

sustainability targets

PROGRESS
REPORT

MAY 2014



K E R I N G



foreword

We are living in a volatile and constantly changing world. As a global society we are facing enormous challenges and opportunities as we move towards nine billion people on earth, and as we get closer to our “planetary boundaries” on key natural processes upon which we all depend. As such, we all need to contribute to sustainable development – setting goals and implementing actions. Business will only thrive in a society that thrives and as a business we need to be smart, informed, adaptive and innovative. We need to understand our risks and seek out opportunities. This is why sustainability is key to us at Kering and why we are integrating it into our core business. In fact, sustainability is our business imperative, and we are encouraging and driving change within our Group, and our sector, to ultimately create positive outcomes for people and society.

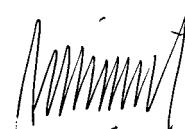
To articulate our commitment to sustainability and to show progress, in April 2012, we committed to attaining a series of self-imposed Sustainability Targets across our Brands by 2016. These Targets are focused around key areas of environmental and social impacts across our supply chains and our business, and encompass our raw material sourcing, our use of water, efficient use of materials in our products and packaging, our carbon emissions and how we ensure the highest working standards. All our Targets are important but some are especially ambitious – as only by setting visionary goals and milestones will we challenge ourselves to really make changes and to drive more ethical, social and environmental performance that goes beyond compliance. We knew when we set some of these Targets we would have to work very hard to achieve them, and that we would meet new challenges along the way.

Since our commitment, our Sustainability Department at Kering, our Brands and their Sustainability Leads have been working tirelessly to develop and implement solutions to meet these Targets. Keeping in mind it is not just the Target that is important but also the adventure and journey along the way. In our mid-term Progress Report we share these efforts and the progress that we have made as a Group, as well as the challenges we still need to overcome.

We hope that our work will continue to inspire and drive change and that it will ultimately move our industry forward to become more sustainable. However, to succeed in this we need to build awareness and “buy-in” with many stakeholders across our business and industry – we can not do it alone. Collaboration with local and international NGOs, governments, international organisations and, of course, our suppliers and producers of our raw materials are the key stakeholders that are best placed to support our sustainable goals and facilitate this change more broadly. Our business sits in a complex globalised world and while that has benefits for many, it means that to really make our own business more sustainable we also need to leverage change in the context in which we function.

This is a challenge that we, at Kering, are willing to take on but it also means that meeting our Targets is dependent on not only how fast we can act and adapt internally, but also how fast we can improve and create sustainable options in the world in which our supply chains function. We are focused and committed to enhancing our own business and to being a business model that can illustrate and leverage change in our industry, while being transparent and collaborative in the process. Transparency with our stakeholders and our customers around the world is paramount and will help us continue to challenge ourselves to reach our sustainable ambitions, and to be held accountable in doing so. For this reason, we are presenting to you our mid-term report on our progress towards our Targets. For us at Kering, the pay offs in terms of becoming a more robust, vibrant, innovative and sustainable business to ensure our continued success in the future and to create positive value for outcomes for people and the environment makes the endeavour not only worthwhile, but essential.

François-Henri Pinault
Chairman & Chief Executive Officer



precious skins & furs

100% OF PRECIOUS SKINS AND FURS IN KERING'S PRODUCTS WILL COME FROM VERIFIED CAPTIVE BREEDING OPERATIONS OR FROM WILD, SUSTAINABLY MANAGED POPULATIONS BY 2016. ADDITIONALLY SUPPLIERS WILL EMPLOY ACCEPTED ANIMAL WELFARE PRACTICES AND HUMANE TREATMENT IN SOURCING.

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page 2

leather

100% OF LEATHER FROM DOMESTIC LIVESTOCK WITHIN KERING'S PRODUCTS WILL BE FROM RESPONSIBLE AND VERIFIED SOURCES THAT DO NOT RESULT IN CONVERTING SENSITIVE ECOSYSTEMS INTO GRAZING LANDS OR AGRICULTURAL LANDS FOR FOOD PRODUCTION FOR LIVESTOCK BY 2016.

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page 5

gold & diamonds

100% OF GOLD AND DIAMONDS IN KERING'S PRODUCTS WILL BE SOURCED FROM VERIFIED OPERATIONS THAT DO NOT HAVE A HARMFUL IMPACT ON LOCAL COMMUNITIES, WILDLIFE OR THE ECOSYSTEMS WHICH SUPPORT THEM BY 2016.

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page 8

co₂, waste & water

REDUCING OUR CARBON EMISSIONS, WASTE AND WATER USAGE RESULTING FROM THE PRODUCTION OF PRODUCTS AND SERVICES BY 25% BY 2016, WHILE ACCOUNTING FOR THE GROWTH OF OUR BUSINESS. ALL REMAINING EMISSIONS FROM SCOPE 1 AND SCOPE 2 OF THE GREENHOUSE GAS PROTOCOL WILL BE OFFSET ANNUALLY.

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page 18

paper & packaging

100% OF PAPER AND PACKAGING FOR KERING WILL BE SOURCED FROM CERTIFIED SUSTAINABLY MANAGED FORESTS WITH A MINIMUM OF 50% RECYCLED CONTENT BY 2016 THEM BY 2016.

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page 11

suppliers

EVALUATING ALL OUR KEY SUPPLIERS A MINIMUM OF EVERY 2 YEARS AND HELPING GUIDE THEM TO MEET BEST PRACTICES AND ADHERE TO KERING'S CODE OF CONDUCT BY 2016.

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page 25

pvc

ALL OUR COLLECTIONS WILL BE PVC-FREE BY 2016.

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page 13

hazardous chemicals

ENSURING ALL HAZARDOUS CHEMICALS HAVE BEEN PHASED OUT AND ELIMINATED FROM OUR PRODUCTION BY 2020.

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page 15



100% of precious skins and furs

IN KERING'S PRODUCTS WILL COME FROM VERIFIED CAPTIVE BREEDING OPERATIONS OR FROM WILD, SUSTAINABLY MANAGED POPULATIONS BY 2016. ADDITIONALLY SUPPLIERS WILL EMPLOY ACCEPTED ANIMAL WELFARE PRACTICES AND HUMANE TREATMENT IN SOURCING.



progress

At Kering we take a holistic view of our supply chains and in particular, focus on raw material sourcing, as this is often where impacts on the environment are greatest and where we can leverage the most change by implementing strategic projects and collaborations in the precious skins trades. For us, and for our sector, it is of paramount importance that the procurement of precious skins comes from verified, responsible suppliers that promote the highest standards of animal health and welfare. It is also key that we can ensure that sourcing is done in an ecologically sustainable manner where the survival of the species is not threatened. We adhere to all international regulations and follow the processes of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) permitting system, and we continuously track changes within CITES that allow us to understand and respond to the ongoing challenges of the precious skins trade. However, in addition to meeting the internationally accepted standards of the trade, we have been conducting independent research to address these challenges and contribute to improved management, particularly for certain species in the precious skins and fur trade.

At Kering, we have implemented detailed internal Policies and Guidelines for all our sourcing of raw materials to align with our Target and set the highest standards of sourcing practices. In order to address the prevalent challenges in the trade which we would need to overcome to reach our Target, and to support our brands in following our Guidelines, we have launched a number of initiatives to help enhance traceable,

sustainable sourcing and best practices in the industry. In these initiatives, 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.

Additionally within our Group, we have been vertically integrating along our supply chains to secure sustainable supplies of high quality skins, and to also increase our control in our supply chains to ensure that high standards of sustainable and humane management practices are in place. As an example, Kering acquired a majority stake in France Croco in 2013, one of the leading independent tanneries, located in Normandy and specialising in the sourcing, tanning and processing of crocodilian skins. France Croco has the highest standards of sustainable sourcing and is working to ensure it can promote sustainable use and conservation of wildlife species across its own supply chain. In addition we have a majority stake in the Caravel tannery, which has been focused on developing sustainable supply chains for precious skins. Caravel was a key driver in founding the 'Python Conservation Partnership' (PCP) and continues to be actively involved in implementing the recommendations from the PCP. Our brands are also recognising the value of vertical integration, and with an aim to ensure the traceability and sustainability of its precious skins, Gucci is exploring the development of a python farm in South East Asia.





projects

Some Kering brands use python species, which are listed by CITES and therefore follow all the necessary processes including having a certificate of legal origin issued by the CITES management authority of the exporting country. However, many stakeholders in the python skin trade skins have recognised that work needs to be done to improve the traceability and sustainability of the trade, particularly in light of the increasing demand for python skins.

To this end, Kering has been involved in several multi-stakeholder initiatives that are aimed at better ensuring that the python skin trade is both sustainable and humane, now and in the future. In 2011, Kering financed a study on the World Trade in Skins of CITES-listed species of lizards and snakes including python, which we have made available to the international community working on these issues. Another significant initiative, with input from Kering, was the research work and subsequent report by the ITC on the trade of python skins in South East Asia. Kering also provided guidance and technical advice in the initial design phase of the project launched by the Swiss Government and Report on the Expert Panel on Humane Killing of Reptiles. Based on this work and the generally accepted need to improve the trade, Kering then developed and launched the 'Python Conservation Partnership' (PCP) in 2013 to help address challenges and to contribute to improving the sustainability of the python trade, and to ultimately help facilitate industry-wide change.

As a collaboration between Kering, the ITC and the IUCN Boa and Python Specialist Group (BPSG), the PCP's research is focusing on analysis and recommendations around sustainability, transparency, animal welfare and local livelihoods in the python trade. The findings of this research will contribute to the CITES process, and the results and recommendations from the PCP will be made available as public reports and peer-reviewed scientific articles to help catalyse change and improve management across the trade. The PCP's programme of research is being managed by a Steering Committee comprising experts from Kering and our brand Gucci, the IUCN SSC Boa & Python Specialist Group, the ITC, the EcoHealth Alliance and representatives from the Governments of the range states (Indonesia, Malaysia and Vietnam).

In early 2014, the first report under the PCP was published on captive breeding. The "[Assessment of Python Breeding Farms Supplying the International High-end Leather Industry](#)" was 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. The PCP's aim is to provide guidance to those involved in the python trade to adopt sustainable practices when sourcing skins, and Kering will be embedding the PCP's recommendations into our supply chain. As such, in June 2014, we will be hosting a workshop with the PCP with the Vietnamese CITES Authority to build awareness and train python farmers on improved management and traceability of skins and the highest standards of humane treatment and animal welfare. Ultimately our goal is to enhance traceable, sustainable sourcing and the conservation of pythons, which will assist our sector and move the industry towards more informed decisions in python sourcing. Kering is now working on a similar multi-stakeholder programme to support research into the sustainable use of crocodile skins in key producer countries.

Similarly, Kering is focusing on a programme of work to ensure that the fur sourced by Kering brands comes from sources with the highest standards of animal welfare to meet the Group Target and that we facilitate improvement in international standards across the industry. Already in 2011, Kering's brand Gucci was engaged with the BSR Sustainable Luxury Working Group (SLWG) which developed broad guidelines for animal welfare in sourcing. These guidelines were incorporated into Kering's internal Policies and Guidelines and have helped guide our approach to sustainable sourcing of fur. At Group level, Kering is a member of the SLWG and we are working closely with BSR to help develop an approach to fur sourcing that will ensure the highest standards of animal welfare in captive breeding of fur species in Europe. This work will include encouraging change and improvement at an industry-wide level and will also focus on key suppliers in the industry to ensure verifiable high standards of animal welfare and traceability of fur through the supply chain and accompanied by third party certification of fur farms.



perspective & outlook

For the Luxury sector, precious skins are an important raw material and as with any product from animal origin, it is essential that the highest standards of animal welfare and ecological sustainability are in place. Kering defined our precious skins Target with this in mind and we have strived to take a leadership position that will not only help us meet our Target, but also so that we can contribute to industry-wide improvement in these trades. The context of sustainable use and trade in wildlife is a complex one, and to improve the sector to ensure that high standards of sustainability can be guaranteed depends on many factors. Firstly, it is essential that the private sector, NGO's, IGO's and government agencies collaborate to overcome the challenges of traceability and legality in the precious skins trades. Secondly, the industry needs to commit to contributing to improvement through better management of their own supply chains and through supporting the research and work that is needed for on-going management. It is clear that sustainable use of species when well managed can deliver significant benefits to local livelihoods and national economies and can also contribute to the conservation of species in the wild. The evidence for this can be seen in the crocodile skin trade, where ranching and farming coupled with well managed wild harvest has contributed to the conservation of species. The crocodile trade is well managed with the highest standards of animal welfare and ecological sustainability, and this has taken a concerted effort over 30 years by the public and private sector. The python trade is in the initial stages of putting in place good management and collaboration across the complexity of the trade. We can learn from the experience associated with the crocodile trade and while Kering has established our own initiatives, such as the Python Conservation Partnership, more needs to be done to catalyse improvement in the trade. It is a very positive development that many stakeholders are now focussed to work on the necessary steps to ensure a well-managed, robust and transparent sustainable trade of pythons.

In addition, there needs to be work at all levels to put in place the management practices and standards necessary for sustainable trade in skins of other species of snakes and reptiles. Kering is working to improve standards, across our supply chain as well as across the industry, and we are looking for opportunities to source our precious skins from operations that deliver positive benefits to local communities and the conservation of species.

Further, during 2014 Kering will be working with our brands to expand the Group focus on sustainable sourcing to other precious skins from other species, and not only crocodilians and pythons, to continue working effectively towards our 2016 Target. Already our ostrich skin comes from farms where there is verifiable sustainable and humane treatment of the animals. For fur sourcing, the industry presents several challenges. A main challenge is that while there are some standards of humane treatment of animals that are legal or voluntary there is a dearth of systems to monitor and verify these standards. Although some fur farms in the European Union are working towards ensuring certification and verification of the highest standards of animal treatment, it is clear that there needs to be better collaboration across the industry and engagement with the NGOs to set up and monitor the standards. Kering is looking for ways to work with our suppliers to catalyse this type of collaboration and action.

Overall, Kering is working with the key stakeholders to examine and research new approaches and collaborations that are needed to develop a sustainable supply of precious skins and fur so that we as a Group, and the luxury sector as a whole, can be assured that our raw material sourcing does not lead to negative impacts but rather generates positive outcomes for communities and conservation. In order to achieve real and lasting improvement the precious skin trade must have strong, globally accepted verifiable standards and robust management practices that are regulated and enforced. Over the next years Kering remains committed to helping drive this improvement.



100% of leather from domestic livestock

WITHIN KERING'S PRODUCTS WILL BE FROM RESPONSIBLE AND VERIFIED SOURCES THAT DO NOT RESULT IN CONVERTING SENSITIVE ECOSYSTEMS INTO GRAZING LANDS OR AGRICULTURAL LANDS FOR FOOD PRODUCTION FOR LIVESTOCK BY 2016.



progress

We take the impact of leather supply chains on biodiversity and ecosystems very seriously. For Kering, "responsible" sourcing of leather from domestic livestock means that the leather being used in our products should not come from farming systems that have either directly or indirectly, through food production for livestock, led to the conversion of sensitive ecosystems into grazing lands. As such, tracing our leather through our supply chains to ensure that our sources are sustainable has been a priority.

As a first step to attaining our 2016 Target, and to improving sustainability in the leather trade as a whole, we have been focused, firstly, on the understanding of the movement of raw hides and tanned leather throughout leather's complex global supply chain and, secondly, exploring how we can ensure sustainability of leather production.

Once leather is traced back to its original source, then supplier and producer management practices can be verified. As a Group, the majority of the leather we use is from beef cattle, which for our Luxury activities we know comes from the European Union, in particular France. Further, in our Luxury activities the majority of leather products are

"Made in Italy" and much of the leather is sourced through two tanneries owned by the Group that are engaged in supporting traceable and sustainable sources.

Our initial work and progress towards our leather Target has been primarily focused on bovine leather since this is the Group's primary type of leather, however, our next steps in 2014 will be to expand the sustainability and traceability in our other leather supply chains to ultimately align with our Target. We have already begun to explore more sustainable sourcing options for sheep and goat leather, as well as implementing a traceability system for sheep leather via one of our Luxury brands. Importantly, as part of our approach to address sustainability across Kering's entire leather supply chain, we have clarified our standards through our policy on sustainable sourcing of raw materials and internal 'Leather Sourcing Guidelines' which include recommendations and requirements on supply chain traceability, certification, livestock feed, ecological sustainability and animal welfare via our 'Animal Sourcing Principles'. Further, Kering has joined a number of sector and cross-sector groups, as well as developing our own initiatives and collaborations, to help influence and improve the traceability and sustainability of the leather trade more broadly.





LEATHER

projects

At Group level we have partnered with key organisations to work together to identify approaches for traceable and sustainable leather supply chains, such as the Business for Social Responsibility's (BSR) Sustainable Luxury Working Group (SLWG). The SLWG is a business-led initiative dedicated to the advancement of ethical, social, and environmental practices, which respect human rights, throughout all luxury industry value chains, from sourcing and production to consumption and end-of-life. As one of its mandates, BSR and the SLWG are focused on advancing the effective implementation of the Animal Sourcing Principles, and highlighting bovine skin sourcing in particular. While we work with our industry peers in the SLWG, we are also working with consultant experts to verify the sustainability of our own bovine leather supply chains, with particular reference to identifying opportunities to enhance the sustainability of bovine leather sourcing for both our Luxury brands and our Sport & Lifestyle brands. Additionally, Kering is collaborating with the National Wildlife Federation and other international NGOs to build on previous work by Gucci and EcoAge's 'Green Carpet Challenge' in zero-deforestation leather supply chains to identify certified sources of bovine leather in Latin America that do not impact important ecosystems, and adhere to our leather guidelines and Target.

Gucci's 'Zero Deforestation Handbag' project is a prime example of a brand's product innovation setting new standards in traceability and ecological certification for leather sourcing. Gucci, which sources its leather from the EU, decided to demonstrate that sustainable sourcing of leather is in fact possible from Brazil. Through a close collaboration with the 'Green Carpet Challenge' and the National Wildlife Federation and the Rainforest Alliance, Gucci launched a range of handbags in 2013 using only "sustainably produced" leather sourced from the Brazil. As the first leather product sourced from Rainforest Alliance Certified cattle ranches and certified as zero-deforestation leather, each bag carries a passport that details the precise history of the product's supply chain and provides full traceability. This project showed how sustainable leather production is, in fact, possible around the Amazon, one of the world's most important ecosystems, and ultimately how more sustainable ranching practices can avoid ranching driving deforestation in the region. One of the main

goals of the initiative was to catalyse other industry players to support this new certified and traceable supply chain. Earlier this year, Bottega Veneta launched an ambitious leather traceability pilot project which will certify the entire product cycle of a signature bag; from the largest farm that supplies leather to Bottega Veneta, through the tanning process and production, to transportation and all the way to their end customers at retail locations. This is an innovative approach for the European sheep leather industry, with data collected to systematically track the hides through the supply chain to provide the tannery with information about the origins of each hide. Through a partnership with the University of Padova, the Russo tannery in Casandrino, and the Italian ICEC certification body, Bottega Veneta is focused on creating a progressive model that can ultimately be used by others to guarantee and verify responsible sourcing and from areas that are not a result of recent conversion of non-agricultural ecosystems or deforestation.

In 2011, Gucci launched an initiative in collaboration with MADE BY to design and deploy a methodology to ensure the traceability of bovine leather, from the farm or from the country of origin through to the leather tannery Blutonic, owned by the brand. The result of this work was an IT tool linking three different databases that store the information at various points along the supply chain. This tool will then enable complete traceability of hides and leather from source to tannery. Currently, it is in its initial phase of implementation with the Blutonic tannery. Once this has been successful, the tool will be expanded to other tanneries and will enable traceability of 90% of Gucci's bovine leather by early 2015 with the goal of 100% traceability by 2016. Our brands are also members of cross-sector and industry collaborations that are working to improve sustainability and traceability in leather supply chains. For a number of years, PUMA has been an active member in the Leather Working Group (LGW), which focuses on certification of both tanneries and traceability of bovine leather in supply chains to ensure that member tanneries are producing according to LGW standards. LGW then audits these tanneries within a rating system based on a performance of gold, silver and bronze. PUMA only works with tanneries audited by LWG and meeting their standards.





perspective & outlook

In general the beef industry and in particular, cattle rearing has significant environmental impacts that include land degradation, climate change, water pollution, and loss of biodiversity. A recent [report¹](#) by Trucost has highlighted the beef industry as one of the industrial sectors with the greatest impact on natural ecosystems – second only to coal power generation. This is primarily based on two key issues related to the industry: land conversion and methane production. There is an on-going debate as to exactly how much of the environmental impacts of livestock production can be attributed to leather and Kering follows the general principle that based on the market value of beef and its various co-products, one can attribute 8-10% of the impacts of the beef production (i.e. cattle rearing) to leather.

As such, Kering is taking a holistic and responsible view of its supply chains and is measuring the impact of its leather down to and including cattle ranching. We have integrated this estimation into our own assessment of the leather environmental footprint through the EP&L methodology and analysis. As such, we are committed to account for and then reduce the contribution we make through our products to the impacts of the leather supply chain, all the way to the raw material production and cattle ranches. The EP&L results in our first phase of implementation and based on 73% of the Group's business have given us a clear view of the significance of the impacts associated with leather from our supply chains. In fact, this EP&L analysis revealed that 70.8% of the total impact of all leather is in Tier 4 of the supply chain. We are already starting to use these findings to make strategic decisions about how best to reduce our footprint from leather production. In particular, we are focusing on where we can make changes in our leather sourcing and where we need to support further research in order to understand the

opportunities that the EP&L analysis has revealed. However, we recognise that there are significant challenges in building sustainable supply chains. At the furthest point of the supply chain in Tier 4 where cattle ranching and farming occurs, and where we see the largest impact occurring, suppliers can be shared by hundreds - if not thousands - of companies. This complexity, in addition to the relatively small value that leather represents in the meat supply chains, means that it is challenging to influence ranching and rearing practices. As an example, impacts from bovine leather production in Europe are, in part, linked to the type of animal feed and this is an especially challenging area to leverage change.

In addition, traceability of leather across the industry is a major challenge. There is enormous movement of animals and hides throughout the global meat and leather trade as highlighted in a recent [Ernst & Young report²](#). As such, it is difficult for the tannery to know the exact source of the hides they are purchasing from the abattoir and this can mean that the ability to drive change at the original source is difficult, and in the worst case this means there is a risk of a tannery sourcing unknowingly from origins that have not placed sustainability and best practices as a priority. Unlike European traceability legislation, which accounts for the entire food industry supply chain, there is nothing similar in place for leather. It is imperative that the leather and meat industry work together to not only provide traceability options for hides but also to promote more sustainable practices, and as well as the introduction of regulatory measures for leather to obtain wide scale traceability.

1. [Natural Capital at Risk: The Top 100 Externalities of Business](#)
(Trucost, 15 April 2013)

2. [Sustainability in the leather supply chain](#) (Ernst & Young, June 2013)



100% of gold and diamonds

IN KERING'S PRODUCTS WILL BE SOURCED FROM VERIFIED OPERATIONS THAT DO NOT HAVE A HARMFUL IMPACT ON LOCAL COMMUNITIES, WILDLIFE OR THE ECOSYSTEMS WHICH SUPPORT THEM BY 2016.



progress

Aligned with Kering's pursuit of sustainable raw materials, our Target for gold and diamonds stresses the importance of traceability to ensure that mining operations do not have a negative impact on the communities or biodiversity in the surrounding area. As such, we developed an internal strategy with the brands that use gold for various products – primarily watches, jewellery and accessories – to scale up sourcing from the verified and certified mines that have the highest standards of social and environmental conditions. This strategy includes creating new supply chains that access gold certified as Fairmined, Fair Trade and/or by the Responsible Jewellery Council.

In support of this strategy, Kering has joined forces with Solidaridad, an international NGO that is providing added expertise and guidance to Kering on gold sourcing in order to maximise the benefits to mining communities around small and medium scale mining operations. Solidaridad delivers training and other support that enables the mines to develop best practices over time, either through working with them directly or by partnering with local organisations that have specialised knowledge, such as RED Social in Peru. In addition, Kering is working closely with the Alliance for Responsible Mining (ARM) which oversees the Fairmined certification that guarantees that the gold sourced by Kering is 'ethical gold' extracted by artisanal and small-scale miners who follow strict requirements for social development, environmental protection, labour conditions and economic development in their mining communities.

Ultimately this work will ensure that through our sourcing strategy Kering will promote the highest standards of mining and will facilitate increased certification of mining organisations. Our collaborations with Alliance for Responsible Mining (ARM) and Solidaridad are a reflection of our approach of working with the key stakeholders to explore ways of not only enhancing sustainability across our own supply chains, but also leveraging change across the industry as a whole. Several of Kering brands have already committed to sourcing certified Fairmined gold in 2014 as the first step in our overall strategy to reach our Target. In particular, Gucci has made a purchase order for an initial 30kg of certified Fairmined gold from the Sotrami mine in Southern Peru. This represents the single largest purchase of Fairmined gold made to date in the Luxury sector, and across all sectors. It is a prime example of the progress we are making on the Target and the commitment that Gucci and Kering are making to source gold from verified, responsible sources. Kering brands will at minimum double this purchase during 2014 and set the foundation for substantial increases in certified gold purchases in the coming years.

Similarly, Kering recognises that to reach the Target on diamonds, and to ensure best practices from the mine to the product, our focus needs to be on the supply chain and in particular, on traceability to the source. Kering brands adhere to international standards for sourcing of diamonds and certification by the Kimberley Process. The Kimberley Process Certification Scheme (KPCS) ensures that only diamonds certified as 'conflict free' and in line with KPCS guidelines may be exported from a producing member country, or imported ➤



by other KPCS member countries. Further to KPCS-certification, Kering is also working with external experts to design an approach to sourcing that goes beyond KPCS to include the sustainability considerations articulated in our Target – ensuring no harmful impacts on communities and natural ecosystems.

projects

At Group level a key part of our gold sourcing strategy is our focus on supporting small-scale mining where we can leverage change towards improved mining management and best practices, as well as deliver positive outcomes for local communities. As a particular example of projects we have in place, we have partnered with Solidaridad and are working to scale up our sourcing, firstly from certified small and mid-sized mines in Peru and ultimately other countries in South America and in Africa.

Our approach goes beyond our significant commitment to sourcing and purchasing gold from certified mines, to also contributing to improving the industry more broadly by encouraging new mines to become certified. We have launched a new project to explore ways that Kering, and others, can promote certification and improved sustainability and productivity of mining practices of small-scale miners in Peru including, perhaps, innovative financing mechanisms to provide working capital to small-scale mine associations.

In addition, Kering brands are exploring environmental and social projects for the benefit of mining communities. Kering has launched a multi-year project with external experts to focus on ensuring the highest standards of sustainability across our diamond supply chains. The first phase of this project, during 2014, will be a review of our current supply chains and to identify opportunities to enhance sustainability. The second phase will include design and implementation of key sustainability projects across our supply chains.

While Kering is rolling out this "bigger picture" strategy to meet our Target, the brands are already engaged in their own initiatives including working with the Responsible Jewellery Council (RJC), an organisation that promotes responsible and

transparent social and environmental practices throughout the jewellery industry, from the mine to the point of sale. Gucci, Bottega Veneta, Boucheron, Girard-Perregaux and JEANRICHARD are RJC-certified for their gold and diamonds, and Pomellato and Qeelin are working towards RJC certification in 2014. A number of our brands are also exploring how to implement the new, robust RJC Chain of Custody Certification which will complement our sustainable sourcing efforts by having our entire supply chain certified.

perspective & outlook

The gold mining industry historically has been associated with, and responsible for, generating a vast amount of waste and pollution, biodiversity loss and negative social impacts including human rights violations, the displacement of people from their homes and the disruption of traditional livelihoods. Consequently, NGOs, Governments and consumers have been demanding traceability, transparency and responsibility across supply chains and regulations are being recommended (e.g. Organisation for Economic Co-operation and Development (OECD) or have been put in place already such as the Dodd Frank Act in the United States.

The big challenge is that gold is fungible and tracing its origins through the supply chain is difficult. That being said, more and more companies are looking to develop transparent and traceable supply chains for gold and to ensure that their gold does not come from sources that support conflict, human rights abuses or in any way contribute to environmental degradation. An illustration of this is the Swiss Better Gold Initiative focused on developing traceable gold for companies.

Equally, initiatives such as RJC, with its new chain of custody certification, are playing important roles to establish frameworks to help move the industry and the trade in gold in the right direction. However, there does need to be a dedicated focus from companies and their suppliers along the supply chain to ensure that the highest standards for social conditions and environmental management are implemented. In particular, there needs to be a focus on improving the small-scale mining sector so that this can become a viable livelihood option for the millions of people engaged in this sector. ➤➤



Our goal at Kering is to be a leader in catalysing change within our supply chain and at the same time show business model approaches for improving the industry as a whole. We have very clear Guidelines and Policies regarding gold, and with a focus on supporting environmentally and socially responsible mining of gold as reflected in our Target.

To meet our Target on more sustainable sourcing of gold we have a strategy with three key elements: ensuring that mining operations in our supply chains are verified and certified via Fairmined, Fair Trade and/or RJC certification; supporting certified recycled gold; and supporting small-scale mining. The ultimate goal is to improve the industry, in terms of traceability and sustainability from the way the gold is mined through processing and product and ensure that ethical and transparent supply chains for gold can be scalable.

For diamonds, there are both artisanal and large-scale mining and each of these present different challenges in terms of the way the mines operate and the way diamonds move through the supply chain, from mine to sorting and cutting. In the last years there has been a lot of work across the diamond industry to implement and monitor certain standards, especially in regards to industrial mining by multi-nationals where there are limited supply chain issues due to the production process, as well as diamond certification based on relatively advanced environmental and ethical standards. A turning point in the diamond trade happened in the 1990s when the issue of conflict diamonds came to public attention.

Subsequently, the industry focused on ways of cleaning up the diamond supply chain, which led to the establishment of the Kimberly Process Certification Scheme for diamonds in 2000. Fortunately over the last two decades the Kimberley Process has had great success with an estimated 99% of internationally traded diamonds 'conflict free'. Nonetheless challenges remain in the industry and while the KPCS is focused clearly on the issue of 'conflict' it is not focused on important issues in diamond mining such as human rights, labour standards, socio-economic development and environmental impact. There is emerging work through RJC and OECD and others to set clear guidelines on practices for social and environmental conditions across diamond supply chains.

Kering will be exploring ways to support these initiatives at the same time as focusing on enhancing sustainability across our own supply chains for gold and diamonds. The way we will do this is in line with our approach across our sustainability activities more broadly where we focus on building robust and sustainable business by: 1. building partnerships and collaborations all across the supply chain and with key external stakeholders and global experts; and 2. supporting the highest standards and the transparent certification/verification that enforces these standards; and 3. finding ways to ensure positive outcomes for local people and the environment.

In the case of gold and diamonds, it is important that companies in the Luxury sector go beyond compliance and regulations already in place in these trades, to take leadership roles to contribute to the improvement at all levels where their supply chains have an impact on local communities, biodiversity and ecosystems and to deliver positive outcomes in the short term and as a long term on-going objective.



100% of paper and packaging

FOR KERING WILL BE SOURCED FROM
CERTIFIED SUSTAINABLY MANAGED FORESTS
WITH A MINIMUM OF 50% RECYCLED CONTENT
BY 2016 THEM BY 2016.



progress

Kering is committed to sourcing from sustainably managed forests, and advocates a balance between sourcing paper and packaging from virgin wood from sustainable, managed forests and also relieving the burden on precious natural resources by sourcing certified post-consumer recycled materials. Generally, recycled paper uses less water, chemicals and energy than production from virgin fibres. As such, Kering paper and packaging guidelines and the Target reflect this approach. In line with Kering's sustainable management objective for this Target, Kering brands are working to ensure that their paper and packaging comes from reputable third party certified such as the Forest Stewardship Council (FSC) which, particularly with its certification for 100% FSC sources, supports sustainable forest management. Some of Kering's paper comes from other certification such as the Program for Endorsement of Forests (PEFC). Kering has been making positive progress towards our Target to this end and in 2013 77% of the Group's total paper was either certified or recycled, and to break it down further, 58.7% of paper was certified and 18.7% was recycled. In several Brands this proportion exceeds 90%, such as in Bottega Veneta, Saint Laurent, Stella McCartney, Boucheron, Girard-Perregaux and JEANRICHARD. As a nod to our efforts around paper and packaging, Kering was ranked 8th in the PAP50 in 2013 and has been in the top 10 since its launch in 2010. A Riposte verte and World Wildlife Fund (WWF) initiative, the PAP50 targets the 50 largest French companies and assesses their approach on paper in areas such as buying policy, paper consumption and paper recycling.

projects

To support the attainment of the Group paper and packaging Target, a number of focused initiatives have been launched at brand level. In the Sport & Lifestyle activities, the success of Volcom's "Bring Your Own Bag" campaign in 2011, which encouraged customers to bring their own bags or buy a recyclable, reusable bag in exchange for a 10% discount on purchases, has prompted Volcom to renew the initiative each year. Also in 2013 Volcom printed its B-to-B catalogues on FSC-certified paper. At PUMA, more than half of the office paper and the vast majority of cardboard used in packaging is already either sourced from recycled paper or FSC-certified paper. Beginning in the summer of 2014, PUMA will be doing a rolling change to all footwear wrapping tissue paper. This new branded tissue paper is 100% post-consumer recycled and FSC-certified.

In our Luxury activities all of the paper used by Boucheron is FSC-certified or PEFC-certified, including the paper used in its in-house publications. Girard-Perregaux and JEANRICHARD's catalogues and office paper are also 100% FSC-certified and Gucci's corporate and retail entities use 100% FSC-certified or recycled paper. Sustainable branded retail packaging has also been a focus for many of the Brands. Since 2010, Gucci has had eco-friendly shopping bags, which are 100% recyclable and FSC-certified. To further support Gucci's world-wide initiative, the brand extended their sustainable packaging to its eyewear collections whereby Gucci's cases bear the Mobius loop, a recognised symbol used to designate recyclable materials. Further, following an extensive review aimed at overhauling its entire range of product packaging, including shopping bags, boxes and pouches, Sergio Rossi ➤



developed a packaging range composed entirely from recyclable, FSC-certified paper and since its fall-winter collection in early 2012 they have used this packaging in their stores. Saint Laurent also changed its packaging and all boxes and bags are now made from paper that is FSC-certified or PEFC-certified, and 100% recycled. Bottega Veneta has been sourcing paper from Khan Na paper, an innovative programme in Thailand which links efficient land use, climate change mitigation and sustainable forestry by planting trees for paper production around rice fields, which also contributes to improved income generation for local farmers.

the significant loss of important biodiversity and the loss of ecosystems that offer a range of services including climate regulation that are critical to our survival. One clear way of helping address the challenge of deforestation is through sustainable forest management whereby forests have a greater value when well managed than when destroyed. The support of sustainable forest management through the purchase of certified paper and wood products is key. FSC certification ensures that sustainable sourcing is being employed and eschews the most destructive forestry practices such as illegal logging, natural forest conversion to other land uses, liquidation of high conservation value forests, civil rights violations, and genetic modification of forest species.

perspective & outlook

Deforestation across the globe is a serious environmental issue that is driven by expanding industrial-scale agriculture and small-scale slash and burn agriculture, unsustainable forestry and logging practices. The impacts of deforestation include the displacement of indigenous and local communities from their land, the release of millions of tonnes of carbon,

Kering is committed to sourcing from sustainably managed forests and we are committed to approaches that balance support of sustainable forestry and support for recycling. We are continuing to develop programmes and make decisions across all areas of our business to scale up our use of sustainable paper and packaging, including standards, certification, and supplier engagement for responsible sourcing with the goal of reaching the Target by 2016.



all our collections will be pvc-free by 2016.



progress

A number of our brands have eliminated PVC from their collections altogether including Balenciaga, Stella McCartney and PUMA and the remaining brands have initiatives in place to find greener alternatives. Currently 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 target having already achieved approximately 98% of our goal. To support our brands in finding creative solutions to PVC, Kering developed the 'Alternative Plastics Guidelines' and a number of projects have been launched that utilise bio-plastic, biodegradable innovations and recyclable content.

projects

At Group level, Kering introduced the "Alternative Plastics Idea Lab" in March 2013 to encourage and enable our brands to share research, understand new innovations coming to the market and discuss general industry challenges to finding greener, more sustainable solutions.

At the individual brand level, products have been launched that integrate alternative plastics and materials into product development and design aspects. In particular footwear and accessories have been a focus. Stella McCartney has concentrated on biodegradable and vegetable oil materials and has launched a number of shoe collections that incorporate biodegradable soles made from the bioplastic APINAT which will biodegrade when placed in mature compost. In 2013 Stella

McCartney introduced a new material called 'Eco Alter Nappa' with a coating that is composed of 50% vegetable oil. This vegetable-based polymer, like all those used by Stella McCartney, comes from non-food source plants. The 'Eco Alter Nappa' is an example of Stella McCartney's commitment to finding non-leather materials for shoes and bags that do not rely on petroleum as their base. As well, all Stella McCartney's eyewear is made from over 50% natural materials such as castor oil and citric acid. Gucci has a range of frames made from the sustainable material acetate, which contains a higher percentage of natural materials than traditional plastic frames, and is an example of Gucci's quest for alternatives to petroleum-derived plastic. Bio-based materials synthesised from castor seeds have also replaced conventional plastic frames in a number of their eyewear styles, and further, Gucci introduced the first-ever sunglasses made with "liquid wood." This material combines wood fibres from sustainably managed forests, lignin from the paper-manufacturing process, and natural wax and unlike petroleum-based plastic, it is also biodegradable. Additionally, Gucci has introduced TPU in their engagement with alternative plastics use and has been performing tests in order to incorporate TPU Bio in a number of their sneaker styles. Gucci has also introduced 100% biodegradable shoes made out of APINAT. Bottega Veneta has also engaged in alternative plastics use, incorporating TPU and TPU Bio in a variety of sneaker styles and TPU Bio in their rain boots. As another example in our Sport & Lifestyle activities, PUMA has introduced the 100% biodegradable InCycle running shoe collection with the outsoles made out of APINAT. »»»



perspective & outlook

PVC (polyvinyl chloride) is the third most widely produced plastic, after polyethylene and polypropylene, and is commonly used as a leather substitute and to replace rubber across many industries. However PVC can pose environmental and health threats throughout its lifecycle, from the production of feedstock chemicals to the final disposal of PVC products. Given these risks, Kering created a zero-PVC target. Although our original target focused specifically on PVC we have since realised that we need to look at the full scope of our plastic use. In general plastic can be an important component in a diverse range of products from shoes to packaging and cannot be replaced easily. There is a growing field of research in the development of "sustainable" plastics and our focus is on finding more sustainable options that include materials that are based on renewable resources and best practices in processing. An obstacle we initially came up against is the cross-sector uncertainty about which plastic has a better impact on the environment than another, and the fact that there is not an agreed upon international standard. To be proactive rather than waiting for a consensus to be reached, Kering decided to work with the Fraunhofer Institute which is recognised as a leader in material innovation and technology to develop an innovative method of comparing plastics based

on sustainability criteria. The 'SAM plastic' (Smart Assessment of Materials) tool now allows our brands to evaluate the technico-environmental performance of alternative plastics based on a Life Cycle Assessment analysis and for all types of plastics thus providing the ability to choose the most environmentally friendly plastics available. This will assist in helping us attain our PVC target while simultaneously building in the use of alternative plastics into the creative design process.

The challenge we recognise is the requirement of high quality and durable materials for luxury products, and the lack of options at this level in alternative plastics. We are currently engaging with a number of key plastics suppliers to develop R&D and innovate in this field in order to provide more variety and quality range. Although we are leveraging the influence we have as a Group of brands, we are not in a competitive position to influence plastics suppliers to develop new solutions as compared to industries such as the automotive industry and the food and beverage industry due to vastly smaller purchase orders. To address this challenge we need our industry peers to recognise the necessity for alternative plastics and collaborate jointly to help influence a shift towards viable alternative plastics options for luxury.



ensuring all hazardous chemicals have been phased out and eliminated from our production by 2020.



progress

Kering has a strict policy in place and adheres to all local and international regulations and industry standards where chemical use is concerned in product manufacturing and in our products themselves. Beyond respecting the fundamental regulations in this matter such as Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), Kering takes precautions to ensure that product processes do not present any risk to the consumer through the employment of rigorous testing and reporting programmes. Significantly, our 2020 Target goes beyond legal compliance and beyond the scope of the European REACH regulation implementation. All of our brands have Restricted Substances Lists (RSL) covering regulations from around the world, and for each substance the most stringent regulation is used, taking great care to cover different regulations such as the European Union REACH Regulation, the US Consumer Product Safety Improvement Act (CPSIA) regulations and the Chinese Guobiao standards, and are aligned with industry standards like AFIRM and the American Apparel & Footwear Association (AAFA) standards.

At Group level, Kering has been updating existing brand RSLs and chemical standards across the Group, running a supply chain mapping of chemical risks, and a financial and feasibility analysis in order to develop a coherent Kering Standard on Chemicals, so as to build a practical roadmap to attain the Target in 2020. The Kering Standard on Chemicals will address both products and processes and serve as a Group reference to which all our suppliers will be required to adhere. It will also help define the Group strategy on how to take into

account all chemicals that are potentially hazardous to the environment or human health, including chemicals that may not be regulated yet. And further, it shall highlight priority substances and processes for all product categories and provide paths for working on greener alternatives. Currently we are also assessing the impact of our chemical use in manufacturing through our Environmental Profit and Loss (EP&L) accounting rollout. The EP&L analysis highlights where in the supply chain there are risks of chemical pollution either in water or in the air. This greater transparency and understanding of our environmental footprint will give us insight to be strategic on how and where we focus on chemical management with our suppliers, and also how we can avoid and reduce using higher risk chemicals. In this way we are able to work with our suppliers on chemical management and build their capacity and design tools that will measure and monitor chemical usage beyond the current legal requirements and in order to meet our 2020 Target.

projects

At Group level, the 'Kering Product Compliance Advisory Department - Luxury Division' was created in early 2014 to answer the increasing worldwide product compliance regulations, specific to our luxury businesses. Regulatory Product Compliance is an important issue for all luxury brands across the sector. A key role of this initiative is to update and ➤➤

HAZARDOUS CHEMICALS

implement the Restricted Substance List that applies to our luxury brands and in addition we are also leveraging the knowledge from similar brand-level product compliance activities and have expert input from a new appointment, the Kering Luxury Division Product Compliance Advisory Director.

Kering's Materials Innovation Lab (MIL) is a key component in supporting our 2020 Target by highlighting alternative materials that are sustainable and RSL-compliant. As an example, when a fabric has been audited by a third party and certified by the Oeko-Tex Standard 100 or the Global Organic Textile Standard (GOTS) there is clarity that it is RSL-compliant, and that great care has been taken at all stages of the production, to avoid the use of hazardous chemicals. The majority of the fabrics in the MIL's library are certified and furthermore, through the MIL's expertise and its function as a shared service, the MIL can support our brands to identify and substitute chemically treated materials with "green" alternatives.

Our brands in the Luxury activities have also been developing innovative solutions to reduce the use of higher risk chemicals in different processes as, for example, in the leather tanning process. As a first for the luxury sector, in 2013 Gucci launched "metal free" leather by innovating a new process that uses an organic tanning agent whereby the tanned leather and wastewater from the tanneries are free of all heavy metal at the end of the process. Gucci's method has multiple benefits such as the improvement in the quality of the effluents produced by the tanning process, significant reduction in water usage (about 30%) during the production of metal-free leather and energy saving (of about 20%) due to the shorter length of time this process requires compared to conventional tanning methods.

Furthermore, it is already certified in compliance with the International ISO 14001 Environmental Certification Standard. Bottega Veneta has also been researching and developing innovative technologies for the tanning process in order to create solutions to this challenge. Already, Bottega Veneta launched men's bags in their Cruise Collection in February this year. As one example, the materials employed for the construction of the 'Edoardo Electrique drap calf briefcase' have been innovatively treated, using natural and non-toxic, metal-free agents.

In our Sport & Lifestyle activities, PUMA's commitment to the Zero Discharge of Hazardous Chemicals group (ZDHC) provides a good example of engagement and collaboration with our suppliers. In 2011 PUMA publicly committed to remove all toxic residues from its entire production chain by 2020 as the first Sport & Lifestyle brand to be included in the Detox campaign launched by Greenpeace. Subsequently, PUMA was recognised by Greenpeace in 2013 as the only Sport & Lifestyle brand "walking the talk" and making it onto the list of leaders in their 'Detox Catwalk' campaign due to PUMA's transparency and implementation of the zero discharge principles across its global supply chain. PUMA is an active member of ZDHC, which published a roadmap in 2013, clearly presenting the goals, expected results and key stages of the project to be completed by 2020. The ZDHC Benchmarking Report on the use of chemicals and the associated wastewater produced by 20 suppliers in Asia, was completed and published during the summer in 2013. The findings of the report helped ZDHC members to create an appropriately defined environmental audit tool, which enabled PUMA to start auditing its strategic suppliers in this regard at the end of 2013.

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perspective & outlook

Across the apparel sector 10,000s chemicals are used in the manufacturing processes for garments and leather goods. At different stages from the production of the chemical itself, through to the use of chemicals in manufacturing processes, and the residual chemicals in products, there are potentially negative impacts on people and the environment particularly if the chemicals are not well managed. It is essential that the sector look to ways of reducing and/or avoiding its use of chemicals, and in addition put in place pragmatic and effective management systems to track and monitor chemical use. Kering is committed to being a leader in this space across the Luxury and Sport & Lifestyle sectors, as highlighted in our Target on hazardous chemicals, as well as our Target on PVC, and our work in developing a detailed environmental footprint as such through the E P&L. The initiatives we have in place to regularly update our RSLs and develop management systems to track chemical use are key to helping us achieve our Targets.

At Kering, we are continuing to update our Restricted Substances Lists to reflect new regulations and to move toward the goal of eliminating hazardous chemicals by 2020. Across our business, regions of production vary, particularly in regards to our Sport & Lifestyle activities and our Luxury activities. Due to the fact that our Luxury brands focus on European sourcing in heavily regulated countries, they operate in a very different way than the mass production model of the Sport & Lifestyle brands and apparel companies. Although there

are stronger regulations in Europe, and thus less risk when production is made in Europe, rigid testing for results must always occur. Additionally, different regions internationally can have different regulations and a supply chain in one area can incorporate chemicals that are restricted in another. Further to this, there is a challenge for cross contamination. Although we ask our suppliers to respect and adhere to our RSL and not use certain chemicals in their process, since they produce for other companies, they may use these banned chemicals for these clients, and thus it is left on their machines when producing for us. These are just a few of the challenges in the industry that we are trying to solve through capacity-building initiatives with our suppliers and stakeholders. Similar to the ZDHC Group geared towards the Sport & Lifestyle sector, we are currently collaborating with our luxury peers to create a group to address the issues specific to the Luxury sector, and how to improve chemical management in the luxury supply chains.

Overall, we are defining the way we are working with our supply chain to go beyond traditional company product compliance RSLs, and accounting for hazardous chemicals in both our products and processes, including chemicals that have not been regulated yet. Our Sport & Lifestyle activities, led by PUMA's leadership, is well ahead of the curve and we have a comprehensive strategy in place for our Luxury activities to work toward reaching our 2020 Target timeline, in line with other industry leaders guiding the way.



reducing our carbon emissions, waste and water usage

RESULTING FROM THE PRODUCTION OF PRODUCTS AND SERVICES BY 25% BY 2016, WHILE ACCOUNTING FOR THE GROWTH OF OUR BUSINESS. ALL REMAINING EMISSIONS FROM SCOPE 1 AND SCOPE 2 OF THE GREENHOUSE GAS PROTOCOL WILL BE OFFSET ANNUALLY. KERING WILL CONTINUE TO PARTNER WITH OFFSET PROGRAMMES THAT CONTRIBUTE TO THE WELFARE OF THE COMMUNITY AND THE CONSERVATION OF BIODIVERSITY IN ITS REGIONS OF OPERATIONS.



progress

At Kering we have put in place an environmental management policy which provides us with overarching principles that help direct environmentally sound decisions in the management of energy, waste and water. To reinforce and underpin this policy, we have developed Guidelines to provide more detailed guidance on activities and decision-making across all areas of the business. These include recommendations on management systems, standards and certification and supplier engagement to ensure energy efficiency across our entire supply chain, the efficient use of materials and waste minimisation, and sustainable water use. To help support our brands, Kering created the 'Smart Sustainable Store', which sets out environmental best practices in the Group's retail locations. The handbook covers the management of energy, waste and water, as well as paper and packaging, logistics and deliveries, and store maintenance. Since our Target commitment in 2012, we have reduced our water use by 1% in ratio per surface¹ in our own operations (Tier 0), which encompasses our offices, stores and warehouses. Similarly, in scopes 1, 2 and 3 of the Greenhouse Gas Protocol² we have reduced our carbon emissions by 4% in ratio per surface. Where waste is concerned, we have

achieved a 15% decrease in ratio per surface and a reduction of 10% as associated with the total revenue of the Group.

We are also looking beyond our own operations and including our supply chain impacts in our assessment – something that puts Kering among leaders in environmental management. Our view is that, in order to become a truly sustainable company, the lifecycle of our products from sourcing, through manufacturing and distribution needs to be addressed. As such, we have been implementing the Environment Profit & Loss analysis with initial Kering brands to reveal the environmental impact of their own operations and their supply chain. This covers the measurement of Greenhouse Gas (GHG) emissions, air and water pollution, water use, waste production, land use and impacts on ecosystems. This initial rollout of our group-wide E P&L has already covered 73% of the business and disclosed that the bulk of our impacts reside in our production and sourcing (Tier 1-4), equalling approximately 82% of the Group's total impact thus far. In the context of our Target, Tiers 1-4 of our supply chain are responsible for 79% of water use, waste is 53% and GHG equalled 82%. >>>



It is clear that even as we become more efficient in our manufacturing processes and develop more sustainable raw material sourcing initiatives that avoid and reduce our environmental footprint, there will still be remaining "unavoidable" impacts of our business particularly with respect to our CO₂ emissions. As such, we are committed to offsetting our remaining CO₂ emissions. Our offset strategy is centred on Verified Emissions Reductions (VERs) generated by REDD+ projects and it is our preferred offsetting mechanism because it delivers "triple benefits". In addition to mitigating climate change through "avoided deforestation", REDD+ projects deliver benefits to local communities and rural economies and support conservation of biodiversity and ecosystems. It is an exemplary solution for Kering to contribute, as a company, to maintaining the important natural systems upon which we all depend and further, to the sustainable development for rural communities.

As such, for the last two years since our Target commitment, Kering has offset a total of 238,338 of our remaining carbon emissions in scope 1 and scope 2 of the Greenhouse Gas Protocol (115,000 tonnes and 123,338 tonnes for 2012 and 2013, respectively). This has translated to supporting the conservation of 10,000s hectares of natural ecosystems and the livelihoods of 10,000s of local people. Our partner, Wildlife Works Carbon (WWC), has been a leading REDD+ programme developer and we acquired a 5% stake in the company in 2012. To offset our 2011 and 2012 carbon emissions we focused on the WWC project in SW Kenya and for our 2013 purchase, we expanded our offsetting strategy to include the Surui indigenous peoples project in the Amazon forest of Brazil, and the Wildlife Conservation Society and Government of Madagascar project in the Makira Forest in NE Madagascar. Through this purchase of carbon offsets we are protecting some of the most important forests in the world and supporting local people and indigenous tribes.



1. Impact per surface is the environmental impact in tonnes CO₂ m³ water or tonnes of waste per total surface of Kering facilities (stores, offices and warehouses)

2. Greenhouse Gas Protocol is a global standard for reporting greenhouse gases used broadly by companies and organisations around the world, for more information ghgprotocol.org



carbon emissions

Energy consumption and transport across Kering's operations and those of our suppliers are the Group's main sources of CO₂ emissions due to a high dependency on fossil fuels. Within this context, energy savings have been the focus of our actions to substantially reduce our CO₂ emissions, attain our Target, and reduce our environmental footprint overall. We decrease our energy consumption through efficiency solutions that include "smarter consumption" and enhancing energy efficiency through innovative technology in product development, production process and facility design. We also focus our attention on promoting "green" energy alternatives. As such, our strategy is two-prong: 1. using energy from renewable sources, or producing electricity and heat on-site from renewable sources such as via solar or wind, and 2. by procuring certified electricity from renewable sources.

projects

At Group level we have continued to expand on an energy management programme we launched in 2011, which is a collaboration between Kering's Indirect Purchasing and Sustainability Departments, and NUS Consulting. In 2012 we introduced a system for the close monitoring of energy consumption at site level (offices, shops, facilities) that gives us better visibility of energy consumption and costs, and also enables regular monthly tracking of energy consumption which thus highlights the early detection of "hotspots" of energy consumption. This NUSDirect data is a significant improvement over the previous reporting systems, which focused only on the annual collection of data. 15% of Kering's sites are now engaged in this programme, including over 400 sites in Europe and the United States. In addition to collecting energy consumption data, the project focuses on streamlining the energy procurement process by pooling and consolidating energy consumption, increasing the procurement of energy produced from renewable sources and centralising energy procurement management. The project has generated tangible energy savings and cost reductions for our Group. For example, in 2013, 30,698,963 kWh of electricity was purchased from green sources for 142 sites in Italy and we have plans to expand the initiative to new regions this year. In line with our strategy to reduce our footprint associated with energy

consumption, we have increased the amount of renewable energy that we purchase and use by 120%. This means that in 2013 15.4% of our energy was from renewable sources, more than doubling from 7% in 2012. We are also investing in onsite production of renewable energy at Kering facilities and the main way we are doing this is through photovoltaic production (solar panels), but we are also looking at using bio fuels in some facilities. We are continuing to actively seek business appropriate investments to develop renewable energy production across our key sites. Our brands and a number of key suppliers are already increasing their reliance on renewable energies by installing solar panels and many have already installed panels on the roofs of certain buildings. As examples, a warehouse operated by the Luxury activities in the United States and the headquarters of Bottega Veneta, PUMA and Sergio Rossi, as well as Sergio Rossi's development and production site in San Mauro Pascoli, have done so. These facilities have exceeded target estimates by more than 8MW, generating cumulative savings of €203,000 and 384 tonnes of CO₂ emissions. Further, Bottega Veneta has also installed solar panels on the roof of its second building in Milan and its new site in Montebello Vicentin.

Across the Group, in our own operations, our 'Smart Sustainable Store' guidebook, is helping to build awareness and implement programmes to improve the energy efficiency of stores and store operations. In addition, we have launched a pilot programme with Schneider Electric in six of our iconic Paris-based stores to track energy consumption in real time. This will highlight energy use patterns and enable us to design optimal energy performance solutions. We plan to expand this programme to other stores once first results of the pilot proves successful. As well, to reduce energy consumption we have been continuously increasing the amount of LED (light emitting diodes) lighting in our retail locations, in the percentage of stores and in the percentage of light of the total lights in stores. Many of our brands have been conducting studies and will be proceeding with a LED lighting strategy on a large scale in the next years. Already, Boucheron has 7 stores equipped with full LED lighting, Sergio Rossi has integrated LED lighting into the design concept for its flagship Florence and Milan stores, and Saint Laurent has approximately 40% of its retail network covered with LED lights ➤➤



and all newly-opened or renovated stores will be LED-lit. Gucci also continued to roll out its LED lighting programme equipping 22 stores in 2013 and will be expanding in 2014. Stella McCartney, PUMA and Volcom have plans to continue to install LED lighting and PUMA in particular has already replaced lighting in 42 stores out of 79 in Hungary, Mexico, Australia, Argentina and New Zealand.

In recognition of enhancing energy efficiency and reducing their environmental footprint, a number of our brands in the Luxury activities have achieved LEED-certification (Leadership in Energy and Environmental Design) for their new buildings and renovations. Bottega Veneta received the highest category for its Atelier in Montebello Vincentino and the platinum recognition was a first for a fashion company in this specific category of new constructions and major renovation. Gucci obtained LEED-certification for its Brera, Shanghai IAPM and Hong Kong IFC stores and further stores have been earmarked for certification in 2014. Stella McCartney and Brioni obtained LEED certification for their stores in Dallas and the new building in Milan, respectively. Further, LGI (Luxury Goods International), Kering's international distribution and logistics platform for our luxury brands, has also been LEED-certified. The centre in Sant'Antonino, Canton Ticino is the first distribution hub in the luxury sector to attain Platinum-level and will bring savings of approximately 43% on energy consumption, 56% on potable water and 70% on the total consumption of water. Additionally, our brands are developing environmental performance solutions that go beyond certification processes. As a prime example in the Sport & Lifestyle activities, last year Volcom renovated a building incorporating effective lighting, natural lighting and presence sensors resulting in a system that is 20% more energy efficient than the California Energy Commission's Title-24 standard.

Going beyond our own operations and acknowledging that the initial EP&L analysis of CO₂ emissions in our supply chain amounted to 82%, Kering has launched a number of projects to promote energy efficiency along our supply chain. We have been focusing particularly on Tiers 1-3, which includes the processing of leather and textiles, and the manufacturing of products. Carbon emissions in Tier 4 are mostly linked to agricultural production of raw materials and Kering's 'Smart Sourcing Programme' is helping to guide

our brands to implement a range of "low-carbon" solutions for raw material sourcing. Kering is also rolling out our 'Smart Supplier Programme' in 2014 to help reduce our key suppliers' emissions, as well as water consumption and waste. This will include supplier training in best practices for energy management, and audits to highlight priorities for energy management and efficiency in tanneries. Furthermore, we have been developing a methodology in order to integrate the EP&L findings thus far so that we can provide guidance to our suppliers on focused actions per Tier, including type of activities and ways to monitor the progress made. As an example, we now know that we need to find solutions for the mills that are energy intensive and also that the most significant areas of water and energy use in textile supply chains is at the weaving, dyeing and finishing of textiles. To help address this issue we are implementing the 'Clean by Design' programme, which was developed by the Natural Resources Defense Council (NRDC) in Asia to reduce impacts of processing in textile dyeing mills. In collaboration with consultant from D'Appolonia and the Natural Resources Defense Council (NRDC), we are leveraging this programme of best practices for textile mills which is aimed at identifying low cost opportunities that save water, energy, fuel, and electricity with little upfront investment and no risk to product delivery times, price, or quality. Initially piloted by Stella McCartney in four key Italian mills supplying the luxury industry, potential savings per mill were identified by an audit of up to 15% on electricity and up to 30% on natural gas consumption. The pilot is now being expanded to a comprehensive programme of work across Kering's key textile mill suppliers in Italy to drive to scale energy efficiency improvements and we are looking to extend the Clean by Design programme to twenty additional mills in 2014. ►►



water

A significant amount of water is used in the creation of products from the production of raw material and throughout our supply chain. Through our E P&L analysis we now understand that the majority of our water consumption is coming from the supply chain. Sustainable and efficient water use is a critical step to reducing our environmental footprint and we have been implementing our water management Guidelines, which includes focusing on our own operations in addition to those of our key suppliers.

projects

At Group level, we are working with NUS Consulting to help us collect water data the same way we do for energy, in order to then target inefficiencies to become more sustainable where our water use is concerned. We are also promoting awareness-raising on water efficiency measures through our Smart Sustainable Store guidebook, and through our Smart Supplier Programme we will be focusing on both water efficiency, together with energy efficiency, with our suppliers. Our Smart Supplier and Smart Sourcing programmes will provide guidance, and support projects with our brands to ensure that water efficiency is a key criteria in our sourcing of raw materials and in particular targeting "hotspots" in our supply chain where water use is high. For example, regarding our sourcing of organic cotton rather than "conventional cotton" from areas that are rain-fed rather than irrigated means that we reduce our water footprint. The Clean by Design programme also focuses

on fabric dyeing and finishing in textile mills where water is used and other projects are identifying ways to improve water efficiency in tanneries.

Our new Materials Innovation Lab (MIL) has also been established to help reduce water use, and the overall footprint of our products. Based in Northern Italy, the MIL has a comprehensive library of sustainable materials and the MIL's technical experts are dedicated to helping our brands understand how they can make more sustainable choices and integrate these new sustainable materials throughout their supply chains and into their products. The MIL has a very important role to play and works to highlight innovation in raw materials, fabric processes and manufacturing to provide our brands with opportunities and new solutions.

We have also been looking at the consumer side once our products are sold, and Stella McCartney has recently launched the 'Clevercare' initiative with H&M, the Danish Fashion Institute and Ginetex. A study commissioned by Clevercare and performed by BSR (Business for Social Responsibility) highlighted a lifecycle of an average garment measuring carbon dioxide and conducted further lifecycle assessments, determining that the GHG impact during the user phase amounted to 36% of the entire lifecycle. As a new care symbol for low impact garment care, Clevercare will be promoting the extension of product life and could deliver huge savings for water, energy and CO₂ by changing consumer garment care practices. 



waste

Inefficient use of materials that result in production of waste leads to increasing the need for production and extraction of raw materials, which comes at an environmental impact and cost. In addition, becoming more efficient with materials also leads to reducing energy and water use. As such, material efficiency and waste minimisation are key actions in any sustainability approach. This will lead to many positive impacts throughout the supply chain including reduction of raw materials use, and Kering has been focused on implementing initiatives to address this.

projects

At Group level we developed waste management guidelines and launched a project to improve the measuring of the waste and identification of the key areas. We are also currently leveraging our Smart Sustainable Store Programme, and in future our Smart Supplier Programme, to help reduce the overall Target. Kering initially targeted packaging, which accounts for a significant portion of the waste produced in our retail activities. From our analysis and where packaging is concerned, we now know that waste generated in stores is mainly coming from the central warehouse. To address this issue, we have been working with LGI to reduce the packaging sent to stores and the 'no box' project has shown significant success. To sum up, the 'no box' project substitutes the primary shipment packaging for handbags and suitcases, from a carton box to a bag in recyclable material in order to reduce the volumes managed, with an estimated volume reduction per box at - 20%. During the first phase of Group implementation in 2013, and related to Gucci, this reduction translated into saving cartons equalling 268.61 tonnes. LGI is now developing further packaging projects such as substituting traditional plastic envelope bags for RTW in biodegradable fabric.

Another key area for waste reduction is in recycling opportunities. Overall the Group had a recycling rate of 57.6% in 2013 and our brands have a number of innovative recycling initiatives set up. In our Sport & Lifestyle activities, PUMA launched a recycling programme in collaboration with the I:CO group in its German stores in 2012. Aptly named

"Bring Me Back", the programme allows customers to deposit their old clothes, shoes and accessories, whatever the brand, in dedicated recycling bins to be reused or recycled, depending on their state of wear. In late 2013, it was already up and running in approximately 50% of the brand's stores worldwide and the programme will be expanded in 2014. Volcom has had a similar type of recycling system in some of its retail locations since 2011 and as an example, collected and recycled 42kg of clothing and 133kg of used footwear in 2013. At the beginning of 2011, Balenciaga adopted an original approach to sorting waste at its main sites in Paris having partnered with Greenwishes, a company specialising in the recovery and recycling of conventional office waste. Every month, Greenwishes sends Balenciaga a set of indicators allowing the brand to monitor the effectiveness of measures implemented and to communicate with staff in an instructive manner on the benefits of daily sorting. Since the launch of this programme, 6 tonnes of paper, 26 tonnes of cardboard, 3.2 tonnes of plastic and 2.6 tonnes of fabric have been recycled. As part of its rebranding process, Saint Laurent rolled out the 'Second Life' project in 2013 to give a new lease of life to products and materials that can no longer be used, such as mannequins, visual merchandising media, and hangers, and resulting in the recycling or reuse of several tonnes of old packaging; resale of over 580 kg of recyclable metal objects; donations to charities or sale of over 850 kg of old uniforms worn in Saint Laurent stores; and the resale or donation of almost 100 mannequins to design and fashion institutes or artists' collectives.

Our brands have also focused on textile and raw materials cuttings as a source of waste reduction. In 2013, Bottega Veneta entered into an innovative partnership with ILSA to transform leather cuttings into organic fertiliser by applying a specific process that breaks it down into a new biodegradable product. Since its launch, the four Bottega Veneta sites participating have generated almost 120 tonnes of leather cuttings, two thirds of which have been transformed into organic fertiliser. As part of the Fertiland campaign launched in the leather industry hub of Santa Croce in Tuscany, Gucci set up a similar programme in 2012 to turn leather cuttings into organic fertiliser – the cuttings are collected, shredded and then processed by a specialised company. ➤➤➤



In 2013, 115 tonnes of fertiliser were produced from 230 tonnes of Gucci leather cuttings and the brand is also testing a process that reuses crocodile skin cuttings left over from bags to make footwear resulting in 1,825 pairs of shoes being made from cuttings in 2013. As another initiative, cuttings produced at Stella McCartney's London head office are collected, recycled and processed into insulation or plastic through a partnership they established with Soex in 2012.

perspective & outlook

Climate change and water scarcity are perhaps two of the greatest environmental challenges that the world is facing in the coming years. It is predicted that, globally, we will face a 40% shortfall in water within the next 30 years. It is not only a responsibility of a business but also a necessity to become as efficient as possible when it comes to reducing carbon emissions and water use across the supply chain. To do this, our E P&L is proving an invaluable tool that can highlight the areas in our supply chain where there is need to focus attention and in particular, the results will be very valuable for Kering to reduce our water footprint. Not only does it highlight the areas in the supply chain where water is consumed, it also highlights where water is scarce and "valuable" and so enables prioritisation of water efficiency in areas of water

scarcity. Overall, our E P&L, coupled with our initiatives such as our Smart Sourcing and Smart Supplier programmes, will allow Kering and our brands to focus on projects with our suppliers, manufacturers and the producers of raw materials to further reduce our water, waste and carbon emissions in the coming years. Currently, in regards to this Target, our focus is on the supply chain from raw materials through to the sale of our products. However, Kering brands are also starting to engage with their consumers to help them understand how their use and care of their garments can be done in such a way as to reduce water and energy use. Stella McCartney's support of Clevercare is a prime example, and building on initiatives like this will be the new frontier of work for Kering, and for the industry as a whole.

In addition, promoting and supporting REDD+ projects is key to Kering's approach and our leadership. It sets a model for how companies can offset their "unavoidable" environmental impacts but, as importantly, it also supports the essential natural infrastructure - ecosystems and biodiversity - upon which we all depend. REDD+ projects go beyond the "reducing negative impacts" framework to generating positive impacts through climate change mitigation, protection of watersheds and provision of livelihoods for local people. We will continue to include REDD+ projects in our sustainability strategy over the next years while we work towards achieving our Target.



evaluating all our key suppliers

A MINIMUM OF EVERY 2 YEARS AND HELPING GUIDE THEM TO MEET BEST PRACTICES AND ADHERE TO KERING'S CODE OF CONDUCT BY 2016.



progress

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 our Code of Ethics and the UN Global Compact. These documents are based on international standards relating to fundamental rights at work such as those laid out in the Universal Declaration of Human Rights, the European Convention on Human Rights, the OECD Guidelines for Multinational Enterprises, the United Nations Convention on the Rights of the Child, and the core conventions of the International Labour Organization. As a key objective at Kering, we aim to evaluate our key strategic suppliers, and their adherence to our Supplier Charter, every two years at minimum. Suppliers can be considered strategic in multiple ways - whether through a direct relationship with our brands, the specific nature of their expertise, or because they operate in a high risk sector and/or country in terms of social or environmental compliance. At Group level, we determined to maintain an auditing frequency at a minimum of two years which is the industry standard, however, in the case of higher risk areas we require more frequent audits and follow-ups to ensure that the people in our supply chains are working in factories that meet our requirements. In terms of the extent of our supplier audits thus far, we have covered the majority of the Group's supply chains already, and over 75% of the Group's business. Our Luxury activities' production is primarily in Italy, and our largest luxury brands (Gucci and Bottega Veneta) have had long-standing social compliance programmes in place, working closely with their key suppliers. These brands follow SA8000 principles and have added some additional standards around environmental standards. Our

other Luxury brands are now following this model and building collaborative supplier compliance programmes. In regards to our Sport & Lifestyle activities, our largest brand PUMA has had a globally recognised supplier compliance programme set up for a number of years using a Fair Labor Association (FLA) certified framework with all of its key suppliers. Kering is helping our other Sport & Lifestyle brands to develop similar programmes and we aim to attain FLA certification for all our Sport & Lifestyle brands over the next three years.

projects

Our brands have a comprehensive auditing programme for supplier standards in place. 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 in 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), obtained SA 8000 certification. Gucci also continued to roll-out an integrated management system last year 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. ►►



Within this management system, six committees reporting to Gucci's Sustainable Development Committee meet to discuss specific themes such as SA 8000 certification, HSE, equality of opportunity and wellbeing, supply chain policies, consultative committee on sustainable development and sponsorship initiatives.

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 FLA since 2004 and has been FLA-certified since 2007. The FLA is an independent association which strives to improve working conditions in factories around the world, having developed a Workplace Code of Conduct, based on International Labor Organization (ILO) standards, and created a practical monitoring, remediation and verification process to achieve these standards. Additionally, as part of its commitments, PUMA has been publishing updated lists of its suppliers since 2005 and as an example, in 2013 24 sites were removed from PUMA's supplier lists because they had failed to achieve a sufficient level of compliance.

PUMA is also very proactive in industry and supplier collaboration in regards to social compliance. The brand signed

up to the Protocol on Freedom of Association (FOA) in Indonesia, which helps to encourage its suppliers to respect the rights of unions, especially their capacity to negotiate collective bargaining agreements. These measures enabled it to receive 135 complaints directly from workers relating to breaches of the PUMA.Safe code and by working with its suppliers, PUMA's teams were able to resolve 77% of these complaints.

Last year was also marked by the tragedy of the Rana Plaza factory collapse in Bangladesh. Although none of its direct or indirect suppliers were implicated in the event, PUMA joined the industry to react immediately and signed the "Bangladesh Accord", a multi-party initiative which aims to improve health and safety in the country's clothing and footwear industry, and requires that companies mandate and pay for renovation and repairs to ensure factories in Bangladesh are made safe. As weak regulations and enforcement of safety in industrial buildings were found to be the root cause of the building's collapse, PUMA now places more attention on building safety. Extensive research on building safety was built into the new PUMA Health & Safety handbook and these standards are already in practice for new buildings being constructed for PUMA production. PUMA also required comprehensive building structural assessments in all its main suppliers in Asia, work which began in 2013 and continues into 2014. This project will assess the safety of the buildings in the factories producing for PUMA and will be conducted by professionals in building safety. ➤➤➤



perspective & outlook

Key issues surrounding working conditions are defined as fire safety, chemical exposure, equipment safety, working environmental factors, hours, forced overtime and mental stress. Historically, the Sport & Lifestyle sector used a low-wage model to outsource production to Asia. In the 1990's major sports brands' suppliers were found to be using child labour and since that time, the sector has been diligent in providing transparency in regards to the social issues of its workers. However, many issues still remain due to a lack of enforcement of government regulations and local corruption in lower cost countries that high volume manufacturing is typically sourced to.

At Kering, our Luxury activities and our Sport & Lifestyle activities face different issues. For Luxury, Kering made a strategic decision to retain production of our products to Europe with a focus on "Made in Italy", and so as to continue the traditional ways of production that have been passed from generation to generation. As such, our Luxury activities have a very different sourcing model and focus in Italy, than the traditional Sport & Lifestyle model. Since there are strong governmental protections in place in Europe, the issues that present themselves are around undocumented workers at sub-contractors or sub-suppliers. Kering's audit programmes, as well as our close working relationships with our suppliers, governments and trade unions are designed to ensure our suppliers do not engage in such activities.

For the Sport & Lifestyle sector in general, the challenge is to bring economically competitive products to market in a rapidly changing global production environment in a way that ensures workers are protected. This takes a long-term commitment to nurturing suppliers and to help address the challenge together. Our Sport & Lifestyle business is focused in geographic locations that have historical or current evidence of non-compliance issues. These are typically in emerging

markets and are in countries where governmental monitoring systems are not mature enough to ensure worker protection at the level that Kering demands. We aim to support continued development of these systems but at the same time employ our social audits as a means to ensure that protections are in place for the workers in our supply chain. To this end, we work with many of our key suppliers collaboratively to implement forward thinking management processes and improve the production processes with the latest technologies that help ensure the highest quality of our products, and contribute positively to the work environment of the people who make these products. Compliance to our [Code of Ethics](#) is just the minimum 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. In addition, some of our brands are "road-testing" the new Higg Index developed by the Sustainable Apparel Coalition which is a methodology that engages with suppliers and helps them understand the improvements that they can make, as well as enabling them to benchmark themselves across others in the sector. The key to success in creating and maintaining the highest standards of working conditions lies not only in auditing but also in building relationships with suppliers, and collaborations that build awareness and support suppliers to help them meet the necessary standards.

The tragedy that occurred at the Rana Plaza factory a year ago, underlines the critical need for our industry to continue to contribute to and ensure more sustainable business models across our sectors. We are committed to continue to build a safe and socially responsible environment for all the employees within our company and in our supply chain, and overall as a Group, we will continue to enhance our audit programmes to meet the demands of a changing global working environment.

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CHRISTOPHER KANE
McQ
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TOMAS MAIER
SERGIO ROSSI
BOUCHERON
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