



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

Paris, 20 May, 2019

Dear Mr. Secretary General,

I am pleased to share our 2018 "Communication on Progress" as a signatory to the United Nations Global Compact. At Kering, we are dedicated to sustainability and we are committed to continue to embed the Ten Principles of the Global Compact across our business, with respect to human rights, labor, environment and anti-corruption.

Over the last year since our previous COP, Kering achieved a number of positive rankings in our industry, which reflect our long-standing commitment to sustainability. Kering was recognized as the second most sustainable company in the world, as well as first in the Luxury and fashion sector by the 2018 Corporate Knights' Global 100 index. We were also listed as one of the "industry leaders" within the 'Textiles, Apparel & Luxury Goods' sector in the 2018 Dow Jones Sustainability Index (DJSI) World and Europe and received an "A score for climate" from CDP. Achieving a place on the CDP Climate Change A List was a reflection of Kering's efforts to cut emissions, mitigate climate risks and develop the low-carbon economy. Furthermore, I am pleased to share that we were also recognized for our social focus and significantly increased our "Know the Chain" scoring. As a compliment to this improvement, Kering was first in the Luxury sector in the Corporate Human Rights Benchmark as well.

To ensure that we maintain Kering's leadership position we have continued to make deep inroads in our 2025 Sustainability Strategy, "Crafting Tomorrow's Luxury", that I mentioned in our last UNGC COP. Underlining this strategy is our pioneering Environmental Profit and Loss (EP&L) accounting, which allows us to understand our true impacts in our own operations and across the supply chain and provides us with a pathway to mitigate and monitor them. We are on track to reach our Group target to reduce our EP&L by 40% across the supply chain by 2025 and our 2017 results showed that we had reduced our year-on-year EP&L by 10% relative to growth and compared to 2016. This achievement was due to the efficacy of the Group's sustainability efforts, which has a key focus on responsible sourcing policies and improving the environmental efficiency of our industrial processes while seeking optimum management of sites and activities. Initial results for 2018 indicate a continued improvement. The EP&L is integral to charting our progress towards our sustainability targets and in 2019 we plan to complement the EP&L methodology we open-sourced in 2015 with its underlining data sets. This level of transparency will allow unprecedented access to information about the relationship between



business and the natural resources business relies on. Consequently, Kering's stakeholders will have greater understanding of the Group's impacts and supply chain resiliency. Furthermore, the data sets provide enough details to enable our Luxury peers to initiate their own EP&L analysis, which will offer critical new insights into their business and a pathway to mitigate their footprint.

The EP&L, combined with the Kering Standards on Raw Materials and Manufacturing Processes, provides a 360° view and a guide to operationalize our sustainability strategy. The Standards also reinforce the Group's existing monitoring and measurement of our progress on traceability, social compliance, environmental protection, animal welfare and chemical use. In 2019 we will extend our standards around animal welfare and publish the first-ever set of full standards covering animal welfare for Luxury and fashion with an aim to drive positive change in associated industry practices, and beyond. Part of our commitment to open-sourcing and being transparent with our stakeholders is the dedication to innovating new solutions in order to support our industry in overcoming our joint challenges and building relationships to do so. Kering is a leader in Luxury and we have a unique dynamic with culture and a large platform since we set the trends in fashion and lifestyle. So we have an opportunity and the responsibility to influence a sustainable transformation in fashion. Since 2017, we have partnered with Fashion For Good - Plug and Play Accelerator, which identifies and supports start-ups and new business models that could become viable sustainability solutions for Luxury and fashion. Building on the success of Plug and Play in Europe, in 2018 we launched the "K Generation Award" in China to find start-ups there. Additionally, to drive further innovation and to create dedicated programs in key areas, in the last twelve months we achieved a numbers of "firsts" in our industry. Traceability is one of the crucial challenges to overcome in fashion's complex global supply chains and in October we launched a technologically innovative initiative to help solve this issue in cotton's supply chains. As a new business model for fashion, using forensic science and statistical analysis, the naturally-occurring chemical properties of the fiber is analyzed, creating a unique chemical fingerprint that links it back to the field in which it was grown making it 100% traceable organic cotton. Another "first" for our industry is our partnership with the Savory Institute around regenerative agriculture. We are supporting regenerative grazing practices for our leather and fiber supply chains, like wool. Regenerative agriculture has so many benefits – it restores healthy soil, which removes CO2 from the atmosphere. I believe this can be a serious game-changer for the industry. On the reporting side, I am also pleased to share that Kering became the first Luxury company to publish an integrated report. As a significant achievement in Kering's corporate reporting, it provides a more holistic platform to consider the value created by our business, by also considering non-financial resources and the links between all our business functions that contribute to success. As such, Kering's integrated report delivers a comprehensive view of the Group's global value creation gained from our creative, financial, environmental, ethical and social dimensions. Ultimately, the report allows for a deeper understanding of the fundamental building blocks that underline the Group's value creation and the clarity gained can result in more informed decision making for the future.

These building blocks also pertain to a shared culture, diversity and the empowerment of women and Kering has continued to advocate for social issues inside and outside the Group. Strengthening and promoting a shared culture within the Group has been a priority and in the last year we have been implementing the means to strengthen the feeling of belonging to an integrated Luxury group. In 2018, Kering transformed our



information and communication methods to foster connections between our employees, regardless of where they work. To this end, Kering developed a single digital human resources platform for our employees around the world, to guarantee them a better experience and provide greater autonomy. The platform simplifies and accelerates the data sharing required for longer-term management of careers and talent. A new generation digital and mobile social network is also underpinning the establishment of this shared culture. The Kering Campus has become a digital training platform for everyone, offering a common platform and the ability for our Houses to customize it for their own employees. At the same time internally, Kering has continued to make gender equality a corporate priority and one of our main goals has been to increase women's access to leadership positions and ensure equal opportunities throughout their career. The objective of the Group is to achieve gender parity and gender pay equality at every level by 2025. Women currently represent 56% of the Group's managers, 33% of the Executive Committee and 64% of the Board of Directors, making Kering one of the most female companies of the CAC40. In recognition, the European Women on Boards (EWoB) and Ethics & Boards awarded Kering the prize of The Most Feminine Board of Directors Award in 2018. Kering was also included in the Bloomberg Gender-Equality Index, the Equileap ranking, where the Group now features among the top three companies, and the Thomson Reuters Diversity & Inclusion Index, where Kering ranks seventh out of the 7,000 international companies assessed.

Outside the Group, we support women in various other ways. An important vehicle to do so is through film and entertainment. In 2015 Kering became an Official Partner of the Festival de Cannes and launched "Women In Motion". With the creation of this annual platform our aim has been to shine a light on women's contribution to the cinema industry, both in front of and behind the camera. We also recognize the critical issues faced by women around the world and, as such, through the Kering Foundation we proactively combat violence against women by supporting local NGOs and social entrepreneurs, as well as organizing awareness campaigns both internally and externally. 2018 marked its 10th year anniversary and as one of the significant 2018 initiatives, the Kering Foundation, alongside French organization Fondation FACE, launched One in Three Women, the first European network of companies engaged against gender-based violence. In addition, since 2011, over 1,100 Group and brand employees have received awareness training on domestic violence to create a supportive workplace environment and provide potential victims in the Group with better guidance. Another key Foundation activation is our annual White Ribbon For Women campaign, which runs around November 25th, the International Day for the Elimination of Violence Against Women. In 2018, the Foundation took a stand against cyber bullying and targeted Gen Z, calling on them to "break the chain" of abusive comments made online and highlighting the very real effects of hate speech, including stress, trauma, anxiety and depression. With the hashtag #IDontSpeakHater and IDontSpeakHater.org, we asked everyone to speak out against abusive comments, countering insults and hate speech with wit and humor. The aim was to neutralize the abuse with positive, empowering responses and the campaign reached over 489 million people globally.

Educating the next generation entering our industry is another responsibility we take seriously outside our own Group. It is essential that they join our industry with the skills to merge fashion and sustainability because they will be the leaders of tomorrow. To support this objective, Kering and the London College of Fashion launched the first Massive Open Online Course (MOOC) dedicated entirely to sustainability and Luxury fashion in 2018. Designed as a continuation of the annual teaching course offered to students by Kering and London College of



Fashion, the course is built on six modules for a total of eighteen hours of teaching and exchange. The two sessions held in 2018 attracted more than 17,500 participants in nearly 150 countries around the world.

Supply chain working conditions and labor practices have also continued to be a main priority in 2018. Kering expects all the Group's suppliers to comply with the Kering Code of Ethics and to our high standards. The Kering Code of Ethics is embedded into supplier contracts and 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. One of the pillars of our strategy "Crafting Tomorrow's Luxury" prioritizes the supply chain, whereby we are supporting supply chain transformation and working to contribute to positive social impacts, with a focus on our raw material sourcing locations.

In regards to the Principles relating to anti-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. As such, 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.

In 2019 we will continue to embed the Ten Principles of the Global Compact across our business, strive to mitigate our footprint and push the frontiers on finding sustainable solutions to do so. I look forward to sharing the progress we have made in our next UNGC COP.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Pinault", with a stylized flourish at the end.

François-Henri Pinault
Chairman & CEO of Kering

K E R I N G

