



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

Paris, 28 February, 2017

Dear Mr. Secretary General,

I am pleased to share with you our 2016 "Communication on Progress" which demonstrates Kering's continued adherence to the Ten Principles of the United Nations Global Compact. As a signatory to the Global Compact, we are renewing our annual commitment to embed these Ten Principles across our business with respect to human rights, labour, environment and anti-corruption.

At Kering, we operate in a fair and just way and strive to implement the highest standards within our Group and across our supply chains. We view sustainability as a key component of our company's strategy and an important determinant of our ongoing success into the future. As a testament to our efforts in 2016, for the third consecutive year we were one of the leaders in our sector within the Dow Jones Sustainability Indices (DJSI) World and Europe and headed up the Textiles, Apparel & Luxury Goods sector. In 2016 Kering was also included in Corporate Knights' Global 100 index as one of the most sustainable corporations in the world and second within the index's Textile, Apparel & Luxury Goods sector. Furthermore, we were the first company in our sector and in France to be certified by the Science Based Targets Initiative for our new carbon emissions Target. We see the contribution to combatting climate change as a responsibility and we are supporting the drive towards a low-carbon economy.

Over the previous twelve months since our last COP update, our sustainability initiatives have continued to expand across our businesses. To illustrate our progress, we publicly shared a final report in May regarding the attainment of our self-imposed **2016 Sustainability Targets**. The report outlined the successes we achieved and also the roadblocks we came up against along the way in trying to meet these Targets. This transparent reporting also helped shine a spotlight on the real challenges in our entire industry, and on the traditional systems that need to change. Originally established in 2012, the Targets were defined around key areas of predicted environmental and social impacts across our business. Going well beyond the conventional approach of companies to only measure and report on their own operations, they also focused on the entire supply chain, and in particular on raw material sourcing. In addition to our goals on strategic raw materials, the Targets were framed around reducing carbon emissions, water consumption, waste production and improving the management of hazardous chemicals, as well as auditing our Group's key suppliers. Overall they helped guide our sustainability approach during the last years - driving our actions and providing a measure for progress on our commitment to becoming a more sustainable Group.

Alongside setting sustainability Targets, Kering's pioneering Environmental Profit and Loss (EP&L) accounting work has also been fundamental to driving our sustainability strategy. As businesses, we all need to have a real understanding of how we depend on, and impact, the natural systems we use. And, in order to remain successful in the future, our EP&L is invaluable. It measures and monitors the impacts a business makes on the environment, highlighting the critical importance nature plays in business and the inherent risks this can pose in order to work to become more resilient. During the last year we continued to implement our EP&L findings so that we can effectively work to reduce our footprint. As a consequence, we have seen some positive results, in particular through our use of lower impact raw materials and manufacturing techniques. Since 2012 we have reduced our overall EP&L impacts, including a reduction in carbon emissions, waste, and water consumption within our own



operations and across the supply chain by 11%, 16% and 19%, respectively. This has resulted in a reduction of our impact intensity by more than 10%.

These “wins” have continued to validate the EP&L’s intrinsic benefits and I am pleased to share that we established a four-year trend when we published the Group 2015 EP&L last June. We have now fully integrated natural capital accounting into our business and the EP&L has become automated and standardised reporting for us. At the same time we have continued to promote natural capital accounting to the international business community by participating in the Natural Capital Protocol released last June. And, in September 2016, we launched an open-sourced EP&L App to help drive adoption in our own industry. Primarily developed for design students and the fashion industry, the App is based on our EP&L methodology and enables users to visualize the environmental impact of a product, from the sourcing of its raw materials right up to the shop floor. “My EP&L” can also be used as a decision-making tool and allows users to compare different sourcing options and identify the lowest impact ones – ultimately resulting in a more sustainably designed product.

Following on from our EP&L integration and wrapping up our 2016 Sustainability Targets, we built on our Group’s successes and leveraged the lessons we learned along the way. During a year-long exploratory process in 2016, we evolved our strategy and used the EP&L to guide us to further integrate sustainability into all our brands’ functions and categories, and to align with our business priorities now and in the future. And while we developed this next important phase of our sustainability strategy I personally worked with the CEOs of our luxury Maisons to embed sustainability across our activities. At the end of January 2017, we launched this next phase of our strategy and as a consequence we have deepened our commitment across our luxury brands. With a 360° approach over 10 years, Kering is dedicated to continue to reduce our environmental impacts, advocate social welfare, and create innovative, game-changing platforms. Guided by the UN Sustainable Development Goals (SDGs), we have included quantifiable 2025 Targets in the strategy, under the three themes of Care, Collaborate and Create. Furthermore, key milestones will be aimed at during this period in order to ensure that effective progress is being made.

As compared to a focus primarily on the environment in our 2016 Sustainability Targets, the social side is also highlighted in our 2025 strategy under the **Collaborate theme**. This priority has continued to evolve and adapt to the needs of our expanding Group. Set out since 1996 in the Group’s first Ethics Charter, Kering’s ethical principles reflect our strong convictions about business practices. The Kering Code of Ethics is also 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 Code of Ethics, a Suppliers’ Charter was also added in order to bolster the ethical, social and environmental standards required of the Group’s suppliers. And to ensure adherence to the Suppliers’ Charter, we centralized our supplier compliance department at the Group level. This team is responsible for closely monitoring and auditing compliance with respect to labor conditions, environmental management, and legal and business integrity in our supply chains. During the implementation of our new sustainability strategy, we will continue to audit our suppliers to ensure compliance with our social and environmental standards and also go beyond the classic approach, such as incentivizing best practices across the supply chain. We will also contribute to a positive social impact across the entire supply chain, with a focus on raw material sourcing locations, through people-centred programmes. Furthermore, we are developing an industry leading performance metric system that will measure achievement of the SDGs, and specifically relative to culture, community, opportunity, equity and empowerment.

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. We comply with national and international regulations as such, and a worldwide reorganization of the global Kering compliance framework was rolled out across our Group in 2016. This included a series of new hires to help fight against corruption on a Group-level and across our brands. The compliance organisation reports to the chair of the Group Ethics Committee and is led by a Group Chief Compliance Officer, with support from a worldwide network of Brands Compliance Officers. Included under their mandate is 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 collectively guides and assists our employees at every level of the Group to implement the global policy regarding anti-trust and anti-corruption and to ensure compliance with all applicable laws.

Inside the Group our focus on labour and equality in the workplace also continues to be a key topic. To this end, I am proud to share that Kering is furthering our advocacy for women’s rights with the introduction of a parental

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leave policy for all employees worldwide. This new policy aims to foster a better work-life balance and promotes gender equality, regardless of our employees' personal circumstances, by guaranteeing the same minimum benefits on the birth or adoption of a child. Every Kering employee with more than a year's seniority will be entitled to 14 weeks of full pay for maternity and adoption leave, and five days of full pay for paternity and partner leave. By setting a global minimum standard for maternity and adoption leave, and paternity leave and partner leave, Kering has taken an important step forward for the benefit of all our employees. To continue to amplify our global standards, we will also create a well-being at work policy by 2018, and an employee benefits policy by 2020. Additionally, our new strategy will continue to promote diversity and gender parity, whereby we have targeted to achieve gender parity at all levels and also ensure salary equality in all functions. To further support women's empowerment in our Group we will be implementing a sponsorship programme for training women managers, and rolling out mentoring programmes in all countries.

Kering also supports women's rights outside the Group and proactively combats violence against women through our **Kering Foundation**. Among its 2016 initiatives, the Foundation embarked on a 3-year partnership with HER fund and is providing financial support to fund innovative projects run by women's rights organizations in Hong Kong to address domestic violence issues and empower marginalized women. I am also especially pleased to share that our Foundation's 5th annual White Ribbon for Women campaign in November 2016 was a resounding success, potentially reaching over 1.1 billion people around the world. It saw well-known male ambassadors lending their voices to highlight the fact that violence against women is not just a women's issue. Through a series of portraits shared online to encourage everyone to break the silence on violence against women via the hashtag #BeHerVoice, ambassadors recounted the true stories of women who have experienced violence and subsequently received support from the Kering Foundation. In tandem, an in-store campaign run by our Group's Maisons saw 230,000 White Ribbon for Women brooches and stickers, designed by Kering Foundation board member Stella McCartney, distributed to customers in over 800 boutiques across 51 countries.

As we ramp up our efforts to meet the challenges of our new and ambitious 2025 sustainability goals, I look forward to sharing the progress we have made to also embed the Ten Principles of the Global Compact in our planning with you. And I am convinced that through this next generation strategy, Kering will continue to be a leader that fosters collaborations, shares knowledge and catalyses change to help transform the luxury sector.

Respectfully yours,

A handwritten signature in black ink, appearing to read 'François-Henri Pinault'. The signature is fluid and cursive, with a prominent initial 'F' and 'H'.

François-Henri Pinault  
Chairman & CEO, Kering