also shared publicly in the past year. Our brand Gucci's methodology to reduce the environmental impact of the tanning process is a prime example. As a first for the Luxury industry, Gucci launched "metal free" leather by innovating a new process that uses an organic tanning agent whereby the tanned leather and wastewater from the tanneries are free of heavy metal at the end of the process. This innovation has a range of environmental benefits such as: improvement in the quality of the effluents produced by the tanning process, significant reduction in water usage (about 30%) during the production of metal-free leather and energy saving (of about 20%) due to the shorter length of time this process requires compared to conventional tanning methods.

At the Corporate Kering level, we have been focused on finding solutions to a number of key sourcing issues in the last twelve months. As an example, Kering established the Python Conservation Partnership (PCP) with the



International Trade Centre (ITC) and the International Union for Conservation of Nature (IUCN SSC Boa & Python Specialist Group). The PCP's aim is to contribute to the trade's improved sustainability and help facilitate industry-wide change. Over the next three years our research will focus on the analysis and recommendations around sustainability, transparency, animal welfare and local livelihoods for the python trade. The data and findings will contribute to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) process. Our collaboration is an important step forward for stakeholders to explore different ways of overcoming the various challenges the python trade faces and I am pleased to share that CITES praised the launch of the PCP.

With a further view to more sustainable and traceable sourcing, we also acquired the majority stake in France Croco in 2013 to help our brands secure a sustainable supply of high quality crocodilian skins. This type of vertical integration is part of our strategy to better support our brands to help them reach their potential, in the most sustainable manner.

Kering's new Material Innovation Lab (MIL) that we launched in 2013 also supports sustainability across our brands. Based in Northern Italy, the MIL has a comprehensive library of sustainable materials and technical experts that help our brands understand how they can make more sustainable choices in the materials and processes they use for their products and highlights innovation in raw materials, fabric design and manufacturing.

While we continue to develop new solutions, innovations and best practices guidelines, we have also been diligently implementing our Environmental Profit and Loss accounting (E P&L) analysis in all our Luxury and Sport & Lifestyle brands. As noted in our previous "Communications on Progress", the E P&L is fundamental to our strategy and goes far beyond compliance by measuring our entire footprint across the supply chain in monetary terms. Over the past year, we have been working towards our commitment to publish a Group E P&L in 2016. I am pleased to provide a



status update – we have 80% of our Group's business covered thus far.

Corporate Governance is another important component to ensure sustainability is inherent in all our decisions and actions. As such, sustainability is embedded in our governance across all levels of the Group. At Kering's board level we have a Sustainable Development Committee chaired by a Director of the board and in 2013 we formed a Sustainability Technical Advisory Group (STAG) to further advise the board level committee. The STAG is made up of external experts as well as board members and internal executives. Its function is to provide technical advice and guidance to the Sustainable Development Committee in order to assist us in advancing our overall sustainability strategy.

Lastly, the Kering Corporate Foundation has made further strides in 2013. The Foundation is dedicated to combating violence against women and since its inception in 2009, it has supported forty-seven NGOs and social entrepreneurs and benefited more than 140,000 women. Last year, the Foundation refocused its action on three geographic areas and prioritises one cause in each: sexual violence in The Americas, harmful traditional practices in Western Europe and domestic violence in Asia. In these three areas, the Foundation supports NGOs and Social entrepreneurs and raises awareness on Violence Against Women.

In November 2013 Kering and the Kering Foundation signed a charter with the Italian NGO Donne in Rete contro la violenza (D.i.Re). The charter aims to raise the awareness of all 6,000 employees of the Group in Italy regarding domestic violence and help them comprehend this issue that affects all social classes. This partnership echoes a similar one signed in France in 2010 with the NGO Fédération Nationale Solidarité Femmes (FNSF) and we have plans to expand this action to other regions of the world where our Group operates.

In addition, many of our brands have been running their own social-support programmes for some time. For instance, in



2013 Gucci, with the support of the Kering Foundation, launched Chime for Change, a global campaign to raise funds and awareness for girls' and women's empowerment with a focus on education, health and justice.

Over the next years Kering will be focused on achieving our sustainability targets and progressing in our overall environmental and social mission, while developing new, innovative solutions to overcome our sector's various sustainability challenges.

I look forward to sharing our progress with you and continuing to embed the Ten Principles of the Global Compact into the Group's philosophy, strategy and the key initiatives that will be driving Kering to become the most sustainable for the long run.

Respectfully yours,

A handwritten signature in black ink, appearing to read "François-Henri Pinault".

François-Henri Pinault

Kering Chairman & CEO