



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

Paris, 05 January 2015

Dear Mr. Secretary General,

As a signatory to the UN Global Compact I am pleased to continue to commit to the Ten Principles of the Global Compact. At Kering, we view the pursuit of environmental and social sustainability as a business imperative and, as such, it is embedded throughout every area of our business and across our brands. Within the Group, the Ten Principles are part of the essential framework that underpins our sustainability strategy.

To articulate our vision of sustainability and to show the progress we are making we committed to attaining a series of self-imposed Sustainability Targets across our brands by 2016. I have highlighted this in our previous 'Communications on Progress' and, as a reminder, these Targets encompass raw material sourcing, paper and packaging, reduction of water use, waste and carbon emissions, hazardous chemicals and materials, and supplier auditing and capacity building. They reflect the key elements and areas of our business and our products – and where we need to drive change and challenge ourselves to find solutions. As such, I am especially proud of the comprehensive mid-term Progress Report we published in mid-2014 and shared with our shareholders during our General Assembly Meeting. The report outlines the achievements we have been making and the challenges that still need to be overcome to attain our Sustainability Targets. Since committing to them in April 2012, we have been making concrete improvements as a Group. As an example, across all our brands the approximate amount of PVC use is less than 2% of the total Group SKU's and we are on track to achieve our PVC-free Target having already achieved approximately 98% of our goal. As a further example in 2014, and where our gold Target is concerned, we purchased an initial 30 kg of Fairmined certified gold via our brand Gucci representing the single largest purchase Fairmined gold to date, and following, another 25 kg was purchased by our brands.

I would like to highlight that through the lens of our Targets we are looking beyond our own operations, and all the way to where we source our raw materials. Consequently, we have implemented detailed internal policies and guidelines for all our sourcing of raw materials to align with our Targets and have set the highest standards of sourcing practices. Over the last year we have launched a number of initiatives to help enhance traceable, sustainable sourcing and best practices in the industry and we have continued to focus on developing multi-stakeholder collaborations. We are working closely with key international experts, NGO's and governmental agencies that help to develop international standards and drive policy including the International Trade Centre (ITC), the International Union for Conservation of Nature (IUCN) and the IUCN Species Specialist Commission, and CITES. In 2014 the Python Conservation Partnership (PCP) I had noted in our last 'Communications on Progress' has made inroads. Our first report under the PCP was published on captive breeding last Spring. The "Assessment of Python Breeding Farms Supplying the International High-end



Leather Industry” is a study evaluating the economic feasibility and viability of captive breeding of pythons as a part of an approach to sustainable use and conservation of the species. And furthermore, this past Fall we launched a new collaboration with ITC to support the monitoring and sustainable management of the trade in Nile crocodiles from Madagascar. The goal of our ‘Madagascar Crocodile Conservation & Sustainable Use Programme (MCCSUP) is to support sustainable trade that contributes to economic opportunities, local livelihoods and the long-term conservation of crocodiles and their habitats.

Simultaneously, over the last year we have been working diligently towards our goal to publish a Group Environmental Profit and Loss (E P&L) account by 2016. We have been rolling out E P&L analyses across our brands and, in fact, we have already covered over 95% of the business. I am pleased to share that we are ahead of our timeline commitment and plan to publish in 2015. As a reminder, the E P&L we pioneered gives us a deeper understanding of our environmental impact across our entire supply chain and highlights the most important areas to focus on to find new solutions where it matters most. Our E P&L is an innovative way for Kering, and companies in general, to address the crucial issue and current debate of Natural Capital Accounting.

Overall, we have ramped up our efforts to address our environmental impacts in the last twelve months and I am pleased to share that based on our environmental performance, in 2014 Kering was named industry leader of the Dow Jones Sustainability Indices (DJSI) World and Europe topping the ranking in the Textiles, Apparel & Luxury Goods category. Additionally Kering was included in ‘The A List: The CDP Climate Performance Leadership Index 2014’ (CPLI) for our actions to reduce our carbon emissions and mitigate the business risks of climate change. As a result we were presented with an award from the Carbon Disclosure Project (CDP) for being one of 10 French companies to receive an “A” grade for our performance.

Similar to our pursuit of environmental sustainability, we view labour standards, human rights and anti-corruption as top priorities. For Kering it is imperative that our suppliers adopt and adhere to the highest environmental and social standards. To ensure that these standards are met, our suppliers are required to comply with the set of criteria outlined in our Supplier Charter of the Group’s Code of Ethics. As a Group, we follow the principles set out in the Global Compact and in our Code of Ethics in this regard. As highlighted in our last ‘Communications on Progress’, we launched our new Code of ethics which had been updated to reflect our regional spheres of operations and now consists 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). 2014 was the first year that these three new Ethics Committees were functioning. We have also now added a new element to help the implementation of our Code of Ethics and launched the ‘e-learning compliance programme’ to all our 35,000 employees worldwide in nine languages, which covered four themes in 2014 (anti-corruption, fraud, conflict of interest, social network exposure). It will be renewed annually to address issues each year and the concept of the initiative is very ‘hands on’. As such, four modules are set up to mimic real ethical situations and dilemmas, one of which is dedicated to fighting against corruption. The four themes to be covered in 2015 will be the fight against corruption, diversity in the workplace, the protection of the environment and respect for human rights in the supply chain.



In regards to social compliance and auditing, we have strengthened our compliance across both our Luxury and Sport & Lifestyle activities. In 2014 we established Group audit standards and our brands have comprehensive auditing programmes for supplier standards in place. As an example, in 2013 our Luxury activities conducted 2,248 audits in total - Bottega Veneta conducted 731 audits, across its 406 active suppliers, and Gucci conducted 1,517 audits which was a reduction from the previous year and a reflection of the long-standing supplier partnerships Gucci has built and the stability of its supply chains. Furthermore by 2013, all of Gucci's businesses (shoes, ready-to-wear, silk, leather goods, jewellery and stores), Bottega Veneta's main businesses (ready-to-wear, jewellery, fine jewellery, shoes, leather goods and furniture) and Kering's international logistics platform for its Luxury brands, Luxury Goods International (LGI), were SA 8000 certified. Gucci also continued to rollout an integrated management system to incorporate and track all its initiatives. Based on the standards for which it has gained certification (SA 8000, ISO 14001, OHSAS 18001), the system will enable the brand to monitor improvements it has made in terms of social responsibility, environmental performance and worker health and safety. In our Sport & Lifestyle activities, PUMA conducted 411 audits in 2013, of which 349 were related to direct suppliers, and Volcom's social audit programme covered 63 of its direct suppliers in 2013, equalling 84% of its Tier 1 (operations). Where PUMA is concerned, the brand has had a comprehensive supplier-auditing programme in place for years, through its PUMA.Safe programme of work, and as such, has been working with the Fair Labour Association (FLA) since 2004 and has been FLA-certified since 2007. I am pleased to share that our brand Volcom also joined the FLA in 2014. Overall, compliance to our Code of Ethics is just the baseline level we ask of our suppliers and in all cases, our supplier monitoring goes beyond the audits themselves and is rounded out by our Kering Social Handbook, training programmes and the sharing of best practices.

At Kering we also look beyond our own business and are dedicated to supporting initiatives that have positive impacts on communities and people. The Kering Corporate Foundation has benefited over 140,000 women since its inception in 2009 and its work to combat violence against women in 2014 has been exemplary. In our last 'Report on Progress' I shared the update that the Foundation has refocused its attention on three geographic areas and prioritised three specific causes in each region: sexual violence in The Americas, harmful traditional practices in Western Europe and domestic violence in Asia. In these three areas, the Foundation structures its actions around the three key pillars of supporting local and international NGOs; awarding social entrepreneurs via the Foundation's 'Social Entrepreneurs Awards'; and organising awareness campaigns. One such successful campaign in 2014 I am especially proud of was the "White Ribbon for Women" campaign to align with the UN International Day for the Elimination of Violence against Women on 25 November, annually. By the end of the campaign, a total of 200,000 badges designed by Stella McCartney had been handed out in over 700 boutiques of eight Kering luxury brands across 38 countries.

2014 also marked the beginning of another significant initiative we launched which will have a positive impact on our own industry. Our new partnership and curriculum we are developing with the London College of Fashion will help shape the future of sustainable fashion and, in my view, nothing is more important than providing the framework to educate and inspire the next generation to act and become the change-makers we will need to address our future challenges.



Over the next year Kering will continue to develop multi-stakeholder initiatives that will help foster change and inspire new, more sustainable solutions, and internally we will continue to work towards attaining our Sustainability Targets.

I look forward to sharing the progress we are making in our pursuit to become a more sustainable business as we encourage and drive change within our Group, and our industry, to ultimately create positive outcomes for people and society.

Respectfully yours,

François-Henri Pinault
Kering Chairman & CEO