

MODERN SLAVERY STATEMENT

2019

K E R I N G



This statement is made pursuant to Section 54 of the Modern Slavery Act 2015 and California Transparency in Supply Chains Act of 2010 (SB 657). It sets out the steps which the Kering Group and the companies in that group have taken during the financial year 2019 to identify and prevent Modern Slavery, including forced labour, human trafficking and the worst forms of child labour from taking place in our supply chains or in any part of our business.

In this statement, the term “Kering group” refers to Kering S.A., a French corporation (“société anonyme”) registered with the Paris Trade.

This report covers the following Kering Group brands: Gucci, Saint Laurent, Bottega Veneta, Balenciaga, Alexander McQueen, Brioni, Boucheron, Pomellato, DoDo, Qeelin, Ulysse Nardin, Girard-Perregaux, and Kering Eyewear, notwithstanding that some of the Group’s brands may also issue their own Modern Slavery Statements.

Our ambition is to be the world’s most influential Luxury group in terms of creativity, sustainability and long-term economic performance.

As such, we are committed to improving the labour standards of those who work in our supply chains and businesses. This includes taking steps to both identify and address the risks of Modern Slavery.

Kering takes a cross-functional approach to governance over human rights challenges including Modern Slavery, integrated into its overall sustainable development governance. Specifically, human rights governance spans various departments, among which the Human Resources Department and its Diversity, Inclusion and Talent Unit, the Supply Chain Audit Department, the Compliance Department and the Security Department. It also falls within the scope of the Sustainability Department.

This Statement was validated by the Board on June 16th, the Board representing the Group and the entities it controls.

PRESENTATION OF OUR GROUP

OUR BUSINESS

Kering Group works with 38,068 employees with subsidiaries in over 40 countries. As a global Luxury Group, Kering manages the development of a series of renowned Houses in fashion, leather goods, jewellery and watches as well as Kering eyewear. Our Houses develop innovative, creative, exceptional products, animate networks of directly operated stores and provide unique client experience. In 2019, Kering's Houses operate 1,381 stores. Distribution channels include retail and wholesale both being both physical and digital. Kering's Houses are present online via e-commerce sites, operated completely internally in the case of Gucci.

Though the Group mainly relies on a network of several thousand suppliers, it operates a growing number of ateliers. In 2013, Kering also began strengthening its upstream positioning in the luxury goods value chain, via the targeted acquisition of leather tanneries to secure raw materials sourcing.

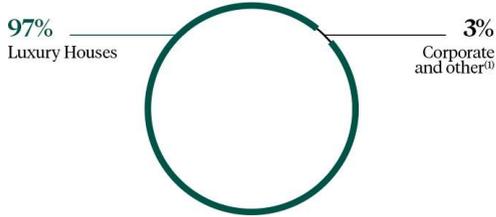
Our Houses focus on their core expertise as they benefit from the Group's integrated model and corporate functions: the Group pools resources and streamlines certain key functions for the Houses such as logistics – both integrated and outsourced, non-production purchasing, legal affairs, property, accounting, media relations, IT and the development of new tools.

Kering operates as well in the perfumes & cosmetics segment through licensing agreements between its main brands and leading industry players to develop and sell perfumes and cosmetics.

Kering has also been running the Kering Foundation to combat violence against women.

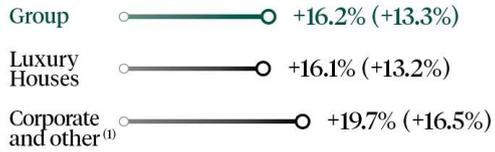
Revenue

€15,884 million



Change in reported revenue

(and change in comparable⁽²⁾ revenue 2019 vs 2018, in %)



Luxury Houses

2019 key figures

€15,383 million

in revenue

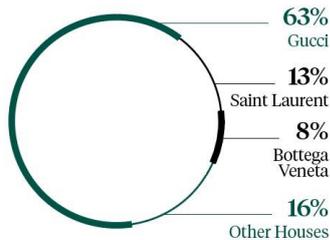
Revenue (in € millions)



Breakdown of revenue by region



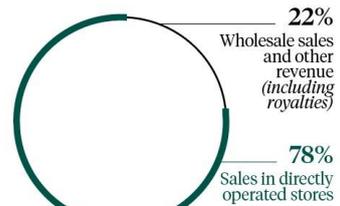
Breakdown of revenue by brand



Breakdown of revenue by product category



Breakdown of revenue by distribution channel



OUR SUPPLY CHAIN

Kering operates in the luxury market, whose supply chains are structured in a very specific way, as evidenced by the location of the suppliers in the centrally managed database in 2019. The supplier base managed by Kering’s central team for its Houses has the following characteristics:

- **In line with 2017 and 2018, 2019 saw a sharp rise in the number of suppliers managed, with the inclusion of all production suppliers and strong growth in the number of raw materials suppliers. The Jewellery and Watches Houses are gradually joining the system, as are Kering Eyewear’s suppliers, which it began adding in October 2019;**
- **To date, it covers 4,243 suppliers with the following breakdown:**
 - **21.5% direct suppliers** (a supplier is deemed direct when it has a direct business relationship with the Houses rather than working via a subcontractor),
 - **16.7% contractors** (direct suppliers working for one or more Houses and which subcontract part of their production),
 - **61.8% subcontractors** (working for contractors and having no direct business relationship with the Houses). Subcontracting without prior authorization is not permitted.

Among its suppliers, Kering also singles out raw material suppliers. Those identified as key to the Group represent roughly 20% of all such suppliers, corresponding to approximately 80% of purchases.

Supplier portfolio	Size of suppliers	Geographical location of Kering’s suppliers in 2019
Thousands of mostly small suppliers, highly fragmented market, high level of craftsmanship.	Average number of employees by supplier: approximately 55. Taking all Kering suppliers into account, this represents an estimated workforce of 40,000 dedicated to Kering.	More than 93% in Europe, predominantly in Italy (83.8%); ⁽¹⁾ Western Europe (90.6%): strong government presence, comprehensive and mature labor law, highly developed social dialogue.

⁽¹⁾ Geographical breakdown in 2019 of direct suppliers and contractors, managed within the centralized system introduced by Kering in 2016.

Our production supply chains encompass the production of the following key materials: hides and skins for leather, precious skins, fur, cashmere, wool, silk, cotton, paper & wood, plastics, down, cellulosic fibres, synthetic, gold, silver, diamonds, coloured gemstones as well the following main manufacturing processes: textile processing, leather goods and shoes manufacturing.

HUMAN RIGHTS ASSESSMENT OF PRACTICES

In 2017 Kering analysed its practices by comparing them to the United Nations Guiding Principles on Business and Human Rights. This assessment enabled Kering to identify specific points for progress in areas including public commitment and policy, scope of internal control procedures, grievance and remediation mechanisms, and external communications. Following on from this analysis, Kering took steps to comply with the requirements of French 'Devoir de Vigilance' legislation, to identify risks and prevent severe impacts, including on human rights and fundamental freedoms.

Kering also carried out a detailed analysis of the risks that the Group may face, including non-financial risks. As a result of this analysis, non-compliance with international standards or the Group's standards in the area of respect for human rights and fundamental freedoms has been identified.

In 2020, Kering will be carrying out a Group-wide human rights assessment study.

OUR STANDARDS, RISK MANAGEMENT AND RELEVANT ACTIONS ON MODERN SLAVERY AND HUMAN RIGHTS

OUR STANDARDS

We manage risks and impacts related to Modern Slavery as part of our existing programme on labour rights, ethical trade and human rights, which falls more broadly within our approach to sustainability.

Kering has significantly developed its sustainability strategy over the last 20 years. In 2017 we published our 2025 sustainability strategy which is based on three pillars – environmental, social and innovation – and which sets ambitious targets for all of the Houses which are part of the group.

Our Sustainability Principles established for all the Luxury Houses in 2015 span the three fields of human rights, labour rights, and health and safety among which elimination of child labour, forced labour, and human trafficking in all its forms. They are applicable across all Houses.

We published in 2018 our Kering Standards for sourcing and manufacturing processes. The key factors covered by the Kering Standards include working conditions, human rights and fundamental freedoms in production and extraction processes for our main raw materials. They include our efforts to ensure that people working in our supply chains are free from Modern Slavery.

Kering's approach to responsibility with regard to stakeholders is shaped by the principles set out in its Code of Ethics. Since 2013, the Kering Group's Code of Ethics has included the Group Suppliers' Charter. For any contractor of Kering or one of its Houses, compliance with the Suppliers' Charter is a precondition of the business relationship. The Suppliers' Charter specifies Kering's expectations for its suppliers to promote human rights within their production units and among their subcontractors, and to advise Kering and/or its Houses of any serious difficulties in applying the Charter. Kering and its Houses require their suppliers to commit to fundamental principles among which: to not use child labour; to proscribe the use of slavery or forced or compulsory labour. The Suppliers' Charter, as an integral part of the Code of Ethics, was revised in 2018 and the Code of Ethics was reissued to all employees worldwide in 2019. The Code of Ethics and the Suppliers' Charter have been translated into the 14 most widely spoken languages within the Group.

OUR RISK MANAGEMENT

No control system, regardless of how mature and tested it is, can guarantee the absence of risk, whether this relates to Modern Slavery or other labour or human rights issues. Our risk management is based on a continuous improvement process, taking into account feedbacks and good practices.

Kering Group and its Houses seek to work with suppliers to develop the most efficient collaborative and control systems in order to keep risk to a minimum and implement any corrective action in cases where non-compliance is identified. To meet these challenges, in 2016 Kering has established a dedicated central body within the Group to control the compliance of Group suppliers. The process, known as the Hercules system, is based on six key pillars:

1. SUSTAINABILITY

The Sustainability Principles include mandatory expectations, due to requirements imposed by international and national laws, as well as Kering's additional expectations. They are embedded in ILO and United Nations Conventions, United Nations Guiding Principles on Business and Human Rights, etc. Suppliers are required to abide by the principles and supplier compliance is evaluated on this basis. Each supplier is in turn tasked with passing on these principles to its own subcontractor network, if it has one. Along with the Code of Ethics, including the Supplier's Charter, the principles are embodied in the contract template. They are systematically issued to suppliers and both form an integral part of their contractual relationship with Kering;

2. CENTRALIZED MANAGEMENT

Kering has centralized oversight through a team of 24 people (including twelve auditors specialized in conducting supplier audits and monitoring anomalies); depending on needs (locations, workload, etc.). This team can be assisted by an external service provider;

3. UNIFORM PROCEDURES

There are clear and uniform procedures for all the Houses, corresponding to the different stages of the supplier relationship, including the activation procedure, monitoring procedure, termination of contract procedure;

4. RISK-BASED AUDITING

A risk evaluation used, on the basis of collective data to classify suppliers in accordance with three levels of risk (high, medium or low) and to construct an audit plan. Audit plans are updated monthly based on the needs of the various Houses and/or the occurrence of particular events;

5. STANDARDISED AUDITS

A single and comprehensive audit methodology with a questionnaire containing 88 questions divided into 13 categories among which child labour & forced labour and aligned with the best standards in the field, in

particular the SA8000 and SMETA standards. Follow-up audits include a smaller scope focus on the area(s) in which breaches of compliance were identified or observations were made during the first comprehensive audit. In any case, the announced or unannounced audits consist of document reviews, site tours, and workers interviews. Workers are selected to offer a representation of the workforce, notably concerning age and union affiliation, if any. These interviews are confidential. The frequency of audits depends on the findings of previous audits. Nevertheless, periodic audits will be undertaken regularly to ensure compliance.

6. TAKING ACTION

Supplier non-compliances are classified into four categories, with standard response for each:

- breaches by suppliers' subject to zero tolerance (relating to the most serious situations liable to be encountered, among which child labour and forced labour). Identification of a zero-tolerance breach triggers the immediate establishment of a crisis unit bringing together the Kering audit team and the relevant House(s) to decide on the future of the relationship with the supplier: immediate shutdown of the approval process if the supplier is in the process of being activated but has not started working; and discussions about the possibility of remediation and support for the supplier or about the need to terminate the contractual relationship if the supplier is working on one or more orders. The brand is the ultimate decision-maker on the most appropriate response,
- serious compliance breaches by suppliers. The supplier is given one month to resolve the serious breach of compliance, and a follow-up audit is scheduled to confirm that the issue has been resolved,
- moderate compliance breaches by suppliers. The supplier is given three months to resolve the moderate breach of compliance, and a follow-up audit is scheduled to confirm that the issue has been resolved,
- observations. These give rise to a corrective action plan and are the subject of a dedicated checklist at the next audit. The supplier has six months to remedy the observation.

For each of the 13 categories of the comprehensive audit requirements, a detailed description of what constitutes zero-tolerance breaches, serious breaches of compliance, moderate breaches of compliance and observations has been prepared. Depending on the results of audits, suppliers are classified as: compliant; partially; progress expected; zero tolerance.

COMPLEMENTARY TOOLS AND ACTIONS

To complement the core Hercules risk management system, various tools and actions are deployed.

TRAINING

All Group employees take a compulsory annual Ethics and Compliance course based on the principles set out in the Kering's Code of Ethics.

In 2019, Kering's teams continued their work on the circulation of the Kering Standards. Each House held one or more sessions internally. The Kering Standards have been shared with all of the Group's key suppliers. A number of explanatory and training sessions were also held in 2019, as in 2018, particularly for suppliers of the Leather Goods, Fashion and Watches activities.

To round out these training courses, Kering's Sustainability Department put in place an internal e-learning program presenting all of the Kering Standards. The course has been completed by more than 4,400 Group employees to date. Kering also worked to adapt it to external audiences in 2019, with a view to circulating it more widely among suppliers. A pilot course was organized with around ten leather suppliers in July 2019, with a view to much broader circulation later. These training support contain elements related to Human Rights and Fundamental Freedoms.

WHISTLEBLOWING SYSTEM

Introduced in 2005, Kering's whistleblowing system was strengthened in 2018 to ensure full compliance with France's Sapin II law. It is accessible to all people working for the Group and external and temporary personnel working for external partners or service providers under contract with the Group and/or its Houses. All employees and direct suppliers may use the system to submit reports. It may be used to report any suspicion related to Modern Slavery – among other offenses or violations. Kering is committed to protecting whistleblowers who raised an issue in good faith, and explicitly prohibits any form of reprisal in its ethics policies and procedures.

WORKING TOGETHER

As a major player in the luxury goods industry and aware of its social responsibility in respect of a wide range of suppliers, subcontractors and raw material production chains, Kering engages in continuous and collaborative dialogue on human rights and Modern Slavery with key stakeholders in its supply chains and beyond. Kering is a member of the following initiatives, groups and programmes:

- The Sustainable Apparel Coalition – which works to reduce the negative environmental and social impacts caused by the industry worldwide;
- Textile Exchange Europe – which works to drive sustainable transformation in the industry. Kering is actively involved in a number of its sub-groups, including the Responsible Cashmere Roundtable, Responsible Leather Roundtable, Responsible Wool Standard, Organic Cotton Roundtable and Responsible Down Standard;
- Business for Social Responsibility (BSR), especially its Global Business Coalition Against Human Trafficking (GBCAT), formed by major private groups and NGOs to combat Modern Slavery, primarily by detecting and eradicating it from companies' complex supply chains;
- The Mekong Club, which tackles problems of Modern Slavery;
- A network set up by UNICEF and Norges Bank Investment Management on children's rights in the textile and footwear sector;
- Pledge Against Forced Child Labour in Uzbekistan Cotton of which Kering is a signatory;
- The OECD consultative group on due diligence for the garment and footwear sectors as part of the sector-by-sector roll-out of the OECD's guidelines for multinational enterprises;
- The Social & Labour Convergence Project, a joint initiative from the Sustainable Apparel Coalition and the Social & Labour Convergence on a common social evaluation framework for supply chains.

OUTCOMES AND KPIS

Within the portfolio of suppliers presented in Section 3.b, 3,441 audits were conducted in 2019 (an increase of 20% compared with 2018), breaking down as 1,840 comprehensive audits and 1,601 follow-up audits. A total of 39.3% of these audits were carried out by Kering’s Supply Chain Audit team, and 60.7% by external auditors, with the Group audit protocol applied in the same way for all audits conducted. This means that 56% of suppliers were audited in 2019. Over the 2015 - 2019 period, 83% of suppliers were audited. Moreover, Kering has undertaken to audit all of its key suppliers every two years. It should be noted that “activation” audits for new suppliers are comprehensive audits, and that they therefore cover the entire scope of a comprehensive audit.

Following these audits, 58.9% of suppliers were rated compliant, 30.1% partially compliant, 10.3% progress expected and 0.7% zero tolerance. A total of 68 suppliers saw their business relationship terminated in 2019 due to unsatisfactory audit results. Robust corrective action plans were put together following the audits, wherever breaches of compliance, and particularly serious breaches, were identified. Follow-up audits were then conducted to verify the resolution of the problem. The zero-tolerance breaches identified during the audits were dealt with immediately, in accordance with established rules and in coordination with the relevant Houses. To speed up the resolution of issues, the central team held more than 220 committee meetings with the Houses in 2019, which effectively resulted in the resolution of a large number of anomalies.

	Kering group operations	Kering group supply chains
Human rights and fundamental freedoms	<p>Indicators</p> <p>Reach of training on the annual Ethics & Compliance program in 2019: 94.4%</p> <p>Number of complaints received by Ethics Committees in 2019, on all subjects covered by the Code of Ethics, including human rights and fundamental freedoms: 55 (including 15 still under investigation by December 31, 2019)</p> <p>Examples of implementation</p> <p>Gap analysis between Kering practices and the United Nations Guiding Principles on Business and Human Rights, to determine specific focuses for progress and action plan</p> <p>SA8000 certification for internal and outsourced production processes (e.g., Gucci and Bottega Veneta)</p> <p>Update and reissue of the Code of Ethics to all Group employees worldwide in 2019</p>	<p>Indicators</p> <p>Number of third-party due diligence procedures in 2019: more than 60,000⁽¹⁾</p> <p>Supplier compliance monitoring in 2019: 89% of suppliers audited wholly or partially compliant</p> <p>Examples of implementation</p> <p>Inclusion of Sustainability Principles and Group Suppliers’ Charter in contractual relationship with suppliers</p> <p>Centralized supplier management and common audit methodology</p> <p>Roll-out of Kering Standards on raw materials, including requirements on human rights</p> <p>Update and reissue of the Code of Ethics to all Group employees worldwide in 2019</p>

⁽¹⁾ Third-party due diligence procedures undertaken under the procedure specified by the Group’s anti-corruption policy and including suppliers, subcontractors and other current or potential business partners (retailers, service providers, customers, etc.), along with related parties



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