

K E R I N G



François-Henri Pinault
Chairman and CEO

His Excellency Mr. Antonio Guterres
UN Secretary General
United Nations Organization
Global Compact Office
First Avenue & 46th Street
New York, NY 10017

Paris, February 20th, 2018

Dear Mr. Secretary General,

As a signatory to the United Nations Global Compact, I am pleased to share our 2017 "Communication on Progress" and renew our annual commitment to the Ten Principles of the Global Compact, with respect to human rights, labour, environment and anti-corruption.

At Kering we have a long-term commitment and drive towards sustainability. We believe that we not only have an ethical responsibility to embed sustainability across our Group but that it also makes good business sense to do so. As such, it has been our business imperative for several years to become a more sustainable company. A fundamental element to unlock the value of sustainability is a robust and progressive sustainability strategy. Following the wrap up of our 2016 Sustainability Targets I mentioned in our last UNGC COP, we deepened our sustainability commitment this past year and launched a new 2025 Sustainability Strategy in January 2017. "Crafting Tomorrow's Luxury" is a 360° approach inside our own business and across our entire supply chain that provides us with a roadmap to further reduce our environmental impacts, advocate social welfare, and create innovative, game-changing platforms to help enable positive change. Guided by the UN Sustainable Development Goals, there are quantifiable science-based targets to meet over the course of the 2025 timeline trajectory in our strategy, under the three themes of Care, Collaborate and Create.

Over the last 12 months since our previous UNGC COP, we have been focused on putting the framework in place to operationalize this new strategy. One of the keys to operationalizing it is in meeting our processing and sourcing high standards and targets. To do so, we developed the Kering Standards for manufacturing and raw materials in collaboration with external experts and NGOs. They are founded on internationally recognized principles and research, and where no regulations existed, we defined sustainability standards of our own that set the bar high and are applicable across the luxury sector. Essentially, the Kering Standards are an extension of our progressive guidelines we set in 2012 and are intended to enable our Group and our suppliers to achieve the targets laid out within our new 2025 roadmap. In addition, the Standards reinforce the Group's existing monitoring and measurement of our progress on traceability, social compliance, environmental protection, animal welfare and chemical use. Transparency and open-sourcing are essential facets of our philosophy at Kering and consequently we recently publicly shared these Standards to support the uptake of sustainability best practices in our industry. We have also continued to be transparent with our Environmental Profit and Loss (EP&L) account results in 2017, improving over the prior year by 3%. The EP&L is now fully embedded and used as a tool in our day-to-day business decision-making and it also underlines the new sustainability strategy. In fact, one of our main targets is to reduce our overall Group EP&L by 40% across the supply chain by 2025.

Over the last year we have continued to promote the EP&L and natural capital accounting on a global level as well as scaling our “My EP&L” app across universities in the US, UK and China. We have also been working with academics to incorporate biodiversity into the EP&L metrics and we have been developing a new series on the importance of linking business, natural capital accounting and Planetary Boundaries together to help place a company’s impacts and mitigation efforts into the context of the Planetary Boundaries framework. Ultimately, this will help companies understand the consequences of their environmental impacts at a global level and provide them with a critical new perspective. This kind of collaboration with the scientific and academic communities is essential in order to bring different concepts and potential solutions to the forefront of the business community. It is important to approach the challenges that we need to overcome as businesses through different lens’ and ways of thinking. As such, another key to unlock sustainability is through innovation. In fact, creating a sustainable business demands innovation. Aside from our internal platforms, like the Kering Materials Innovation Lab where we incorporate more sustainable textiles in our supply chains and innovate new approaches to support the circular economy, we partnered with Fashion for Good and Plug and Play in 2017 to discover new break-through ideas and to fast track sustainable innovation. We are working with tech start-ups through this partnership, and a number of them have shown real innovative promise and possibilities to reinvent the traditional, and often unsustainable, systems in our industry.

Another aspect is to look at these “traditional” systems, such as raw materials sourcing, and advocate the benefits of adopting more sustainable practices and approaches. As an example, in 2017 Kering published two comprehensive guides with the Textile Exchange on the organic cotton trade in order to provide a blueprint for companies sourcing organic cotton, and incorporating it into their supply chains. They demonstrate best practices and sourcing models for a more responsible trade and, overall, the guides lift much of the burden off of sourcing organic cotton. Consequently, through alleviating many of the challenges in the trade, this can enable more companies to uptake more organic cotton, thereby leading to a virtuous cycle, resulting in increased organic cotton supply and usage in products. Ultimately, the aim is to create more sustainable cotton supply chains for farmers and for the good of the environment.

This type of advocating “for good”, while providing practical tools, I believe can help change the mindset in our industry. Advocating for critical social issues to help empower women is another area that Kering has continued to focus on since our last UNGC COP. Through the Kering Foundation we proactively combat violence against women by supporting NGOs and social entrepreneurs, as well as organizing awareness campaigns. On 25 November 2017, the International Day for the Elimination of Violence Against Women, the Foundation encouraged everyone to take action. Our 6th White Ribbon For Women campaign targeted Generation Z, and young men in particular, with #ICouldHaveBeen. By choosing the name they would have been given if born female, men became aware of the violence they could have experienced as a girl. I am pleased to share that the campaign was a success, potentially reaching 2.1 billion people around the world and particularly engaging with younger generations. In 2017, the Foundation also continued our programs to support refugee and migrant women, who are particularly exposed to violence in refugee camps or while they are in transit to another country. Since 2015, we have worked with the Restart Center in Lebanon, which has contributed to the socio-economic integration of 200 Syrian refugee women. In 2016, we began supporting two organizations in Northern France, *Gynécologie Sans Frontières* and *Planning Familial* 62, which provide medical, psychological and social assistance to refugee and migrant women.



Advocating women's rights and empowerment is also an important focus inside the Group. Our 2025 Sustainability Strategy outlined a series of targets to reach within this timeline as such, including promoting diversity and achieving gender parity at all levels, as well as ensuring salary equality in all functions. We are also implementing a sponsorship programme for training and coaching women managers, and rolling out mentoring programmes. It is essential to promote the development of innovative career paths and ensure all genders are always considered for new opportunities. Furthermore, the well-being and dignity of the models working in our industry has been of particular concern in 2017 and it was important to create clear guidelines in a segment of fashion that has not been addressed fully up until now. To this end, Kering and LVMH joined together to establish a charter for the well-being of models, which is now implemented throughout all our brands. The charter is applicable worldwide and reflects high standards of integrity, responsibility and respect for those concerned.


Worker's well-being in the supply chain and supplier labour practices has also continued to be of paramount importance over the last twelve months. To ensure supplier compliance to our high standards, the Kering Code of Ethics is referred to within the Kering Sustainability Principles, which are embedded into supplier contracts. 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. The Code of Ethics also includes a Suppliers' Charter, which aims to bolster the ethical, social and environmental standards required of the Group's suppliers. Furthermore, to ensure adherence to the Suppliers' Charter, we centralized our supplier compliance department at the Group level and the team closely monitors and audits compliance with respect to labor conditions, environmental management, and legal and business integrity in our supply chains. A key aspect of our 2025 Sustainability Strategy focuses on the supply chain, whereby we are supporting supply chain transformation. To do so, we are working to contribute to a positive social impact across the entire supply chain, with a focus on raw material sourcing locations. We are also creating a supplier platform to offer technical support and training to share best practices and to achieve our targets, while incentivizing best practices across the supply chain.

Where corruption is concerned, 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. In this regard, we comply with national and international regulations, and a worldwide reorganization of the global Kering compliance framework was rolled out across our Group in 2016. Set up to help fight against corruption, the compliance team is responsible for the dissemination of communication across the Group regarding gift, hospitality and entertainment procedures; donations and sponsorship procedures; third party due diligence procedures; conflict of interest procedures; M&A anti-bribery procedures; and sanctioned countries procedures. Overall, the compliance team guides and assists our employees at every level of the Group to implement our global policy regarding anti-trust and anti-corruption and to ensure compliance with all applicable laws.

I am very proud of the efforts and progress we have made in 2017 towards our sustainability ambitions. In recognition of these efforts, I am also pleased that we have been given a number of accolades over the last twelve months. Kering was recognized for the 3rd time as the Industry Leader in the 2017 Dow Jones Sustainability Index (DJSI) in the 'Textiles, Apparel & Luxury Goods' sector and, following on from this achievement, we received an "A score for climate" from CDP. Further, in 2017 Kering was named the world's most sustainable textile, apparel and luxury goods corporation, according to the Corporate Knights' Global 100 index.

In 2018 we will continue to pursue sustainability excellence by implementing our ambitious 2025 Sustainability Strategy and embedding the Ten Principles of the Global Compact across our business in order to meet our global environmental and social challenges now, and in the future. I look forward to sharing the progress we have made in doing so in our next UNGC COP.

Respectfully yours,



François-Henri Pinault