

SUSTAINABILITY PROGRESS REPORT 2017-2020



K E R I N G



Crafting Tomorrow's Luxury... with Care, Collaboration and Creation



More than ever, it is simply not enough for companies to say that they care about reducing resource consumption and respecting people across their business ecosystems, they must recognize these as absolute necessities. This is nothing new for Kering.

We have been well aware of our socio-environmental responsibility since decades. Our core strategy of disruptive innovation and value creation through sustainability is driven by our Chairman and CEO François Henri-Pinault's long-held conviction that Luxury and sustainability are one and the same. This is a certitude that creates value for our Group, our Houses and all our stakeholders.

Kering's unwavering commitment to sustainability is reflected by our progress towards meeting our ambitions and alignment with climate actions that make a difference. Now, by committing to implement a science-based target on climate to drive these actions so that they are consistent with a 1.5-degree pathway, we will be taking another large step forward towards our future.



Luxury and sustainability go together

We at Kering are setting the standard for sustainable Luxury because we believe the two must always go hand in hand. Sustainability has always been at the heart of our strategy. Simply put, we're crafting sustainability into all our products so we can offer everyone an even deeper, more caring Luxury. Because of our influence in contemporary culture, Luxury is playing a vital role in sustainable design and best practices. As leading drivers of change, Kering's open-source approach to knowledge sharing has helped the adoption of sustainable practices in our industry. Beyond our own advancements inside the Group, we believe ambitious targets must be set to address the supply chains where we generate the majority of our impacts (over 90%).

This is the same for all of Luxury and fashion. Scope 1 and 2 of the Greenhouse Gas (GHG) Protocol are not near enough given the intensifying climate crisis. We need bold leadership that also takes full responsibility for all the impacts upstream in Scope 3 as well. With this in mind, the Kering sustainability strategy starts there - where we source our raw materials - right through to the manufacturing and production of our goods. This continues all the way to our stores and clients, where we are also examining consumer use and the "end life" of our products. While we are doing all this, we also know that transparency of reporting on the entirety of our impacts is a fundamental commitment of ours and is crucial to any meaningful successes.

The story so far

Change rarely comes easy hence why we are ambitious when it comes to setting science-based targets and why we are committed to reporting transparently so we can measure how these are woven into our progress. Over the last years, we ramped up our sustainability efforts at Kering to meet the growing climate and biodiversity crises head-on. To ensure that our vision of responsible and ethical business becomes a reality - and to set the highest standards of best practices in the Luxury sector - Kering announced the next phase of its sustainability strategy Group-wide in January 2017.

Under each of the three pillars of Care, Collaborate and Create are a series of targets we set to attain by 2025: reducing our environmental impacts, and advocating for social welfare inside and outside the Group. Ongoing challenges serve to illustrate where we need unprecedented innovation and industry collaboration. This sometimes also means cross-industry collaboration.

Action speaks loudest

Three years on from our 2025 sustainability strategy announcement we have been making promising progress, including highlights in all three pillars:

KEY ACHIEVEMENTS

CARE for the planet

— **Kering reduced the Group's overall environmental impacts by 14%** in EP&L intensity between 2015 and 2018 and is on a positive trajectory to reach our 40% reduction target by 2025.

— **Kering reduced the Group's GHG emissions by 77% in intensity** in our own operations¹ (between 2015 and 2018), and reached 100% renewable energy use in over seven countries, 78% in Europe and 67% covered overall for the Group.

— Even further, **Kering is on track to meet our 50% science-based target² for GHG emissions**, having achieved a 36% intensity reduction between 2015 and 2018.

— **As of 2018, Kering became entirely carbon neutral as a Group** in our operations and across our sourcing and supply chain. With a priority of first avoiding and reducing our GHG emissions Kering offsets remaining emissions every year through verified REDD+ projects that conserve critical forests, biodiversity and support the livelihoods of local communities.

— **In January 2018, Kering developed and open-sourced our "Standards for Raw Materials and Manufacturing Processes"** covering best practices across environmental protection, social welfare, traceability, chemical use and animal welfare. The Group has already achieved 68% alignment.

— **Kering achieved 100% responsible gold purchase** for our Jewelry and Watches and is on track to reach 100% sustainable sourcing for other key raw materials by 2025.

— **Kering attained 88% traceability for our key raw materials**, against a goal to reach 100% by 2025.

— In May 2019, **Kering created the first animal welfare standards for luxury and fashion** to improve industry practices and catalyze collaboration.

— Kering became the first private sector company to partner with The Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES) and to support biodiversity science.

— As another first for the Luxury industry, **Kering published an integrated report in 2018 for 2017 results**. Furthermore, to share the significance of corporate sustainability with the investment community, Kering embarked on a roadshow in November 2019 specifically geared towards the Group's Environmental, Social and Governance (ESG) criteria.

¹ Kering reduced the Group's GHG emissions by 77% in intensity in its own operations (offices, stores, warehouses, owned industrial sites) between 2015 and 2018.

² Kering has a Science-Based Target (approved by the Science-Based Target initiative) to reduce all its GHG emissions from a 2015 baseline by 50% by 2025 related to Scope 1 and 2 and controlled Scope 3 (upstream transportation and distribution, business air travel, and all fuel and energy associated emissions).



COLLABORATE with people

- **Kering is far ahead to ensure women are well-represented in the Group at all levels.** As of 2019, women accounted for 55% of the Group's managers, 63% of the total workforce, 33% of our Executive Committee members and 60% of its Directors, making Kering one of the CAC 40 companies with the highest proportion of women in senior management positions.
- **Kering implemented a progressive global Parental Leave policy** covering standards around maternity, paternity and adoption across all employees in close to 50 countries.
- **Kering developed and implemented a Charter for the well-being of models** and also committed to only working with models over 18.
- **Kering empowered women in the regions of its supply chains** through micro-loans, skills training and education.
- **Kering created the first MOOC** (massive open online course) dedicated entirely to sustainability and Luxury fashion with the London College of fashion. It was also translated into Chinese; more than 33,500 learners from 150 countries have participated at no cost.
- **Kering created the "IFM-Kering Sustainability Chair"** with the Institut Français de la Mode in Paris.
- **Kering continued to preserve Luxury know-how and craftsmanship** by supporting the next generation of craftspeople, whereby the Group had 20 plus programs set up as of 2019.
- **Kering launched the Fashion Pact** to convene the leading players in fashion and textiles around key environmental issues. There are currently 63 signatories, representing over 250 brands to date and equaling more than 30% of the industry.



CREATE new business models and innovations

- **Kering launched the “K Generation Award”** in China with Plug and Play to identify promising change-making start ups and technologies in Greater China, and continued to scout in start ups around the world.
- **Kering established the Sustainable Innovation Lab (SIL)** for Watches & Jewelry and scaled up the Kering Materials Innovation Lab (MIL) to support the design teams with a library of 3,800 sustainable fabrics.
- **Kering created innovative financing mechanisms**, like the Kering Ethical Gold Platform, to support the shift to sustainable raw materials.
- **Kering set up a series of pilots across the supply chain** including traceability technologies, low-impact alternative materials and manufacturing processes, like mushroom leather and eco-dyeing. Beyond pilots, the Group scaled up innovations whereby metal-free tanning was used for around 24% for collections at the end of 2019.
- **Kering focused on new ways to reuse its materials** and integrate recycled and regenerated options into product offerings.
- **Kering launched a partnership on regenerative agriculture** as a first for the fashion industry and is focusing on promoting innovative solutions in the Group's supply chain.
- **Kering created a “Digital EP&L”** to provide unprecedented transparency for stakeholders and open-sourced the underlying data to provide Luxury and fashion players insight into the complexities of their own environmental impacts.
- **Kering collaborated on industry-wide efforts to advocate circularity** and launched an international survey to understand consumer use and product end-of-life, in order to then extend the EP&L methodology to a circular, full life-cycle for products.



Looking ahead and rising to the challenge

While we are on track to meet many of our 2025 sustainability targets, others remain a challenge particularly in areas where we need unprecedented innovation and industry collaboration. Indeed, we are spurred on by what we have achieved so far towards these targets but we are not under any illusions. Significant work remains to be done. Work we'll approach with optimism and in the same spirit of adventure that has brought Kering to our leadership position in the industry. We want to demonstrate the transformative power of business for change, not just for our iconic Houses and across everything Kering touches, but also far beyond.



Making sustainability fashionable for the future

The business of fashion is huge - both in terms of its economic value and environmental impact. But let's not forget, fashion with its influence and power is in a position to lead inspiring climate action. And as one of the world's largest industries changing the direction of the apparel and textiles industry juggernaut could have a significant impact on our planet's future. Kering has set a deep foundation continue to work towards this long-lasting change and our collective future.

“At Kering, we care about our impact on the planet and on people and we see this responsibility as an opportunity to reinvent our business and indeed luxury as a whole.”

François-Henri Pinault

Chairman and Chief Executive Officer

A more caring Luxury

In the same way we took a leading role in the Luxury sector almost 20 years ago, we now take the lead in helping to create a more sustainable luxury industry by tackling some of the most significant challenges that are facing our industry, our planet and our society.

Moving forward responsibly

We continually look at our supply chain, knowing that it's our duty to be responsible for the impact we have on the world. So, three years ago we designed a new chapter for 2025 with concrete quantified targets. Our Care pillar includes targets like a 40%

reduction in our overall environmental footprint and a 50% reduction in our greenhouse gas emissions within our own operations and across our entire supply chain.



Commitments & Milestones

Here are some of our key commitments and efforts that make up the Care pillar:

Transparency all the way as we report on our total impacts, including GHG emissions, across our entire supply chain.

We've had a science-based target for our GHG emissions since 2016 and we're committed to achieve Net-Zero by 2050.

On our road to Net-Zero 2050, we've become carbon neutral in our operations and across the supply chain from 2018, offsetting all remaining annual GHG emissions via REDD+ to protect critical forests and biodiversity.

This year, we're committed to implementing a science-based target on climate to drive our actions so that they are consistent with a 1.5-degree pathway.

We've set up progressive initiatives and a science-based approach to reduce our environmental impacts at every stage during the creation of our Houses' products, all the way back to where we source our raw materials.

We open-sourced the Kering Standards for Raw Materials and Manufacturing Processes and we are collaborating with our suppliers to ensure our high standards around environmental protection, social welfare, traceability, chemical use and animal welfare are met.

We've created the 1st animal welfare standards for Luxury and fashion to improve industry practices and catalyze collaboration.



Measuring our footprint

If you don't measure it, you can't reduce it

Our Environmental Profit and Loss (EP&L) account is a pioneering tool that measures the environmental impact of all Kering's activities and is a key enabler of our sustainable business model. It goes far beyond standard environmental reporting, producing a more comprehensive picture of the impacts generated by the Group. It covers every tier, from our own operations and stores all the way upstream to the production of raw materials. At each tier, indicators are measured covering: GHG emissions, water consumption, waste production, water pollution, air pollution and land use. It's not just transparent but very thorough and makes impacts visible, quantifiable

and comparable. Converted into monetary values, we can then quantify our use of natural resources. This way, we know where we stand. And we can tell the world too.

Transparency is also about letting in and embracing new ideas hence our openness to share our EP&L tool. We can see how it leads to seriously enhanced understanding of our impacts and the real-time data advancements to our methodology, the quality of the data that underpins it, has only augmented the EP&L. This includes data that reflects restorative farming practices, the impact of sourcing cellulose-based fibers from key locations and recycled palladium, as a few examples.



Our EP&L account was designed to measure and monetize environmental impacts from our business activities in our own operations and across the supply chain. The tool highlights key areas where we can prioritize and focus our efforts to mitigate our impacts more effectively.

Results of what the EP&L allows Kering to do:

- Understand our true impacts and identify hotspots
- Reveal risks and find effective solutions for mitigation
- Translate our environmental impacts into a business language
- Compare different environmental impacts with each other, which was not always possible
- Compare the impact of production or sourcing of raw materials in each location
- Facilitate comparisons between our Houses or business units
- Monitor progress of our 2025 sustainability strategy, while forecasting and preparing for the future
- Be transparent with our stakeholders and investment community

The EP&L is used as a decision-making tool for Kering's Houses to influence daily choices and make responsible sourcing decisions, by being able to understand the environmental impact the business will have on the world.

Making the invisible visible

The EP&L has helped all our Kering Houses' to unlock new insights into their businesses and supply chains. Notably, it helps us discover potential efficiencies, innovations and improvements that can provide business value.



Increased transparency – for even more clarity

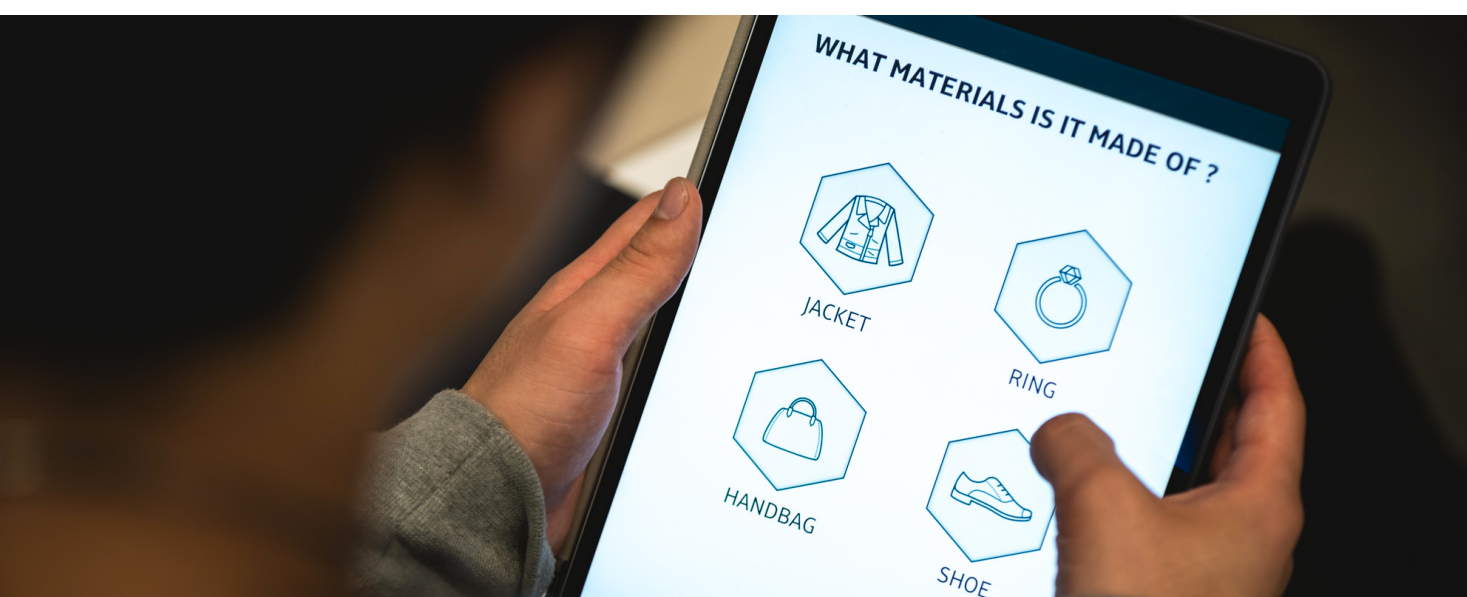
We've taken transparency one step further. To complement our EP&L reporting transparency, and as a first of its kind in the Luxury and fashion industry, we started publishing an annual integrated report detailing our Group's activities from 2017. We believe that integrated reporting is a more holistic platform to consider the value created by a business, by also considering non-financial resources and the links between all business functions that contribute to success. And so, our integrated report gives a comprehensive view of our Group's global value creation gained from our creative, financial, environmental, ethical and social areas. At the end of the day, it allows for a deeper understanding of the fundamental building blocks that underline the Group's value creation. Best of all, the clarity gained can result in more informed decision making for the future.

Going digital

We launched our Digital EP&L in June 2019. Going digital with the EP&L has opened another world of possibilities as it becomes an interactive platform with unprecedented transparency and access to open data. It

can also support Luxury and fashion players, offering them insight into the complexities of their environmental footprints.

CLICK HERE
to discover EP&L interactive platform!



Helping consumers reduce their footprint too

Our recently launched international survey will allow us to also look closely at consumer use and end of product life. It will be incorporated into the methodology of the EP&L so that it reflects the full life-cycle of Luxury topics. We know that some of the complex topic for sustainability in fashion and Luxury are linked to the environmental impacts associated with the phases in a product's life cycle that are influenced by product care, product life span and the product's second life. It all comes down to the day-to-day choices that an individual makes and how they treat their products. Choices like how often they wash or dry clean their clothing, which then determines a product's

energy consumption, water use, chemical and micro-fiber release into waterways. That's not all. Another key impact driver is based on how an individual discards an item. These decisions could result in a piece of clothing or an accessory going direct to landfill, or alternatively, it could provide an extension of the product's life through recycling or up-cycling. Following our open-sourcing philosophy, Kering will share the results of the survey to provide a deeper understanding around the different impacts that consumer choices can create and, ultimately, how the Luxury sector can help our clients reduce their own footprint.



Reducing our entire footprint

Our EP&L enables us to get a clear picture of the size of our footprint, establish a target for its reduction and helps shows us how to drive smart solutions and actions, including customized programs and creative collaborations across our supply chain.



TARGET: 40% reduction of environmental impact by 2025

PROGRESS: 14% reduction in our EP&L intensity (2015 to 2018)

We have been focusing on reducing our impacts with a 360° view but we won't be happy until we reach our goal.



TARGET: 100% alignment with our Kering Standards by 2025

PROGRESS: 68% alignment in 2018

To help drive our reduction efforts we needed clear standards to lead the way. So in 2018 we created the first-ever standards for sustainable Luxury and open-sourced these best practices. The Kering Standards for Raw Materials & Manufacturing Processes address best practices in traceability, social compliance, environmental protection, animal welfare and chemical use. They take a holistic and responsible approach in the making of Kering's Houses' products – accounting for each step in the supply chain from farm, field or mine to finishing. We then updated the Kering Standards to encompass all our raw materials and new key areas. These reflect growing concerns and interests in the industry around topics like regenerative agriculture and “faux fur”, as examples. Our standards act as a guide for our suppliers to ensure compliance with Kering's environmental and social requirements. They are embedded in our supplier contracts and we work closely with our partners to ensure adherence to them. Since 2016, we've been rapidly increasing alignment with the Kering Standards.

Raw materials highlights

Sourcing sustainably and successfully

We take sustainable sourcing very seriously. It is underpinned by a number of key principles: compliance with all national and international laws; conventions and regulations; verifiable traceability; high standards of animal welfare in all aspects of handling, raising, transportation and abattoirs; avoidance of the degradation and destruction of natural ecosystems; promotion of

eco-friendly production methods; commitment to reducing climate change impacts; and a guarantee of ethical treatment of people working in the supply chain. Substantial progress has been made with regard to alignment on Kering best practices requirements for sourcing raw materials.





100%

TARGET: 2025 target achieved
PROGRESS: 100% responsible gold

We increased our ethical gold as a Group totaling 100% of the Group's gold purchase for jewelry and watches in 2019. Beyond jewelry and watches we're also focused on galvanized gold for all the hardware in our House's collections. While fashion tends to overlook gold in hardware (and consequently does not tend to address galvanized gold for the gold-plated elements in hardware) because it's a very complex supply chain, we're prioritizing this. And overall for all ethical gold (which includes hardware) we are at 49% having purchased 5.5T of ethical gold for the Group since the creation of the Kering Ethical Gold Framework in 2015.

73%

TARGET: on track to reach 100% by 2025
PROGRESS: 73% sustainable leather

Overall for the Group's leather we are 73% aligned with the Kering Standards and on track to reach 100% by 2025. When we dive deeper we can see we are 79% aligned for bovine leather and this accounts for 75% of all the Group's leather.

30%

TARGET: on track to reach 100% by 2025
PROGRESS: 30% organic cotton

As a Group we have been focused on sourcing more organic cotton and we have achieved 30% in our collections with the goal of 100% by 2025.

Manufacturing highlights

Clean by Design for an eco-friendly solution



Inspiring change in everything we do is always our agenda. So, when the Natural Resources Defense Council wanted to reduce the environmental impact of the textile industry (energy intensity and water use on production sites) with the Clean by Design initiative, we were eager to participate. From 2015 to 2018, our Clean by Design program helped save 8,000 tons of CO₂ per year, across 25 participating mills in Italy, including an average reduction of 19% of greenhouse gas emissions and a transition for all sites towards natural gas or wood instead of fuel oil. We extended the program and six wool and silk workshops applied the Clean by Design

methodology from 2017, with even faster results: 5,000 tons of equivalent carbon were saved within a year. The following year, in 2018, two further Italian jean manufacturer suppliers joined our Clean by Design program. For the future, we intend to extend it program to other industries in our supply chain like leather tanneries or manufacturers of metal accessories

Furthermore, on a more global level, we want to involve other companies in the fashion world into the dynamic. The experience was meticulously documented, and a report was released to all stakeholders in order to inspire even greater change.

Managing chemicals and keeping them safe

Kering has developed an in-depth Chemical Management Policy, which defines our strategy on chemicals that are potentially hazardous to the environment or to people. Our policy also includes chemicals that may not have been regulated yet. Overall the policy serves as the Kering Standard for chemical management and all of the Group's suppliers are required to follow them. To help provide guidance to our suppliers and manufacturers our Manufacturing Restricted Substances List (MRSL) addresses hazardous substances that can potentially be used in manufacturing and discharged into the environment, and not just the substances that could be present in finished products, which is covered by Kering's Product Restricted Substances List (PRSL). To assist players in our supply chains in their MRSL compliance efforts, Kering promotes a cooperative approach throughout the supply chain and supports international harmonization of standards, seeking, where possible, alignment with existing or emerging industry efforts such as

ZDHC. For some time now Kering has been actively engaging both suppliers and supply chain actors on chemical management, providing operational support and building capacity. In 2019, Kering held 3 training sessions for leather and textiles suppliers. Also, we implemented a training event organized with five other international Luxury brands/Groups that brought together more than 250 participants from the leather and textile supply chains in Italy. That's not all. In 2019, we developed and implemented a MRSL specific audit methodology to verify supplier's compliance to the MRSL and to support supply chain progress towards compliance. The methodology was applied with around 40 suppliers from both textile and leather supply chains during the year. So far, we've engaged 80% of our supply chain and we have achieved 70% reduction of risk related to use of hazardous chemical, progressing towards full MRSL conformance. We still have work to do here.

Training virtually

Alongside other objective-led projects for manufacturing, we've also developed and piloted a supplier platform for training and evaluation and we're up-skilling

employees with e-learning customized for all 4,400 people across 40 countries.



Kering Animal Welfare Standards

“Improving the welfare of animals must be an imperative for our industry and Kering wants to amplify the focus of attention from a few species to all of the animals, including livestock, within fashion’s global supply chains.”

Marie-Claire Daveu
Chief Sustainability Officer
and Head of International Institutional Affairs

the main challenges in the fashion industry and an obvious barrier to verifying animal welfare.

If Luxury is the creation of beautiful products that are made with the highest standards of care, we all must extend this prerequisite to animal-based raw materials. At Kering we’re implementing and verifying the highest standards of animal welfare across our supply chains. In addition, we’re working to address any remaining issues around traceability, as this is one of

Since animal welfare is such a priority for us, we created the Kering Animal Welfare Standards in May 2019 for the Group’s suppliers at farms and at abattoirs. As the first ever animal welfare standards for Luxury and fashion, we aim to call attention to animal welfare in fashion’s global supply chains, improve industry practices and catalyze collaboration. Consequently, we open-sourced the standards and shared them in order to provide a baseline of knowledge and awareness on animal welfare practices in the industry.

For the Kering Animal Welfare Standards, there were 8 species categories covered and developed with animal welfare experts and input from farmers and herders, who tested them on the ground in pilots in different regions around the world. Overall this included 82 farm visits in 16 countries.



We've been busy implementing these standards:

We've reduced sourcing from higher risk countries with supply chain investigation and due diligence in medium risk countries.

We started auditing for alignment with all Kering Animal Welfare Standards. A successful audit was done for crocodilians and snakes we will be addressing other species in Q1 2020.

As the majority of these animal-based supply chains prioritize the food industry, we also need to collaborate and work together to drive change: here we're collaborating with NGOs like la Fondation Nicolas Hulot pour la Nature et l'Homme (FNH) and Compassion in World Farming (CIWF) who are advocating for animal welfare in the food industry and at the EU level of government.

We are also part of the roundtable on animal welfare with our Luxury and fashion peers through BSR's ReLi and Paris Good fashion. Furthermore, we are members of Southeast Asian Reptile Conservation Alliance (SARCA) and the International Crocodile Farmers Association (ICFA).

Traceability keeps us on track



TARGET: 100% traceability of our key raw materials by 2025

PROGRESS: 88% traceability score of our key raw materials overall

Traceability is one of the crucial challenges to overcome in fashion's complex global supply chains. Even if we've already managed an 88% traceability score of our overall key raw materials towards our 2025 100% target, significant issues remain for the Luxury and fashion industry as a whole. The routine practice of indirect sourcing is a big culprit as complex supply chains often stem from traditional business model set-ups, making it difficult to follow the traceability to verify best practices in the supply chain. We want to change that. 100% traceability is our end-goal to ensure Kering's high standards around environmental protection, social welfare, chemical use and animal welfare are adhered to.



Traceability progress for raw materials highlights include:



90% Leather overall*

*92% for bovine leather (75% of all Group leather), 87% sheep and goat all way up to the location of abattoirs (25% all Group leather).



87% Silk for the Group



76% Cotton for the Group

We also set up a number of pilot projects around traceability: like the Institute of Quality Certification for the Leather Sector (ICEC) and pilots tracing leather in line with the ICEC regulation TS-PM414 as part of the certification process for finished leather products. Also, in collaboration with ICEC, we have certification procedures with key tanneries for sourcing leather from 10 certified tanneries. We also have GIA traceable and certified diamonds.

Mitigating emissions

“When it comes to climate change, we can no longer wait to take real action. We all need to step up as businesses and account for the GHG emissions that we generate in total. While we focus on avoiding and reducing our GHG emissions to meet our science-based target, we will offset all our remaining emissions and support the conservation of vital forests and biodiversity around the world.”

François-Henri Pinault
Chairman and Chief Executive Officer

GHG Emissions



TARGET: 50% reduction of GHG emissions by 2025

PROGRESS: 77% reduction in intensity of GHG emissions in our own operations (Scopes 1, 2 and part of 3 of the GHG Protocol) and we're on track to meet our overall 50% science-based target having already achieved a 36% reduction (between 2015 and 2018)

In line with SBTi's criteria, we have committed to reducing our emissions by 50% in Scope 1, Scope 2 and part of Scope 3 (transportation and distribution, business flights, and associated fuel and energy emissions) of the GHG protocol by 2025, and to reducing an additional 40% of our entire upstream Scope 3 emissions from purchased goods and services.

We have made significant progress towards our science-based target and some highlights include:

We're the 1st Luxury Group with certified science-based targets

We're proud to say that since 2016, we have been verified and approved by the Science Based Target Initiative (SBTi). We were the first Luxury and first French company to create science-based goals around reducing our carbon footprint. Formed by the Carbon Disclosure Project (CDP), the UN Global Compact, the World Resources Institute and the WWF, the SBTi supports companies in establishing science-based GHG emissions reduction targets so that business is part of the movement to ensure global warming does not exceed 2°C by 2050.



30%

Becoming more energy efficient in our Group's operations leading to the reduction of 30% carbon intensity in the Group's stores since 2015



67%

Reaching 100% renewable energy in seven countries, 77% in Europe and 67% covered overall for the Group.



19%

Adopting key manufacturing efficiencies and innovative programs, such as the Clean by Design program for textile mills which translates into 19% CO₂ savings per year

Offsetting

Carbon Neutrality and leading the way

While focusing on reducing our entire GHG emissions as a priority, we also want to take responsibility for all the emissions generated by our business activities. That's why we're offsetting the Group's remaining annual GHG emissions in Scopes 1, 2 and 3 of the GHG Protocol through REDD+, which protects critical forest and biodiversity around the world, as well as supports local communities' livelihoods. As of 2018, the entire Group became carbon neutral within our operations and across the entire supply chain.

We have continued to shift from offsetting to insetting and created positive outcomes in the regions where our Tier 4 suppliers are located. Here are some examples:

We supported reforestation in Guiana in our gold supply chain covering 116 hectares of Amazonian forest and also tree-planting for 214,780 trees (a 4-year project starting in 2018).

We helped improve soil and carbon sequestration in cotton fields in China: we want to expand this pilot to engage more cotton farmers in this region through an insetting agroforestry mechanism.





Rubbing shoulders with academics and the experts

While focusing on reducing our impacts as a priority and becoming more resilient in the face of climate change, we're also collaborating with academics, scientists and experts in order to help us reach our

ambitions. Our aim is to continue to contribute to science to help drive the sustainability agenda forward in our industry.

We're disrupting Luxury

For the future growth of the Luxury industry, it's no longer business as usual. Instead it will be based on how we grapple with 3 broad trends that are changing global business and have specific consequences for luxury: climate change and biodiversity loss, new technologies and automation, and rising economic inequality. This was highlighted in a key report we published with BSR alongside other Luxury players in

2018 under BSR's Responsible Luxury Initiative (ReLI) and to develop a sustainable pathway for the future of luxury. It complimented Kering and BSR's first co-published report focused on analyzing climate change and its consequences for the Luxury sector entitled "Climate change: implications and strategies for the Luxury fashion sector."

We're protecting biodiversity

We are deeply concerned for biodiversity and nature conservation - focusing on this has been one of our top priorities. We strategically partner with many of the key stakeholders who are both on the ground and in academia doing critical research. The International Union for Conservation of Nature (IUCN) is a leading organization in this field and the technical expertise, data and guidance provided by IUCN and its members have been critically important in helping us develop new approaches that ensure responsible

stewardship and respect for nature and culture. In turn, we support the fundamental work of the Species Survival Commission through increasing and developing the scope of the Red List of Endangered Species. Kering's contribution will help fund the research to assess 80,000 more species by 2020: in particular Kering is supporting a key project focused on batracians which are a significant marker to understand the overall health of biodiversity in the world.

IPBES' 1st private sector partnership for biodiversity with Kering

In 2019, the Intergovernmental Platform on Biodiversity and Ecosystem Services (IPBES) announced its first private sector partnership – a significant contribution to the IPBES Trust Fund by Kering. Our contribution supports IPBES and all areas of its work from policy support activities and capacity-building, to the generation of new knowledge, outreach and ongoing expert assessments. The partnership is also part of a broader approach to

support science and research so that we can have a science-based framework to inform our decisions.

That's not all. We've partnered with Cambridge Institute for Sustainability Leadership (CISL) and we co-published a new white paper on biodiversity. It outlines a robust biodiversity

strategy to inform a fashion company, its impacts and dependencies on biodiversity, and where to prioritize action. We also partnered with WWF France to better understand the link between biodiversity and our wool supply chain.

Further partnerships examples that complement our work with broader academic and scientific research:

- We co-published a white paper with CISL in January 2019 addressing the critical importance of business operating within the Planetary Boundaries. This was the 1st in Kering's series on Planetary Boundaries.

- Our pioneering EP&L is influencing the adoption of natural capital accounting. By open-sourcing our methodology it enabled other companies to leverage our EP&L as a tool. Also, the EP&L methodology contributed to the Natural Capital Protocol, which sets out a common framework for measuring and accounting for natural capital.

“The luxury industry has the power to play a pivotal role in leading the shift towards a sustainable future. Kering is proud to collaborate with IPBES and the work they have already accomplished. We need to act now by finding ways to give back to nature what it is offering us on a daily basis.”

Marie-Claire Daveu
Chief Sustainability Officer
and Head of International Institutional Affairs



“Our employees are
at the core of our business
and our inspiration.”

François-Henri Pinault

Chairman and Chief Executive Officer

Collaboration for a better future

We know how important our people are. They're not just employees, they're professionals from all fields and countries who come together to create our beautiful products with passion and pride. And we value each and every one of them by creating a workplace that's supportive and progressive. Because when we collaborate, we create products beyond all expectations.

What's more, we collaborate closely with our suppliers and our stakeholders to ensure high environmental, responsible and social performance. As a result, we safeguard our rich heritage, promote parity and diversity and strive to be renowned as an exemplary employer. This touches both inside and outside our Group. Our 2025 sustainability strategy pillar Collaborate upholds these commitments.



Here are some of our top priorities:

We ensure women are well-represented at all levels of management in the Group.

A healthy work-life balance is key and we have set up programs and policies to this effect.

Working closely with our suppliers we have a robust auditing program to ensure compliance with our high social and environmental standards.

We partner with schools around the world to promote education for sustainability.

We support Luxury craftsmanship by preserving savoir-faire traditions.

Key initiatives

Collaboration brings us together

We believe collaboration brings success. So, it's our responsibility to help all our employees to collaborate in the best way possible. That's why we're committed to empowering employees within our businesses and to creating opportunities for them throughout our

value chain and beyond. We're dedicated to advocating social welfare, inside and outside the Group, and we ensure the highest standards are embedded across all our business activities.

Our goals empower our people

Kering's goal is to be the preferred employer in the luxury industry, with empowered, motivated employees who want to make a difference in a diverse and open-minded environment. Our commitment goes beyond social responsibility, rooted in the Group's belief that diversity is a source of creativity and innovation, and also economic performance. That's why we make every effort to establish a culture of equality at all levels of the organization and provide teams

with an open-minded, diverse and stimulating work environment, thereby contributing to the Group's overall success. As part of our 2025 sustainability strategy, as an example, we're promoting diversity and gender equality through a series of concrete commitments, which include achieving gender parity in all the Group's functions and introducing a mentoring program for women at the international level.



Our new code of ethics

Kering's ethical principles apply to everyone within the Group and reflect the Group's strong convictions about responsible business practices. Updated in 2018, Kering's Code of Ethics is issued to all employees. It clearly sets out the ethical principles that should be applied everywhere and by everyone, as well as the Group's values, what we believe in and what we do not tolerate. And it emphasizes the fact that employees must at all times act with integrity, loyalty and a sense of responsibility.

Our Code of Ethics complies with the major international reference texts (United Nations Universal Declaration of Human Rights, European Convention on Human Rights, the main conventions

of the International Labour Organization, OECD Guidelines for Multinational Enterprises, United Nations Convention on the Rights of the Child, United Nations Global Compact) and demonstrates how the Group continually strengthens our commitments and the systems in place to ensure compliance. Sustainability for Kering is interlinked with our Code of Ethics, which is used as the set of standards implemented by all throughout the Group, regardless of their level of responsibility, position or location. Finally, the Code of Ethics is available in the most widely spoken languages in the Group on the Group's intranet, and on Kering's website for readers outside the Group.

Help is just a call away

Any issues that arise that conflict with our Code of Ethics can be reported directly or by means of an ethics hotline. Kering's ethics whistleblowing system was strengthened in 2018 to ensure full compliance with France's Sapin II law. It is accessible to all

people working for the Group: employees and interns of the Group and our Houses, and external and temporary personnel working for external partners or service providers under contract with the Group and/or our Houses.





Work-life balance benefits everyone

A work-life balance is what we all strive for, that's why we're fostering work-life balance via Group-wide policies for all employees and promoting well-being at work and equality for all.

TARGET: Implement a global Parental Policy



PROGRESS: 14 weeks of baby leave to all parents

Our initial Parental Policy launched at the very beginning of January 2017 provided a minimum of 14 weeks' maternity or adoption leave on full pay and a minimum of 5 days' paternity or partner leave on full pay for all Group employees worldwide. To facilitate their return to work, Kering Corporate France also allows new parents to opt for part-time work at 80% of standard working hours without any loss of pay

during the month following their return from maternity, paternity or adoption leave. Many other initiatives have also been adopted by Kering's various Houses and entities including telework, flexitime, childcare solutions and daycare centers for employees based in France. At Group level, the parental policy contributes in a comprehensive and inclusive way, for all the men and women of the Group, to promoting well-being by setting a standard duration and payment for maternity, paternity and adoption leave. This policy helps to ensure that the Group's employees enjoy more rights to the various forms of leave than is required under national legislation and is applicable across all countries. It therefore represents a significant step forward in many regions of the world, particularly in the Americas and Asia. As another example of our focus on more progressive dynamics, since summer 2017, Kering Corporate offices in Asia have been equipped with breastfeeding rooms to give women the opportunity to return to work while continuing to breastfeed.

Parental Policy updated

In October 2019, Kering strengthened our Parental Policy further by extending paternity and partner leave to provide 14 weeks, applicable from January 1st, 2020. From then, with “Baby Leave”, all parents, without exception, will benefit from 14 weeks’ leave on full pay at the birth or adoption of one or more babies/children. This new, practical step forward is designed to provide a better work-life balance and to

promote equality among employees, female and male, irrespective of their personal circumstances. All the Group’s employees around the world are guaranteed the same benefits when a child or children become part of their family. Further, the ultimate goal of this policy is ensuring equal chances for women to access management opportunities at work.

Promoting well-being for employees

We’ve been adopting initiatives designed to achieve continuous improvements in the quality of work-life. We’re focusing on developing a working environment and working relationships that ensure well-being at work, in order to promote the development of all employees and contribute to the welfare of all our employees.

Take a look at some of the progress and efforts we’ve made:

- A joint study on the right to disconnect was undertaken by the Group and our Houses in France and presented to a select committee from the European Works Council in October 2018. Training on the right to disconnect has been added to the Kering Campus e-learning platform, which is open to all our Houses.

- The prevention of psychosocial risks are a priority and we offer all employees psychological support. In France, a toll-free number is available to all employees who require psychological support as well as support when employees are collectively affected by a particular event or situation.

- We also want to prevent psychosocial risks and stress so we bring in healthcare professionals, such as physiotherapists, osteopaths, sophrologists and yoga/pilates/meditation teachers, and provide social assistance services for employees.

- We continually promote work-life balance (smart-working, telework program, flexitime, etc.) and introduced the right and duty to disconnect in France as a result of legislative changes. These changes relate to the right of all employees to disconnect from work during non-working hours and their duty to regulate their use of digital devices during working hours.

- Our deployment of the HR platform in 2018 has also helped improve quality of life at work by creating a shared language for information, communication, learning and listening. All Group employees now have access to the same platform, regardless of their location, profession or position, representing a key factor in employee well-being.



Advocating diversity and gender parity



55% women in managerial positions

In 2019, women accounted for 55% of the Group's managers, 63% of the total workforce, 33% of our Executive Committee members and 60% of our Directors, making Kering one of the CAC 40 companies with the highest proportion of women in senior management positions.

Diversity and equal opportunity are key to Kering's culture. That's why we offer all our employees a working environment that is inclusive, open and stimulating. With nearly 35,000 employees around the globe, diversity is part and parcel of every day life at Kering. Across our Group, we believe that an inclusive company culture provides us with a rich source of creation and innovation. So, in 2004, Kering became a pioneer for workplace diversity in France as we committed to a Group-wide inclusive hiring policy, engaging every employee to support diversity and condemning all forms of workplace discrimination. That's not all. With our 2025 sustainability strategy and long-term vision, the Group introduced a series of commitments to achieve gender parity, promoting equal opportunities for men and women at every level of the Group and launching a global mentoring program for women.

Here are some achievements and steps in the right direction we've made:

- To evaluate effectiveness of our gender equality over recent years and identify new ways of thinking for the future, we are engaged in the GEEIS (Gender Equality European & International Standard) certification process. GEEIS is the leading support fund for gender equality at work in Europe and worldwide and

is based on rigorous evaluation methodology audited by Bureau Veritas. So, in 2016, the Kering Corporate structures in France, Italy and the United Kingdom, as well as the Group's overall diversity policy, were reviewed in the light of this global standard. Auditing our management tools, human resources and managerial practices and the overall impact of gender equality policies, we received the GEEIS label in September 2016, reaffirming our commitment to advocating a shared vision of workplace equality within the Group. And we didn't stop there. An interim audit was followed up in June 2018, once again recognizing the Group's commitment to gender equality and enabling three of the audited entities (Group, Corporate France and Corporate United Kingdom) to move up the GEEIS scale.

- In 2019, we created a Chief Diversity, Inclusion and Talent Officer role, which was a new stage in our determination to support of diversity. The appointment highlighted our belief that diversity (gender, culture, origin, sexual orientation, identity or disability) is both valuable and a source of collective intelligence. A number of our Houses have also created similar roles.

- In 2018, Kering ranked 7th out of 7,000 international companies in the Thomson Reuters Diversity & Inclusion Index (D&I) and among the top 3 in the 2018 Equileap ranking, which recognizes companies that lead the way in achieving gender equality.

- In November 2018, we won the "Most Feminine Board of Directors" award in the European Gender Diversity Index published by the European Women on Boards (EWoB) and Ethics & Boards organizations.

- The Group is in the Bloomberg Gender Equality Index, which was launched in 2018 as the world's first cross-industry index for companies with the best performance in gender diversity and equality.

- Kering ranked 10th out of 7,000 companies in the Refinitiv Diversity & Inclusion Index in 2019.

Up-skilling and empowering women for opportunities



TARGET: Implement a sponsorship program for training and coaching women managers and roll out mentoring programs in all countries. Promote the development of innovative career paths and ensure all genders are always considered for new opportunities.

PROGRESS: Empowering women is a priority at Kering and aligned with our 2025 sustainability strategy we have set up a number of initiatives to do so

Here are some of the programs we've created:

— We've been encouraging female talent for many years now. For some background: in 2013, we launched a pilot session of inter-brand and inter-business mentoring in France for talented women. It's based on a yearly mentor-mentee program to build on interpersonal relationships so that experienced female managers would share her expertise with more junior female

managers in order to foster professional and personal development. This program is now part of the Group's catalogue of talent development offerings and has been rolled out internationally. It's also supported by the Women's Foundation, an NGO launched in 2016 by Kering Asia-Pacific dedicated to improving the lives of women and girls in Hong Kong. Kering Asia-Pacific launched in 2016. Then in 2018, 21 talented women from the Group's various Houses in Hong Kong, China and South Korea enjoyed a year's individual support from the Group leaders. For the third year, Kering also partnered with the EVE program, sending 15 employees from various Group Houses and countries to two seminars in Europe and Asia. Founded in 2010 by Danone, this management program focuses on targeting individuals who "enlighten" leadership and its goal is to nurture strong and inspired individuals to enable them to bring about corporate change.

— We have also been busy developing women's skills through specific programs, such as mentoring sessions, to help talented women gain access to senior management positions.



Kering aims to be the Luxury industry's preferred employer

Our ambition is to become an exemplary Luxury industry employer. We strive to offer a stimulating and caring work environment for all our employees. Workplace well-being and social benefits programs, as well as three internal global campaigns in 2017 - employee referral hiring, internal mobility and parent-friendly policies - further strengthened employee

engagement. Talent development is a core managerial principle and a corporate culture guideline; we encourage our employees to realize their full potential and creativity. In January 2019 we launched the "Kering People Survey" to engage in a global dialogue with our 35,000 employees. We were pleased to see that the survey had an 82% participation rate in 46 countries.

Looking outside our Group

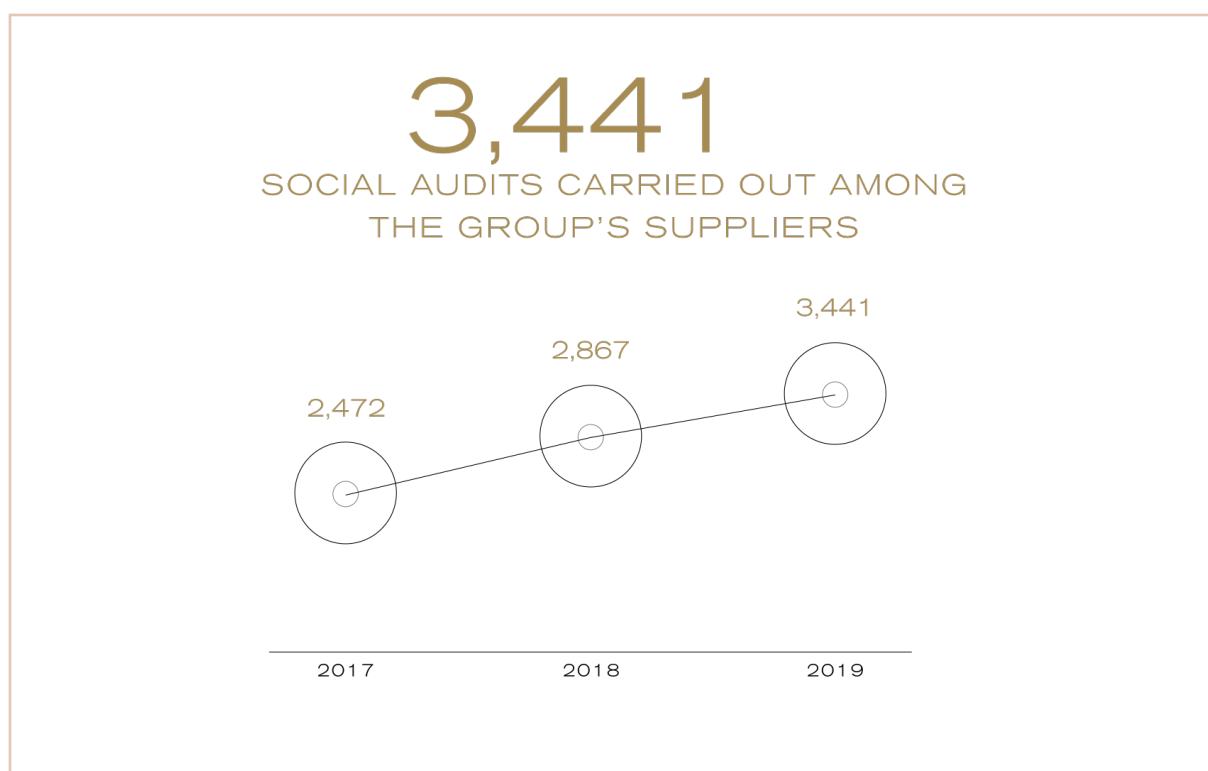
We believe that luxury can have a significant contribution to creating a more sustainable world. Furthermore, we know that embedding sustainability is a responsibility and an opportunity for us to reinvent our business and the Luxury sector. We also know that our social and environmental duties go way beyond our own operations and extend across our supply chain. Added to this, we also believe that sustainability can only exist within an ethical framework. That's why we will continue to lead through

responsibility, accountability and transparency in order to catalyze transformational change. We've set up programs with our suppliers and also for women empowerment in our supply chain, and promoted traditional craftsmanship. We've also focused on areas where we can significantly influence change. Here we've championed the well-being of models and promoted education around sustainability, as examples.

Auditing suppliers

- Supply chain audits are essential to ensure compliance with Kering's high social and environmental standards and we've carried out 13,033 social audits among the Group's suppliers (between 2015 and 2019).
- We created an online supplier engagement platform, including a supplier rating on sustainability. We've

piloted this already with suppliers and it will be extended to all key suppliers in 2020. In short, evaluation vis-à-vis our Kering Standards will be transformed into a detailed vendor rating system based on KPIs and metrics. We will have even more transparency.



Living Wage

— Operating in the luxury market means our supply chains are structured in a very specific way. 87.8% of our sourcing is located in Italy, meaning 87.8% of our suppliers are covered by collective bargaining agreements, which is considered the ultimate approach to ensuring social and environmental workforce dialogue and protection. For the 12.2% remaining, mainly in Europe (75% excluding Italy), Kering is piloting internal studies on living wages and is collaborating across industry with the Fair Wage Network and BSR, among others, to create a real-time living wage database to measure the gap between living wages and current wages. The goal is to deliver an

industry-wide operational tool enabling organizations to measure living wages on a frequent and comparable basis.

— We're active in the "platform living wage" coalition composed of a dozen of financial institutions aiming to encourage and oversee the implementation by companies of a living wage in their supply chain.

— Overall, Kering is committed to supporting living wage transparency deep in the supply chain. To drive this, we are supporting the need for broader transparency in the industry beyond direct production, to raw material sourcing and transformation.

Empowering women in our supply chain regions

— We developed the first-ever report on Gender in Luxury supply chains in which 189 Tier 1 suppliers engaged and 880 workers were surveyed to identify the challenges that women face in their day-to-day working lives and also in career development. We collaborated with Camera della Moda for Luxury supply chains in Italy, with NGOs, Valore D and Wise Growth, and with BSR. What we learned helped us cover the key actions to take in order to address these challenges and work to overcome them.

— We focused on empowering women around gold mines in Ghana with Solidaridad, equaling 5 mines and involving 150 women. Our aim is to empower them to develop their own businesses within the mining

community through micro-loans, skills training, business development and finances.

— We supported cotton farmers in India, involving community education on women rights, education and health and safety. This support extended to 150 cotton farmers.

— Many local communities and women were supported through our REDD+ projects:

› The REDD+ projects we chose to offset our Group's total remaining GHG emissions for 2018 equalled support provided to more than 187,000 people in local communities.

› Through investing in REDD+ around 80,000 women were positively impacted overall.

Supporting model well-being

"As a global luxury group, we are conscious of the influence exerted on younger generations in particular by the images produced by our Houses. We believe that we have a responsibility to put forward the best possible practices in the luxury sector and we hope to create a movement that will encourage others to follow suit,"

François-Henri Pinault
Chairman and Chief Executive Officer

In September 2017, Kering and LVMH published a charter on the working relations and well-being of models. That's not all. In May 2019, Kering made a commitment that the Group's Houses will only hire models aged over 18 as of 2020 (fall-winter 2020/2021 fashion shows).

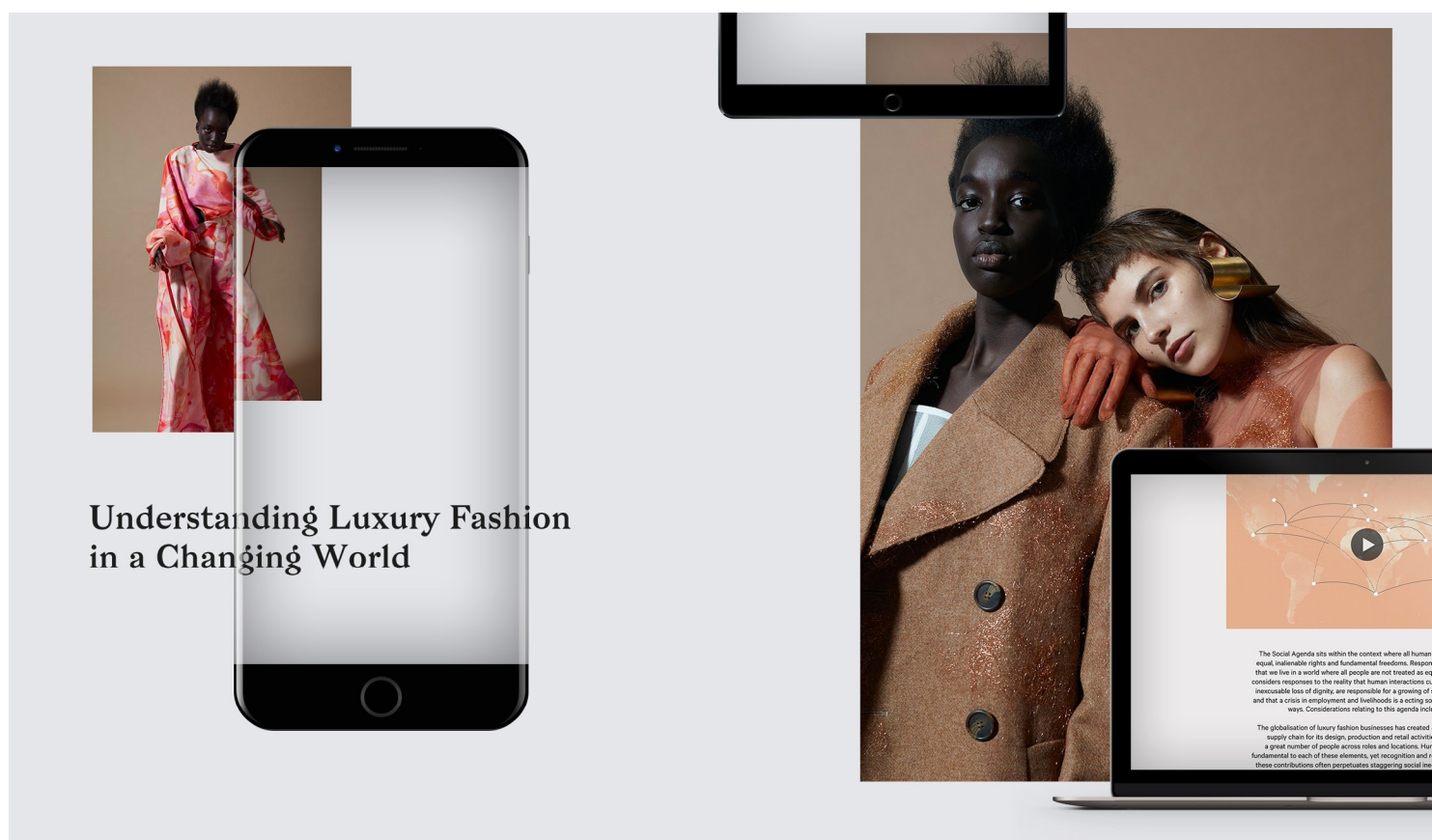
Supporting craftsmanship

We play a major role in the economic and social fabric of the regions where our sites are located. We value community involvement because we believe it is especially important in the luxury business. These regions are where we are inspired and where our Luxury Houses draw expertise and know-how both from directly operated workshops and from a network of thousands of suppliers, of which 90% are based in Italy. Therefore, work by the Group's Houses thus contributes actively to the preservation of traditional expertise and excellence in craftsmanship in leatherwork in Italy, as well as watchmaking in the Jura Valley and artistic creation in London, Paris and Milan. We know that savoir-faire and traditional techniques are also essential for the Luxury proposition and we are actively involved in preserving this.

Here are a few things we've done:

- Many of the Group's Houses support craft guilds and offer training programs. They have established a number of professional organizations to ensure the survival of some very demanding and unique skills and support long-term employment in the regions where these crafts are originated. We also are focus on training a new generation of craftspeople to guarantee the continuity of its cultural heritage and excellent craftsmanship.
- As of 2019 we have 20 plus partnerships or programs set up.
- Kering has a research partnership with the Muséum National d'Histoire Naturelle in Paris. This partnership supports the department of collections to preserve the history of artisanship with natural materials.





Understanding Luxury Fashion in a Changing World

Re-skilling and up-skilling for the future

We know that education not only serves to equip individuals with the knowledge and skills to respond to systemic shifts, it also empowers them to take part in creating a more equal, inclusive and sustainable world. We also know that education is critical if we want to embed sustainability into the very foundations of our businesses. So, we're focusing on partnering with universities and academia to ensure that the next generation comes well-equipped to meet the challenges of the future.

We've been driving change through education with a

number of initiatives and here are just a few examples:

— Since 2015, we've had a 5-year partnership with London College of fashion (LCF). This has been extended until 2023.

— In 2018, Kering and LCF launched the world's first open-access digital course in Luxury fashion and sustainability. Entitled "fashion & Sustainability: Understanding Luxury fashion in a Changing

World", the MOOC aims to strengthen sustainability education in the Luxury and fashion realms in order to promote the wider adoption of more sustainable practices. So far, more than 33,500 learners from 151 countries have participated.

— We also translated our MOOC into Mandarin and launched it at the Shanghai Expo in October 2019 using a leading online platform in collaboration with Tsinghua University and LCF.

— As part of the platform's rollout, Kering and LCF teamed up with the British fashion Council (BFC) to reinforce the wider adoption of sustainable practices by industry professionals and future talents alike.

— In 2019, we also launched the "IFM - Kering Sustainability Chair" with The Institut Français de la Mode (IFM). The Chair will focus their scientific research on a wide range of topics related to sustainability, from traceability to measurement as well as eco-responsible business models. Aspects of creative ecology will also be studied in order to identify ways in which creative teams can develop ecological fashion and propose new sustainable creative offerings that are highly attractive, while developing tools for measuring and appropriating environmental and social issues.

"Research and education play a crucial role in changing the practices and models of the fashion industry. At Kering, these are key pillars of our sustainability strategy because we believe that it's our duty, as a Luxury group, to address the generations that will craft tomorrow's fashion."

Marie-Claire Daveu
Chief Sustainability Officer
and Head of International Institutional Affairs

Collaborating and raising awareness for critical mass adoption

Our industry has a deep impact on climate change and biodiversity degradation. We recognize not just our responsibility here, but also our instrumental role in driving climate solutions forward, leading the way for other sectors too. We seek true transformative change, not just small steps and adjustments. This can only happen by raising awareness for sustainability across the global stage, accelerating efforts to achieve critical mass adoption.

We are proud to be a Strategic Partner with the Global Fashion Agenda (GFA), and we actively participate in the Copenhagen Fashion Summit on sustainable fashion. Also, we partner with changeNOW, the

largest positive impact gathering in the world and the ecological festival We Love Green. Our patronage of the Illuminated Ocean exhibition at the Muséum National d'Histoire Naturelle in Paris stands at the juncture between our artistic patronage and our commitment to sustainability.

We believe sustainability requires collaboration between the wider public, other sectors and our industry. By supporting and leading different alliances and coalitions, we bring together all our industry peers in order to address the many challenges of Luxury, fashion and the world.

Influencing change through the Fashion Pact

In 2019, our long-standing commitment to sustainable Luxury and fashion was recognized by a mission given to François-Henri Pinault, Kering's Chairman and CEO, by French President Emmanuel Macron. Ahead of the Biarritz G7 meeting, Mr. Pinault was asked to bring together the players of the fashion and textile industry with the aim of setting and achieving practical objectives for reducing the environmental impact of their industry on climate change, biodiversity and oceans. Successfully achieving his mandate, Mr. Pinault presented the "Fashion Pact" at the G7 meeting in Biarritz in August 2019, an unprecedented

coalition in fashion. The Fashion Pact's objectives draw on the Science-Based Targets Initiative (SBTi), which focuses on action in three essential areas for safeguarding the planet:

- Stop global warming: by creating and deploying an action plan for achieving the objective of zero greenhouse gas emissions by 2050, in order to keep global warming below a 1.5°C pathway between now and 2100.
- Restore biodiversity: by achieving objectives that use Science-Based Targets to restore natural ecosystems and protect species.
- Protect the oceans: by reducing the fashion industry's negative impact on the world's oceans through practical initiatives, such as gradually removing the usage of single-use plastics.



63 signatories



250+ brands



30% of the industry

“At Kering, we’re embracing a vision of Luxury, that is modern, creative, responsible and inspiring.”

François-Henri Pinault

Chairman and Chief Executive Officer

Innovate to create lasting change

To create, means creating innovative alternatives, driving change to influence the entire industry and sharing knowledge using an open source approach. Through innovation and knowledge sharing, we espouse ground-breaking solutions and processes leading to the mainstream adoption of more sustainable practices. Transparency on knowledge and innovation is a fundamental driver of progress empowering anyone to design more radical, intelligent solutions.



We have set goals in our 2025 sustainability strategy that will help us create more innovatively and sustainably for the future. However, we know that we need to go beyond gradual change into disruptive transformation to achieve these goals and to create lasting, positive change. Here are some vital things we keep top of mind in our Create pillar:

We need to find ways to rapidly shift from a linear model to a circular, regenerative one as an industry so that we drastically reduce our reliance on new resources.

Open innovation is vital and is a key enabler to achieve our sustainability ambitions.

To reach our 2025 targets, we are embedding climate smart solutions across our business and supply chains to drive our reduction efforts. However, current solutions and technology available to support these efforts are limited and must be combined with innovation and new ways of addressing our global challenges. This is fundamental to drive real progress.

Sourcing sustainably

The start of all creation

The highest quality of raw materials are at the center of Luxury creation. In fact, our raw materials inspire our Houses and bring life to our designers' creative visions. Raw materials are also at the center of the public's concerns when it comes to our industry. Their origins, the ways in which they are obtained, and their complex journeys across the supply chain, can have a profound negative impact.

Through its use of agricultural and extractive raw materials, the fashion industry and its supply chains are directly linked to the degradation of soil, conversion of natural ecosystems and biodiversity loss. At Kering, we own up to our responsibility. Through the help of innovation, we strive for sustainable sourcing and manufacturing coupled with full traceability.





Tracing materials through technology

Traceability is one of the crucial challenges to overcome in fashion's complex global supply chains. Indirect sourcing is often routine practice, and the traditional business model set-up requires many sub-suppliers. However, this is not always transparent, making it near impossible to find a material's true origin. As is often the case when it comes to creativity, one of the solutions we've worked on came from an unexpected area: forensic science. This puts Kering one step closer to our 2025 goal of 100% traceability for our key materials in our overall supply chains.

Here are two examples:

“Traceability in fashion’s fragmented and global supply chains is imperative to create real change. At Kering we are focused on sustainable raw material sourcing.”

Marie-Claire Daveu,
Chief Sustainability Officer
and Head of International Institutional Affairs

— We partnered with Albini Group, Supima and Oritain, as a first for Luxury and fashion to create a more sustainable business model through 100% traceable organic cotton. Using forensic science and statistical analysis, the naturally-occurring chemical properties of the actual fiber is analyzed,

creating a unique chemical fingerprint that links cotton back to the field in which it was grown. Because of this, during every stage of the supply chain, the organic cotton can be verified to ensure the raw material, fabric and final product is consistent with the original fingerprint and has not been substituted, blended or tampered with.

— That's not all. We also leveraged this technology for leather. Using calf leather as a pilot, we are verifying that the technology lasts accurately through all the phases of tanning.

— Some of the Group's Houses have also started to incorporate blockchain into their pursuit of 100% traceability. Blockchain is a cutting edge technology that can be used to store and transmit information or transactions. It is a global digital database shared among multiple users that can, at any time, using a cryptographic system, verify the validity of information, add data and record a transaction. This can play a significant role in guaranteeing transparency at every step of the supply chain all the way upstream to where raw materials are sourced and essentially create a “digital fingerprint” for a product.

Innovating supply chains

To accelerate our sustainability strategy and meet our social and environmental goals, we knew we needed to relook at how we source raw materials and improve the processes. We have also been developing new and sustainable solutions for sourcing raw materials and considering every step of the value chain from there. We know

that if we reinvent conventional ways to work with supply chains, we can reach our goals faster and more effectively, all with innovative thinking and an entrepreneurial spirit. And since most of our progress is underpinned by innovation, we're ready for the challenge.



Regenerative farming and retro innovation

Not all innovation needs to be “high tech”. Solutions like regenerative farming can be the most effective when dealing with natural ecosystems. The good news is that regenerative agriculture and grazing can protect and reverse the environmental degradation caused by our reliance on raw materials as an industry. In fact, the practice of regenerative agriculture has extraordinary impact, restoring healthy soils, removing CO₂ from the atmosphere and acting as a carbon sink that mitigates climate change. In light of this, we believe we all need to

“Regenerative agriculture is a multi-benefit solution which supports Kering’s sustainability ambitions to mitigate our environmental impacts and deliver positive outcomes along our supply chain.”

Marie-Claire Daveu
Chief Sustainability Officer
and Head of International Institutional Affairs

rapidly transition to this sustainable approach as an industry. So, as another first in fashion, we partnered with the Savory Institute to advocate verified regenerative sourcing solutions and expand the regenerative agriculture framework in fashion’s global supply chains.

Mongolian goat herders, fashion and NASA: a true story

An increased world demand for cashmere has resulted in a surge in goat numbers in Mongolia. Exacerbated by climate change, the increased grazing pressure has led to the degradation and desertification of the native grasslands across the country. Kering has responded to this through an innovative supply chain program:

- We set up the South Gobi Cashmere Project between Kering, the Wildlife Conservation Society and Stanford University.
- Over the last five years, the Project has been working with herder communities and NGOs to improve fiber quality, pasture management and biodiversity conservation, for the benefit of all parties involved.
- In 2017, the National Aeronautics and Space Administration (NASA) joined the project, providing satellite images to monitor pasture quality and provide new information on which areas can support pasturing. This phase of the project is still in its early days, but the potential for better-managed grazing is huge.



Setting a sustainable gold standard

At Kering we want to ensure the integrity of the gold our Houses purchase. So we created the Kering Ethical Gold Framework. The platform guarantees fully ethical, responsible and traceable gold at an accessible price. This innovative financing mechanism directly supports *Artisanal and Small-Scale Mining* (ASM) that is Fairmined or Fairtrade certified, or working towards certification. A “Premium”, calculated on the London Bullion Market daily price of the gold, is paid by the House purchasing responsible gold through the Kering Ethical Gold Framework. The premium is allocated to the Kering Gold Fund, to be invested into sustainability projects in ASMs, both Fairmined and/or Fairtrade, or to ASM communities working towards responsible mining. The Kering

Gold Fund is administrated by a Responsible Gold Steering Committee, composed of collaborators from Kering, and from our Houses. We meet at least once a year to support sustainable projects targeted at ASM communities. The Framework holds another role: it supports local, artisanal and ethical miners as well as the communities that surround them. A partnership between the platform and the Solidaridad network enables Kering to support small mines, create positive impacts on its surroundings, empowering the women of the mines. This is what we do in Ghana for example, where the Golden Line project helps 150 women from the mining community to create their own businesses.

Manufacturing in a new way

The importance of developing new ways of manufacturing Luxury is driven by critical influences like sustainability. We all know that sustainability is starting to transform the manufacturing landscape. Manufacturing standards that were once an added benefit, such as reducing water and energy, minimizing waste, and managing chemical use, are now expected from manufacturers. We also see that

converting to renewable energy sources, such as wind or solar, can help stabilize energy prices associated with manufacturing. These costs have declined steadily in the past few years. For these reasons, and more, we're always looking at transforming conventional methods, disrupting traditions, and becoming more innovative by rethinking our manufacturing processes and practices.

Disrupting traditions

"We've always done it this way" is an assumption we like to challenge on a daily basis at Kering. That's why we're disrupting two of fashion and Luxury's most traditional processes: tanning and dyeing.

— Our Houses have been pioneering metal-free tanning and as of the end of 2019, this eco process represented 24% of our Group collections. Metal-free tanning is an innovative technique for the Luxury fashion industry that removes the use of all metals traditionally used and it substantially decreases the use of water, energy, chemicals and pollutants during the tanning

process. Thanks to this innovation, the environmental performance of tanning has considerably improved.

— We've launched a number of different pilot projects with the aim of inventing eco-dyeing processes. Here are a few of them: dry finishing which enables PFC free hydro-repellency, pilling and waterless dyeing, and testing with suppliers on silk, synthetics and regenerated cashmere. The use of micro-organisms is also a promising lead for more sustainable and economical dyeing solutions.





Enabling sustainable design

Empowering creators with next-generation materials

A lot of our focus is placed on the sustainability of our sourcing and supply chains. This doesn't mean we don't also work on sustainability at the design stage. Kering wants to be sustainable by design from the

very start. This means working directly and closely with our Houses' creative teams. Creators need all the available tools and techniques at their disposal, so they can create more sustainably. We make sure that our House's designers have sustainable, alternative material options on par with the quality of conventional material.

A library for sustainable design



3,800 samples of sustainable fabrics

The Kering Materials Innovation Lab (MIL) is where our innate creativity meets our open-source philosophy. The MIL was founded in 2013 with the aim of identifying, classifying and making accessible to our Houses sustainable materials and processes. Key to the MIL are the in-house experts who offer support to our Houses so they can integrate materials more

easily into their product offerings. We have worked towards scaling up the MIL, increasing the number of entries by 26% last year, up to 3,800 fabrics. The MIL includes a comprehensive library of certified sustainable fabrics, evaluated by external and internal standards. Initiatives such as the MIL, which we have substantially scaled, empower our creators across the Houses with access to relevant intelligence and options so they can keep creating and innovating more sustainably. Moving from fashion towards our Watches and Jewelry, the Kering Sustainable Innovation Lab (SIL) will be launched early Q1 2020. Following the success of the MIL, the SIL was developed with the same intention but aimed at watchmakers and jewel creators and our relevant Houses.

Alternative materials for the future

Our EP&L guides us to prioritize innovative solutions, so that we can achieve the greatest positive impact. So, a key area of exploration for the Create pillar is in alternative materials. Solutions relying on biotechnology, recycling, or inputs such as organic waste and mycelium (mushrooms), all show promise. However, in order for these new materials, such as mushroom leather, to be a fully satisfying alternative to conventional leather, they need more research and development. We are

partnering with the best actors in the field to help bring alternative materials to the high level of quality needed for Luxury by applying our know-how of product development. By working with innovators, we believe we can help make the possibility of these new materials become a reality. This close collaboration will allow our creative teams to have premium access to new pioneering sustainable materials.

Upcycling and regenerating

As the Luxury and fashion industries move to become more sustainable, both upcycling and regeneration are not only popular trends, but also essential ones. At Kering, we embrace both practices and continue to find the most effective ways of recycling raw materials and fibers so luxury products can last longer and cause less impact on the environment.

Here are some examples of what we've been doing:

- We have a strategic partnership with ECONYL® and we're scaling up on the sourcing and production of nylon made from plastic waste. Most of the regenerated plastic waste comes in the form of oceanic pollution.

With ECONYL® we are able to regenerate it into nylon, all produced in a fully traceable supply chain.

- We're also minimizing and putting offcuts (nylon, leather, cashmere) to better use. These offcut pieces are being upcycled to create new materials for products and for store design.

- We've already mentioned our work in Mongolia in partnership with the Wildlife Conservation Society, Stanford University and NASA. The South Gobi Cashmere Project is yielding very interesting results with regard to regenerative cashmere.





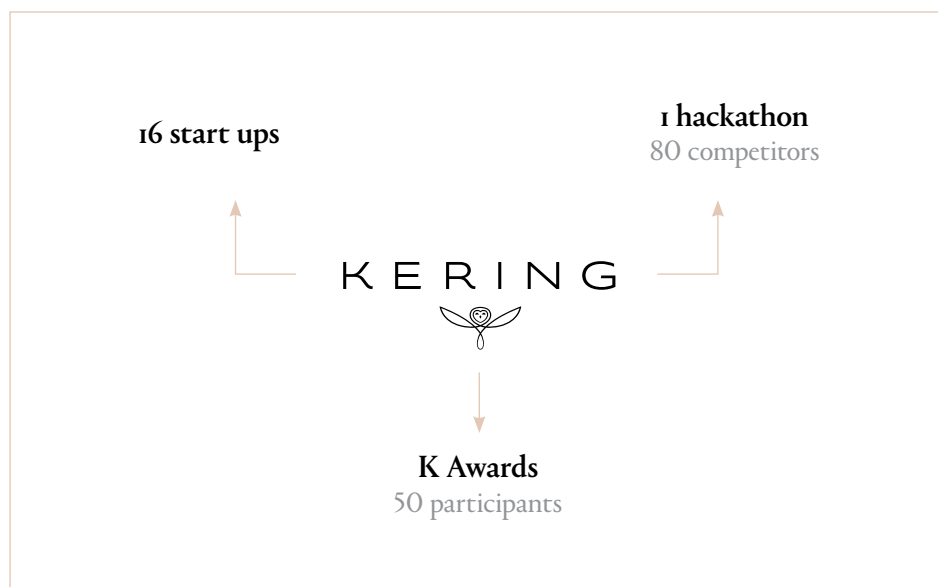
Seeking next-generation innovation: Kering and start ups

“As one of the world’s largest economies, China can play a critical role in pioneering global sustainable solutions. With the K Generation Award, we wanted to ignite cross-industry collaborations and to empower the next generation to find and scale innovations for sustainable and ethical fashion.”

François-Henri Pinault
Chairman and Chief Executive Officer

Whether it’s with sourcing, supply chains or circularity, you can see how our sustainability strategy is paying off thanks to technological innovation. It’s what empowers sustainable creation - the way forward from gradual change into

disruptive transformation. In order to access next-generation sustainable innovations, we continuously seek the talent of creators and start ups across the world. We are in the process of working on dozens of pilots with partnering start ups and have invested in some, like Worn Again Technologies.



When it comes to innovation, we want to help lead our industry forward

Kering is proud to be a pioneer in our sector, working with start ups and fashion for Good's Accelerator program, incubated with the support of the Silicon Valley based investor, Plug & Play. With the ultimate aim of accelerating innovation across fashion and Luxury, the Accelerator takes a comprehensive approach to the apparel supply chain. Several other corporate, supply chain and financing partners have since joined the venture while our own commitment has deepened,

notably through a strategic partnership with Plug & Play in China. We fully acknowledge China's importance in fashion, Luxury and technology. As part of Shanghai fashion Week in October 2019, Kering and Plug & Play held the first K Generation Talk & Award Ceremony for sustainable innovation in China. From several applicants, over 50 start ups were carefully reviewed before selecting the 3 winning projects.

Driving circularity

Circularity and sustainability have been a key focus at Kering for many years. For our industry, fully integrating the guiding principles of the circular economy must be a priority. Our collaboration with Worn Again Technologies as a Pioneer Member dates back to 2015. Kering was one of the first investors in its pioneering closed-loop solution capable of separating polyester polymers and cellulose from non-reusable textile in cotton and so it can be spun back into new fibers. This repeatable process also applies to plastic bottles and packaging. As an original investor and Founding Pioneer Member, Kering will gain premium access to Worn Again's circular PET and cellulose outputs. We plan to put these closed looped materials to good use in our supply chains.

As we strive to create a circular economy throughout our business, we are looking at all areas.

Fashion for Good is our partner on a recently-launched pilot project: The Circular Polybag. It is the first attempt fashion and Luxury has made to find a completely circular solution for virgin polybags. Using post-consumer polybag waste, this innovation facilitates the creation of high quality, recycled content polybags; a solution that brings us closer to creating a truly closed loop system. In the spirit of open innovation, the pilot is a multibrand initiative with other Fashion For Good corporate members. The aim is to help scale the solution across the industry faster and completely close the loop so that the polybags taken from brands are re-used by them.

The Make Fashion Circular initiative orchestrated by the Ellen McArthur Foundation is another program that leads research in the field of circular economy, regularly sharing knowledge and best practices with us, and our peers. Kering is proud to be a "Participant" in Make Fashion Circular.

Looking at our challenges through a different lens

As we constantly search for next generation innovation and disruptions, we think it's possible to hack for the right reasons. Kering selected 80 developers and experts from over 250 candidates to participate in the first "Hackathon" for sustainable Luxury in October 2019. Competitors had 48 hours to leverage our pioneering Environmental Profit & Loss (EP&L) account

data sets to create a new generation of applications or digital solutions to help close the gap in understanding the link between luxury fashion and its impact on the environment. As an example, the winning project, named "Core" was a prediction and recommendation platform creative teams can use to make sustainable design choices.

Our Houses in action

Gucci

Saint Laurent

Bottega Veneta

Balenciaga

Alexander McQueen

Brioni

Boucheron

Pomellato

Kering Eyewear



Gucci

Gucci has been focused on reducing its footprint across the supply chain through low-impact alternative and sustainable materials, sustainable sourcing and manufacturing efficiencies. To compliment its ambitious reduction strategy, Gucci is innovating circular approaches to waste less and minimize the House's use of new raw materials. Recycled fibers are a cornerstone of its strategy and many of the recycled fibers incorporated into Gucci's collections are derived from post-industrial waste fiber, yarn and fabrics scraps. Gucci's "Scrap-Less" methodology has significantly reduced the environmental impact of its leather production when compared to traditional methods. By simply trimming the hide to size before tanning, Gucci is able to process only what is needed while reducing the amount of water, energy and chemicals required to treat the material and the resulting waste. Gucci also upcycles leather and textile waste generated during manufacturing through its "Gucci-Up" program, which led to the reuse of around

11 tons of leather scraps and saved approximately 4,500 tons of CO₂ in 2018. Gucci was the first luxury brand to utilize ECONYL's® recycled and regenerated nylon fiber derived from fishnets, carpets and textile waste in its ready-to-wear pieces. This partnership has expanded to include the "ECONYL®-GUCCI Pre Consumer Fabric Take Back Program" whereby suppliers recover any ECONYL® regenerated nylon scraps from Gucci's production and transforms them into a new high-quality yarn. This kind of collaboration is vital to support circularity and through Chime for Change, Gucci partners with the Mumbai-based NGO, I was a Sari, in their mission to upcycle leftover scrap leather and fabric materials to produce embroidery for the global fashion market. Combining circularity and social enterprise, I was a Sari trains women in underprivileged communities around Mumbai to become world-class embroiderers and helps them gain financial independence.



Saint Laurent

Following Kering sustainability guidelines on traceability, Saint Laurent has developed and implemented a unique traceability system to track leather purchase from all product categories at least from the country of origin. Level of traceability, % of leather purchase aligned with Kering standards and EP&L performance are calculated on a monthly basis. Results are used as part of Saint Laurent supplier vendor rating procedure.

In addition, in 2019, Saint Laurent has launched 2 innovative pilot projects around traceability. For leather, in South Africa, leather lamb skins are traced from farms to finished goods thanks to the laser technology. For mohair, also in South Africa, blockchain is used to trace back our main mohair purchases and farm origin is checked through unique product fingerprint technology.



Bottega Veneta

Bottega Veneta is committed to the transparency of its leather goods' entire production chain ultimately to guarantee responsible sourcing. The traceability of information from the farm that supplies leather through the tanning process and artisanal manufacturing ensures a reduced environmental impact while unveiling the full story of our products.

This complete transparency is possible thanks to nurturing collaborative relationships with all suppliers who are continuously challenged in improving their practices and systematically keeping track of all relevant information.



Balenciaga

Balenciaga continues its support of the World Food Programme with a new collection.

Balenciaga partnered with the World Food Programme in 2018 in an endeavour to draw attention to a recent spike in global hunger and to support global efforts to end it by 2030.

2019 and continuing in 2020, BALENCIAGA is raising funds and spreading awareness with a new collaboration.

The first collaboration between Balenciaga and the humanitarian and development agency featured a range of items carrying the WFP logo and its slogan, “Saving Lives, Changing Lives.” The garments were sold with information about WFP, and a portion of the proceeds from each sale was donated to WFP.

Starting in December 2019, Balenciaga will continue to support WFP’s mission with a new line of clothing and accessories. The collaboration’s previous success provided funds to support the organization’s greatest needs, helping alleviate hunger and malnutrition in vulnerable communities worldwide. The new

collection will continue to raise awareness and support the WFP wherever needs are greatest, and Balenciaga is doubling the amount of proceeds from each product designated as a WFP donation to 20 percent.

This new collection stresses Balenciaga’s commitment to the agency’s aims by integrating its message into some of the brand’s most popular items. The textiles used in the collection are sustainable such as GOTS certified cotton and GRS certified recycled polyester. The collection launched worldwide via retail stores and e-commerce in December 2019.

About World Food Programme

The United Nations World Food Programme — saving lives in emergencies and changing lives for millions through sustainable development. WFP works in more than 80 countries around the world, feeding people caught in conflict and disasters, and laying the foundations for a better future.



Alexander McQueen

Alexander McQueen has been actively progressing in supporting the goals of Kering to reduce environmental impact throughout the supply chain and operations. In addition to moving forward in sourcing sustainable materials, energy efficiency in operations, and supplier engagement, Alexander McQueen has pioneered the use of an innovative forensic technology with traceability expert Oritain in a pilot project to verify the provenance of leather and to trace the leather through the supply chain. The project is an important step in supporting a supply chain aligned with Kering Standards, with traceability and integrity and represents the brand's utilization of innovation and technology to advance its sustainability goals.

The company is also relaunching the brand MCQ as a new business model with an innovative and collaborative platform, integrating fashion and technology, utilizing a unique blockchain which registers each item, allowing consumers to interact and engage with the MYMCQ platform via a tag located in each garment. The new MCQ is aiming to integrate circular economy by promoting the extended life and reuse of garments

among a community of consumers to be connected through this MYMCQ peer to peer platform.

Alexander McQueen is committed to the sustaining of British craft, employing specialist technicians/artisans who have passed down their skills through generations and who rely on such support in order to survive.

Based on the inter-relationships with UK fashion academics and students which have been built through open-access Bond Street installation space and tailored creative programmes instituted since January 2019, Alexander McQueen offers free access to opportunities to the next generation. The scheme ensures the welcomed involvement of socially and economically diverse participants, and a mutually inspiring involvement for the internal teams who take part. In a practical response to academic shortages, rising fees and student hardship, the first round of a scheme which redistributes unused fabric to fashion schools has been delivered. With the aim of consistency over time, this scheme to minimise textile redundancy and storage will involve further logistical development.



Brioni

KMZERO is a limited edition capsule collection featuring a selection of garments crafted exclusively from the finest wool coming from the Abruzzo region, where the Brioni ateliers are located.

By supporting local producers, the KMZERO capsule marks Brioni's commitment to heritage and sustainability.

Abruzzo wool boasts rare thermal insulation properties, allowing it to protect against the heat as well as cooler temperatures. This superior wool is refined from its raw form through a historic artisanal process safeguarded by Brioni's selected Italian weavers, to achieve an exceptional luxurious finish.

This capsule collection is part of a bigger project entitled Autoctonie focusing on local agriculture which includes an ongoing study by the Dipartimento di Economia and Dipartimento di Economia Aziendale.



Boucheron

With 160 years of existence, Boucheron is the ambassador of the French High Jewelry. Recognizable for its audacious collections, the free-spirited jeweler values innovation and boldness. Committed to preserve its long inherited know-how, Boucheron is also concerned by the future and takes responsibility for its impact on the environment.

Each year, Boucheron reinforces its ethical commitments by increasing the purchase of ethical gold with the target to reach 100% by 2020.

The House is also committed to improve the traceability of its stones starting with diamonds, launching a first Market to Mine pilot project in partnership with the GIA. This dedicated capsule “Mon Amour, je sais d’où tu viens” (My love, I know where you come from) of 11 Canadian diamonds were mounted on solitaires and presented in Boucheron Flagship on 26, Place Vendôme. This initiative will be rolled-out worldwide from 2020 as part of the Maison customized offer.



Pomellato

Pomellato has achieved 100% Responsible Gold purchasing in 2018, a first occurrence for a global jewelry brand.

With this milestone, the Milanese jeweler reinforces its pledge for sustainability, traceability and to reducing its environmental impact.

Showing a strong commitment to ethical practices, Pomellato also launched in 2018 the Nuvola collection comprising sustainably sourced, responsible materials.

Each Nuvola jewel is engraved with the Fairmined trademark and comes with a Fairmined “passport of origin” guaranteeing full traceability from mine to final finished jewel. Diamonds are sourced from RJC (Responsible Jewellery Council) members and certified by the GIA (Gemological Institute of America) ensuring the transparency of the diamond supply chain and promoting ethical practices, human rights, environmental protection and good management practices.



Kering Eyewear

In 2019 Kering Eyewear has continued to develop and support various projects that aim to reduce resource consumption and continue to promote parity and diversity. Kering Eyewear has grown rapidly in very little time all thanks to its employees determination and collaborative efforts. We believe that to be successful we have to work together and this is true especially when it comes to sustainability, which is why this year, we focused on strengthening our sustainability engagement with both our employees and suppliers.

Workshops were organized internally to train numerous departments on the 2025 Strategy and the Kering Standards for Raw Materials and Manufacturing Processes to educate, inspire and engage employees.

In 2019 Kering Eyewear also focused on supplier engagement by organizing a “Sustainability Day Workshop.” In addition to the workshop Kering Eyewear also participated in the study “Supporting Women in the Luxury Supply Chain: A Focus on Italy” led by Business for Social Responsibility (BSR) and

Wise Growth with Bottega Veneta, Gucci and Pomellato, in collaboration with Camera Nazionale della Moda and Valore D to conduct a phased supplier engagement strategy across our Italian supply chain.

Lastly, an ongoing workshop has been developed called “Past still Present. Lesson from Art” that links social and cultural sustainability with Italy’s artistic heritage, while also supporting the important initiatives supported by the Kering Foundation. The purpose of this workshop is to highlight how violence against women is something that transcends history and can be very clearly seen in three very famous frescos by Tiziano Vecellio which are found in the Scuola Del Santo in Padova (dated back to the early 1500s). Departing from this idea of “Past Still Present” the workshop takes its participants through a journey of violence against women through the lens of art later bringing us back to the present where we see the same types of offences that women face today.

Methodology

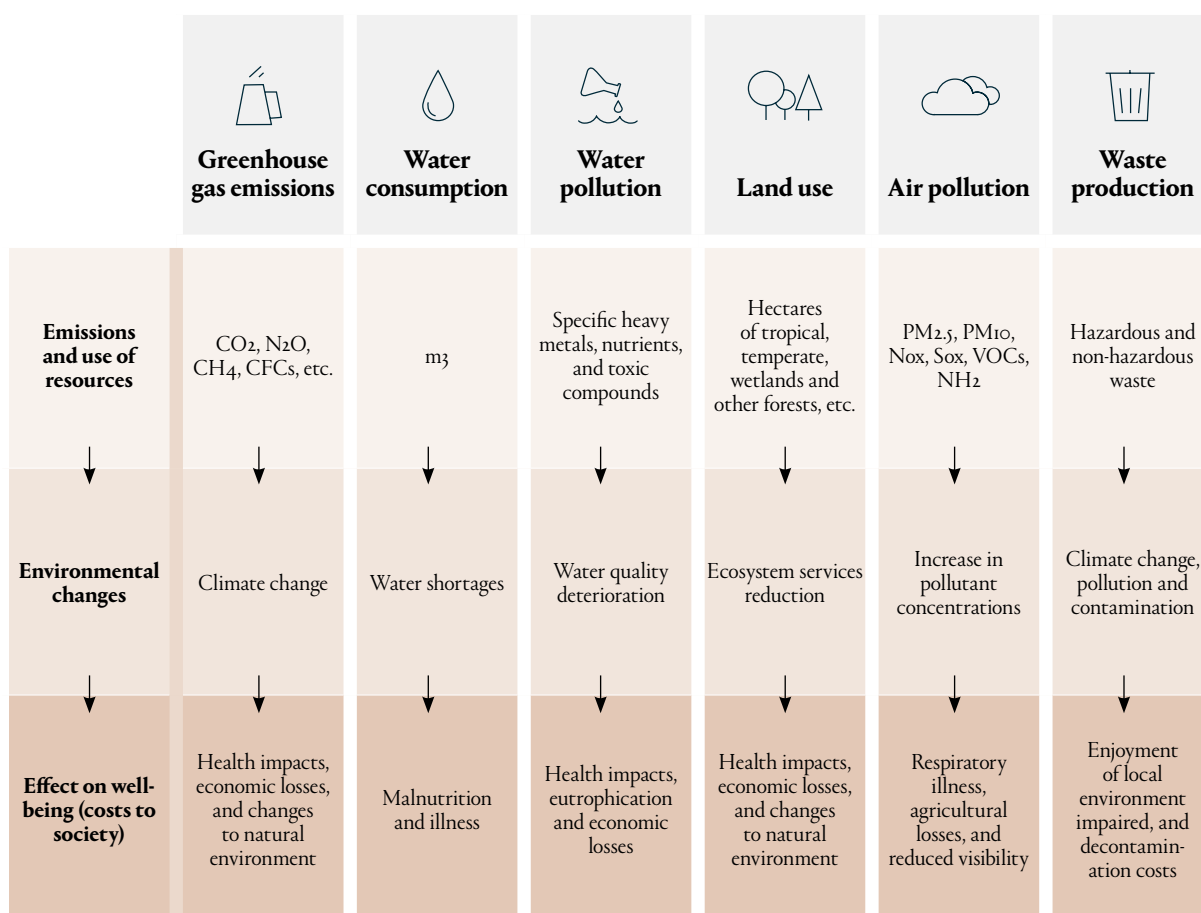
Our sustainability progress is in part underlined by the criteria outlined in the Kering Standards for Raw Materials and Manufacturing Processes and the improvements we have made against our annual Environmental Profit and Loss (EP&L) account. Through our EP&L accounting we go far beyond standard environmental reporting and account for every tier of the supply chain, from Kering's own operations

and stores all the way upstream to the production of raw materials. At each tier, indicators are measured covering greenhouse gas emissions, water consumption, waste production, water pollution, air pollution and land use. In our progress report, these measurements are taken from 2018 in order to align with the 2018 reporting year.

Kering's reporting scope and sustainability progress is measured across all tiers:

Tier 0	Tier 1	Tier 2	Tier 3	Tier 4
Direct operations of stores, offices and warehouses	Final product manufacturing and assembly	Manufacturing and preparation of subcomponents	Processing of raw materials	Production and extraction of raw materials

Kering's reporting scope and sustainability progress encompasses 73 eKPIs across 6 environmental impacts groups:



Kering's reporting scope and sustainability progress takes into account all Scopes 1, 2 and 3 upstream of the Greenhouse Gas Protocol: CO₂ emissions related

to freight transport, passenger transport and upstream energy, but also the Group's carbon impact on all its supply chains (from Tier 4 to 0).

GHG Protocol Scope	Scope 1 (direct) Scope 2 (indirect)	Scope 3 (indirect)			
EP&L Scope	Tier 0 Operations and store	Tier 1 Final assembly	Tier 2 Preparation of subcomponents	Tier 3 Processing of raw materials	Tier 4 Preparation of raw materials

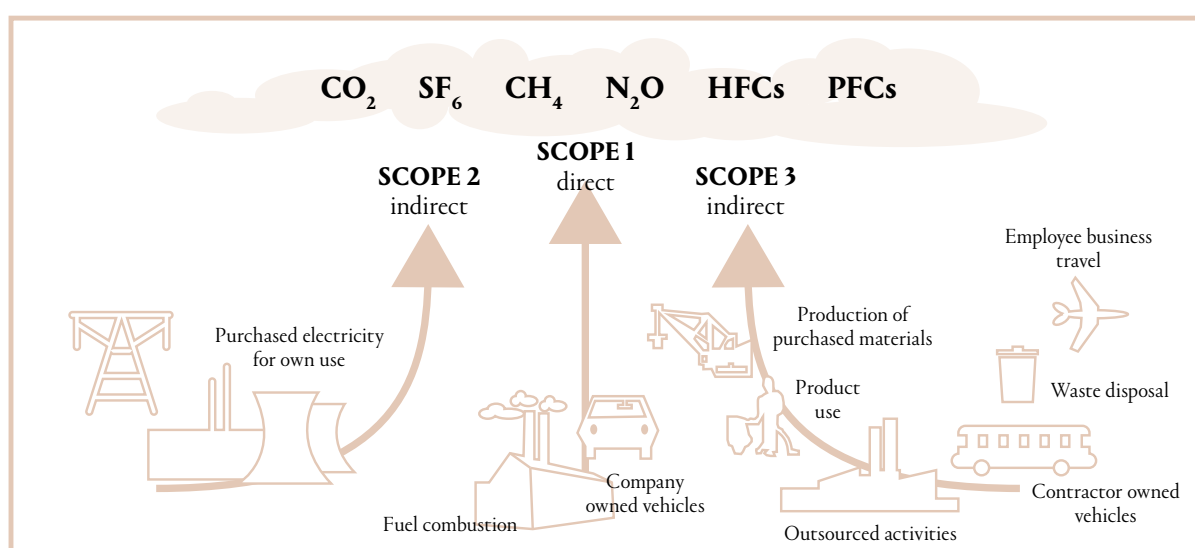
The sites covered in the reporting consolidation scope are brands and business units over which the Group holds operational control (i.e. more than 50% stake), and with operational control takeover since July 1st 2019 at the latest.

To ensure reliable monitoring of trends over the years, several Group indicators are presented on a pro forma basis in this report. This method eliminates any bias due to changes in scope, by taking

into account only the sites that were open during three consecutive years (in this case 2015, 2016, 2017 and 2018).

This means that the pro forma excludes:

- The 2018 sites that were not present in the 2015, 2016 or 2017 reporting;
- The 2015, 2016 or 2017 sites that have been closed in 2018.



The GHG emissions from the environmental reporting can be sorted into two main categories: transport and energy.

Transport: The transportation flows included in the environmental reporting correspond exclusively to all transport carried out under the brands' control (i.e. paid by them). Transportation flows paid by customers, especially for jewellery and watches brands, are not part of the reporting scope because they are outside Kering's operational control.

In order to make things clearer, transportation was split in two categories for data collection:

“B to B” transport:

- deliveries from suppliers when paid by Kering brands, regardless of the type of site delivered (store, warehouse, industrial site, etc.)
- flows of supply to stores by the warehouses or between warehouses
- express deliveries

“B to C” transport:

- deliveries to customers

CO₂ emissions linked to transportation:

- In some instances, carriers are able to provide precise annual reporting of CO₂ emissions and activity data (tons.km) linked to the shipments they handled, with any kind of transportation. These CO₂ emissions are calculated according to the EN-16258 standard and are automatically communicated to the logistics managers in charge.

- For the other carriers, emission factors are used to calculate and transcribe a physical flow into its environmental impact (i.e. the amount of CO₂ released in the atmosphere). In the case of transport indicators, the purpose is to estimate the CO₂ emissions related to logistical flows.

The emission factors considered by Kering include CO₂ emissions originating from the “upstream” fuel phase (i.e. during extraction, production and transport of fuels), even if the Group doesn't have direct control over such emissions, in order to be consistent with the EP&L methodology.

Business travel: In order to have more precise data for business travel, Kering used the data from their travel agencies. This reporting methodology takes into account the class used, the real distance, etc. CO₂ values provided by the travel agencies reporting are based on the guidelines produced by DEFRA's GHG Conversion Factors. The value represents total Greenhouse Gas (GHG) emissions.

Energy - Electricity: The emission factors used to calculate the emissions of greenhouse gases linked to the production of the electricity consumed by Kering are specific to the countries where the sites of Kering are located. In an effort to match numbers with the reality of the different types of energy mix in

the various countries and regions of Group operations, Kering used emission factors specific to each of its countries and regions of operation. Energy mixes used by Kering come from the International Energy Agency (IEA) databases, which are regularly updated.

Emission factors related to Scope 2 (i.e. emissions linked to combustion during the electricity production) and Scope 3 (i.e. emissions linked to extraction, refinery and transportation of fuel as well as emissions linked to the construction of energy generation units for renewable energy and nuclear energy) are evaluated based on an LCA approach (Life Cycle Analysis).

Energy – Fuels: The CO₂ emission factors related to the consumption of energy come from the Base Carbone® v11.4 of Ademe (updated on August 5th 2016). The emission factors for liquid, gaseous and solid fuels are composed of a combustion phase and an upstream phase.

For more information

[CLICK HERE](#)
to discover the Methodological Note
Environmental Reporting 2018!

Kering's sustainability progress is defined by the criteria outlined in the Kering Standards for Raw Materials and Manufacturing Progress

[CLICK HERE](#)
to discover the Kering Standard for
Raw Materials and Manufacturing!

The Kering Animal Welfare Standards underline all animal-based raw materials

[CLICK HERE](#)
to discover the Kering Animal Welfare Standards!

K E R I N G



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