



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

2 January, 2016

Dear Mr. Secretary General,

I am pleased to share with you our 2015 "Communication on Progress" which demonstrates our continued support and commitment to the Ten Principles of the UN Global Compact. As a signatory to the Global Compact, Kering aligns our business operations and strategy to these Ten Principles with respect to human rights, labour, environment and anti-corruption.

At Kering, we believe that implementing an ambitious sustainability strategy is non-negotiable given the challenges business is facing from the inevitable impacts of climate change. As such, we have both a responsibility and an opportunity to act, and over the previous twelve months since our last UNGC COP we have further embedded environmental and social sustainability in our business practices, operations and policies. I am pleased to share that this progress was again recognized whereby we were included for the second consecutive year in the Dow Jones Sustainability Indices (DJSI) World and Europe and headed up the Textiles, Apparel & Luxury Goods sector. Improving on our overall performance from our 2014 results, Kering achieved Industry Best scores across several categories within the set of 19 assessment criteria, including Supply Chain Management; Stakeholder Engagement; Environmental Reporting and Social Reporting. Furthermore we received full marks for our approach to Product Stewardship; Codes of Conduct & Compliance; and Corporate Citizenship & Philanthropy.

Kering employs a robust sustainability programme and environmental stewardship and sustainability is a key driver for our overall business strategy. In our view, to continue being a successful business in the increasingly volatile world in which we live, we need to react and adapt. And the key to doing so is in understanding the relationship between our business, the natural world and society. Our sustainability agenda helps us do just this – to understand our risks and see potential opportunities.

Given the realities confronting us as natural resources decline and the impacts of climate change increase we believe that the business community needs to recognise our reliance on natural capital. As a response, we developed the Environmental Profit and Loss Account (E P&L) – an innovative tool to help identify and account for the value of natural capital to our business. Over the last years Kering has implemented an E P&L analysis across our brands to measure our environmental footprint, and highlight environmental risks and business opportunities across our supply chains to support a more resilient business model. In May of last we published our first consolidated Group E P&L based on 2013 data whereby the Group's impacts equalled €776 million (pro forma). Simultaneously, we open-sourced our E P&L methodology to encourage other corporations to understand their impact on natural capital. Kering also shared this work to support the development of corporate accounting of natural capital, and the Natural Capital Protocol, a cross-sector industry initiative developing a



global methodology for environmental accounting. Then again in November, we published our next Group E P&L reflecting the data from 2014 and totalling €793 million in impacts. This comparison between our 2013 and 2014 results was the first of the annual benchmarks that we are committed to doing and demonstrated how fundamental the E P&L is to our Group's business reporting. We are now able to have a deeper understanding of the impacts from our business activities, especially in our supply chain whereby our E P&L analysis revealed that 93% of our environmental footprint falls within the supply chain, with over 50% of the impact associated with raw material production. We are committed to continue to integrate our E P&L results into decision-making and across our activities to understand how and where the business can better address environmental issues such as climate change.

As a Group, we recognise the need to understand and adapt to the impacts of climate change. One of luxury's distinctions is high quality and beautiful materials and as a sector we need to focus our attention on finding ways to continue sourcing these in the long term. We also want to ensure that the communities along our supply chain, but particularly at the base of the supply chain where raw material production occurs, are not negatively affected by climate change. These are the types of rural communities that will be at the mercy of climate change and we need to support them in building resilience, which is what Kering is trying to do through our smart sourcing programmes and by focusing on our raw material producers such as organic cotton farmers in India, nomadic herders in Mongolia and sheep farmers in South Africa. Furthermore, to help our luxury peers, and the fashion industry more broadly, understand and respond to their specific climate change risks, we co-published a new report, "Climate Change: Implications and Strategies for the Luxury Fashion Sector" with BSR in November 2015. The report analysis focused on six raw materials that are central to the luxury fashion sector - cotton, beef leather, sheep and lamb leather, vicuña, cashmere, and silk - and outlined tangible supply chain action.

The social side of our sustainability strategy has continued to evolve and adapt to the needs of our expanding Group as well. Set out since 1996 in the Group's first Ethics Charter, Kering's ethical principles reflect the Group's strong convictions about business practices. These principles are applicable to all of the Group's brands and our employees, and are on occasion supplemented by additional commitments more in tune with the various brands' operational issues.

The Kering Code of Ethics is based on international reference texts, such as the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, the United Nations Convention on the Rights of the Child, the main ILO Conventions and the ten principles of the UN Global Compact. During a 2013 overhaul of the Group's Code of Ethics, a Suppliers' Charter was added in order to bolster the ethical, social and environmental standards required of the Group's suppliers. At this time, the Group's ethics governance was also restructured with the establishment of a worldwide Kering Group Ethics Committee and two regional committees reporting to it: 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: proactively developing the Group's policy and actions in sustainability and responding to complaints from any Group employee either directly or via the Kering Ethics Hotline, also set up for all of our Group employees in 2013.

Central to the sustainability of our supply chain is our partnership with a select group of suppliers that can grow with us and support our business. A key part of this is developing the highest standards of labour conditions, environment management, legal compliance and business integrity in our supply chain and these standards describe the minimum we expect our partners to achieve. To support this approach, Kering is currently implementing a worldwide supplier management system across our luxury brands, which encompasses the entire supplier management lifecycle. This system is designed to monitor compliance with regards to social, environmental and ethical issues. Furthermore, in support of our Code of Ethics and sustainability policies, we incorporate our sustainability principles into our supplier agreements. These



principles specify the requirements and commitments on social and environmental issues that we ask of our suppliers and audit against.

Where our brands are concerned, they engage with the Fair Labor Association, ETI and SAI to ensure we are embedding best practices into our operations and supply chains to protect human rights. PUMA.Safe has been certified by the Fair Labor Association (FLA) since 2007 and the cooperation between PUMA and FLA dates back to 2004, and aims to manage and implement the required standards in terms of working conditions at suppliers. In 2014, PUMA also focused on the integration of the Ruggie Framework (also known as the United Nations Guiding Principles on Business and Human Rights) in its approach to human rights. Following in PUMA's footsteps, Volcom joined the FLA in 2014, strengthening its efforts to reinforce the standards of its Code of Conduct and the checks conducted at its suppliers. In our Luxury activities, in 2007 and 2009, respectively, Gucci and Bottega Veneta embarked on the process of obtaining Social Accountability 8000 (SA 8000) certification. This global standard takes into account not only the company itself, but also the companies in its production chain. It requires the certified company and its suppliers to respect nine corporate responsibility requirements relating to child labour, forced labour, health and safety, freedom of association and collective bargaining, discrimination; disciplinary practices, working hours, remuneration and management systems, and to set up a specific management system for this purpose. SA 8000 certification is awarded by Social Accountability International and Gucci has been a member of the SA 8000 Consultative Committee since 2009. In 2013, Gucci and Bottega Veneta received SA 8000 certification for all their activities. Kering's international logistics platform for our luxury brands (Luxury Goods International, LGI) is also SA 8000 certified.

In regards to corruption, Kering prohibits any political, trade union, cultural or charitable financing from being carried out with a view to obtaining direct or indirect material, commercial or personal advantages. We comply with national and international regulations and 2015 has seen a new, worldwide team created to further help fight against corruption on a Group-level and across our brands. This compliance organizational structure is led by a Group Chief Compliance Officer supported by a worldwide network of Brands Compliance Officers and reporting to the chair of the Group Ethics Committee. The Compliance Team collectively guides and assists all our employees at every level of the Group to implement the global policy regarding anti-trust and anti-corruption and to comply with all applicable laws.

Our focus on labour and equality in the workplace continues to be a key topic, as discussed in previous "Communications on Progress", and I am proud to share that in 2015 Kering also promoted women and equality beyond our own four walls. As an official partner of the Cannes film festival, during the festival last May we launched 'Women in Motion' to bring a focus on women in the film industry. The programme aims to not only highlight the talent of women in cinema, but also to emphasize the interest of their work for audiences.

Our Kering Corporate Foundation made serious inroads around its focus on women as well in the last year. The Foundation is dedicated to combating violence against women and in 2015 we built a number of strategic partnerships I am particularly proud to share. The Kering Foundation now supports two projects that provide services to survivors of domestic violence in Beijing – the Maple Women's Psychological Counseling Center and Zhongze Women's Legal Counseling and Service Center. Additionally, last June in New York we announced our commitment to prevent and combat sexual assault on college campuses in the US through a two-year partnership with Generation Progress and the "It's On Us" campaign. The support of the Kering Foundation will also improve the social impact of two 2015 Social Entrepreneurs Awards winners: the Starfish Project, dedicated to restoring hope to exploited women in China, and "We End Violence", which aims to change behaviors leading to gender-based violence. And lastly, the Foundation's annual White Ribbon for Women campaign on the occasion of the International Day for the Elimination of Violence Against Women, 25 November, was included in 800 boutiques of 9 of our brands in 41



countries, in partnership with Condé Nast International. In addition to this distribution of the brooch designed by Stella McCartney, the social media campaign with the #BeHerVoice signature was taken up by celebrities across fashion, film and sports including Johnny Depp, Kate Moss, David Beckham, Paul McCartney and many others.

At Kering, we consider that raising awareness for social and environmental issues in the public realm is a responsibility as a leader. In doing so, we have continued to form partnerships and collaborations to help drive change for the unsustainable status quo in our industry, and beyond. We also have a view to the future in our own business, and in our industry more broadly. The education of the next generation is particularly key if we want to meet our global sustainability challenges and our partnership with the London College of Fashion continued to flourish in 2015. Kering has supported education-based programmes over the last years but we wanted to take this to another level by developing and supporting a dedicated programme in sustainability and fashion. I am pleased with the uptake and success it has had with the students at the London School of Fashion. Our partnership is acting as an incubator for sustainable innovation and creativity and it is exciting to help influence and guide the future of our industry.

Overall it was a pivotal year for our industry and for the business community as a whole with the ambitious climate accord and the Sustainable Development Goals. We all now have clear guidelines and a responsibility to address climate change and for Kering it's not just about setting an example, but about doing smart business. Over the next years Kering will be figuring out ways where we can orient our actions to deliver business benefits and opportunities while also creating solutions to many of the global goals and aligning them accordingly to our businesses. To this end, we will be sharing the next steps in our sustainability strategy in the Fall of this year, following the publication of our final Sustainability Target achievements in the Spring, which I had set for the Group as a 5-year roadmap in 2012.

I look forward to sharing these new developments with you and our continued progress towards becoming a more sustainable company, guided in part by the Ten Principles of the Global Compact.

Respectfully yours,

François-Henri Pinault
Kering Chairman & CEO