

**METHODOLOGICAL
NOTE
SOCIAL REPORTING**

2020

K E R I N G



ORGANISATION OF KERING SOCIAL REPORTING

Social reporting topics

The Social Reporting enables Kering to track a number of labour indicators structured around 9 main topics: workforce, working time, Group HR profile (age, seniority), employment, absenteeism, training, safety & working conditions, industrial relations and compensation.

Social indicators related to the workforce (disabled employees and average monthly number of temporary contracts excluded), working time, Group HR profile and employment are reported monthly. The frequency of reporting of the other social indicators is annual.

The list of indicators may change over time, since the relevance of each indicator is reviewed annually.

Furthermore, new indicators may be created according to current events, new laws and in response to needs of the various brands.

Reporting tool

The Labour Report has been published since 2004, based on the use of a dedicated web-enabled platform designed to collect, validate and consolidate HR data from all Kering entities worldwide.

The tool's tree-structure is defined, and annually updated, by each brand based on its own organisation and needs, so as to guarantee the Group's decentralised operational principle.

A 3-Tier controlling process

The process of the social reporting is formalized through various documents, updated and annually submitted to all employees involved in the process.

The data collected through the reporting are approved at various organisational levels in the Group:

At each entity's level:

Collection of labour data is fuelled by a "contributor" specifically identified in each brand. The contributor guarantees the consistency and reliability of the data over his/her scope of responsibility.

Overall, nearly 170 contributors worldwide participate in the collection of the labour data.

After checking the data forwarded for his/her entity, each contributor forwards them to the approver of his/her brand.

At brand level:

Each brand has designated an approver responsible for double-checking all the data supplied by the contributors of the brand.

On completion of this second verification, designed to check the consistency of data among the various entities, along with the trends versus the previous year, the approver signs off on the entire set of data for his/her brand.

At Kering level:

The data originating from the various brands are consolidated by the manager in charge of the Social Reporting at corporate level, followed by a final check of consistency and justification of the data.

Social indicators are directly imported every year in the web-enabled platform from another HRIS tool dedicated to the collection of social contractual and payroll information. Data can be collected on monthly, quarterly or annual basis in this tool.

SCOPE OF KERING SOCIAL REPORTING

Scope

The scope covered by the social reporting process corresponds to the scope of consolidation as defined and updated throughout the year by the financial consolidation. It corresponds to the legal brands consolidated in “full consolidation” by Kering finance department for the year.

Information related to changes in the consolidated scope is provided to the HR department team by the financial department.

The final scope is formalised by the financial department on the 31st of December through the document “final financial scope”.

Every month and at the end of each year, HRIS and Finance teams coordinate in order to ensure the consistency between the financial and social scopes.

In 2020, recently acquired entities in Italy and in Serbia have been integrated in the scope of consolidation. Middle East is consolidated with Africa and Asia presented as a single geographic region since 2018.

Additional information:

Entities created in 2020 are included in the social reporting regardless of the date, provided they are fully consolidated by the Group's finance department for the financial year.

Brands consolidated by Finance after June 30 of the year may be excluded from the reporting scope the first year if the HR department team believes it is too early to produce reliable and consistent information based on Group definitions.

Scope coverage rate

For some indicators, data collection was not possible in all entities within the Group scope (cultural factors, legal factors, lack of data traceability...).

For each labour reporting indicator, a “coverage rate” is therefore indicated, corresponding to a ratio: number of entities who supplied data for the indicator divided by the total registered workforce of the Group worldwide.

Example: Kering had 503 disabled workers on December 2020, 31st.

The traceability of this indicator is legally prohibited in the USA and UK, therefore the coverage rate for this indicator represents 33 620 employees i.e. 87.2% of the registered workforce on December 2020, 31st.

KERING SOCIAL REPORTING INDICATORS

Details on indicators relative to the workforce

The “**registered workforce**” corresponds to all employees belonging to the staff on the last day of the period, having a direct work contract with the company:

Permanent contracts and fixed-term contracts in existence at the end of the period on a full-time or part-time basis, working on site or remotely.

“Suspended” contracts: maternity/paternity leave, unpaid leave, sabbatical leave, leave to start up a company, permanent absence, etc.).

Apprenticeship contract, qualification contract or any other direct contract with Kering relating to young people’s entry into working life,

The “**registered workforce**” excludes temporary agencies staff, student interns and casual workers.

Note: expatriate employees (employees sent overseas by their employer without secondment agreement) are reported by the entity in the host country (local entity).

In 2015, the way of counting the employment contracts in China has been standardised at the Group level:

“Permanent Contract”: the contracts with the intention to employ the employee permanently, independently of the type of contract, and if the company has a direct contract with the employee (no external agency).

“Fixed term contracts”: the contracts for which employees work for a certain period of time (e.g. replacement for maternity leave/sick leave/short term contract for projects - excluding external agency contracts).

Manager

In 2020, the methodology is in line with 2019. In 2019, the notion of manager was changed to reflect the number of people supervising teams. This change in methodology has impacted the count of managers/non-managers in all of the Group’s Houses. The 2020 and 2019 indicator is therefore not comparable to the 2018 indicator.

In 2018, the implementation of a new digital Human Resources platform integrated worldwide for all the Group’s Houses and regions has been an opportunity to redefine the job positions referential and to deploy a new Managers/Non-Managers structure. For instance, this definition was grade-based and did not include all Store Managers.

Number of disabled workers on 31/12

This indicator includes any employee whose capacities to obtain or keep a job are effectively limited, resulting of an insufficiency or a reduction of her/his physical or mental capacities, and being able to work (the notion is distinct from that of a worker declared unfit by occupational medicine). The data reported correspond to the number of disabled workers registered at the end of the reporting period.

In France, this includes employees who officially declared their disability to the relevant authorities and eligible under the employment beneficiary categories defined by the Law of 11 February 2005 on Equal Rights & Opportunities, Participation and Civil Rights of Disabled Persons.

In other countries, it covers any employee recognised as a disabled worker by an authority accredited for this purpose by applicable national laws. USA and UK are excluded from the scope of this indicator, since the traceability of this indicator is legally prohibited and therefore not released.

Temp/contract workers

This indicator counts all employees with a temporary contract through the intermediary of a service-providing company/temp agency working with Kering and specialised in the loan of temporary workers.

These employees are recorded on a Full-Time Equivalent (FTE) basis i.e. prorated to the length of presence from the 01/01 to the 31/12 and to the length of the contract, converted to the legal weekly hours. All the employees are counted the same way, whatever the purpose of the contract.

In countries when temporary employment agencies do not exist, this indicator counts any person hired to fill in on a temporary basis due to an occasional shortage of the permanent workforce.

Details on indicators relative to working time

Weekly working time

The average working time shown in the Universal Registration Document was calculated based on a weighted average system taking into account the average working time in each entity of the reporting scope against its registered workforce.

Example: The following weighted average was defined to calculate the average working time:

*((Average working time Entity A * Registered workforce Entity France A) + ... + (Average working time Entity Z * Registered workforce Entity Z)) / Sum of registered workforce in Entities (entities A ... Z)*

Part time

All data on part-time employment published in the Universal Registration Document cover only employees registered under permanent job contracts.

Theoretical number of working days

The theoretical number of working days of an entity is the multiplication of “the theoretical number of working days per year for one employee” by “the average monthly staff of the entity”.

The theoretical number of working days per year for one employee is calculated as follows:

(52 weeks * 5 days) - number of annual paid leave in the year – number of RTT days (for France only) – number of not worked bank holidays.

The average monthly staff is calculated as follows:

Sum of registered staff of each month in FTE/ 12

*Example: The average monthly staff of my entity is 52.5 employees (FTE), the theoretical number of working days by employee is 235. The theoretical number of working days for the entity is 52.5*235 = 12, 337.5 days.*

In 2020, a deduction of partial unemployment hours due to the pandemic has been applied to the theoretical workable days. This was therefore reflected in the worked hours, absenteeism rate, frequency and severity rate of accidents.

Worked hours

The number of worked hours in an entity refers to the amount of worked hours actually performed by all employees during the reporting period, regardless of whether the employees are still present or not at the end of the period, including overtime and excluding absences and partial unemployment.

Overtime

All the working hours done beyond the weekly working hours or the length considered as equivalent. The surcharge rate is not taken into account. Recovery hours and additional hours worked by part-time employees are not included in the calculation of this indicator.

This indicator has grown in 2018 due to the progressive implementation of new rules regarding Sunday working in France (Law of 6 August 2015 for economic growth, activity and equal economic opportunities).

Absenteeism

The “Total absenteeism” indicator counts all absences except for paid leave, special leave (marriage, baptism, moves, etc.), training leave, unpaid leave, parental leave and trade union duty leave. “Absenteeism for illness” includes all absences linked to illness, workplace and commuting accidents, and occupational diseases.

Absenteeism is reported in working days, from the first day lost.

Details on indicators relative to employment

Hirings

The following rules are used to calculate the indicator on new hires:

For temporary/fixed-term job contracts

If the temporary contract is renewed, then the fixed-term contract hire is only counted once.

For two successive temporary contracts with a non-working period in-between, then two fixed-term contract hires are counted.

For two successive temporary contracts with a change of position, two fixed-term contract hires are counted.

In the case of an employee hired under a fixed-term contract converted subsequently into a permanent contract, then one fixed-term contract plus one permanent contract hires are counted.

For permanent job contracts

If a permanent contract employee is transferred to another brand, then a permanent contract hire is counted in the new brand.

In case of expatriation, one hiring is counted as a permanent contract in the entity where the employee is expatriated.

In case of integration of brand during the year, hirings are counted only from the integration date.

As the way of counting the employment contracts in China has been standardised in 2015, some new hirings for the concerned entities are related to the conversion to permanent of contract that were accounted for as fixed-term until then.

Additional information relative to internal transfers

In case of transfers of employees between two entities of the brand or the Group (permanent contract): 1 hiring is counted in the new entity and 1 leaving due to transfer is counted in the previous entity.

Departures

If the temporary fixed-term contract was renewed, the departure of that employee will be counted after the renewal time.

For two successive temporary contracts with a non-working period in-between, then two fixed-term contract departures are counted.

For two successive temporary contracts with a change of position, two fixed-term contract departures are counted.

In the case of an employee hired under a temporary fixed-term contract converted into a permanent contract, then one fixed-term contract departure is counted.

In case of mobility between two entities, a departure is accounted for in the employee’s departure entity.

In case of expatriation, one permanent contract’s leaving is counted and in the former entity.

Note: departures initiated by employees reported include leavings initiated by the employee and leavings due to internal transfer to other entity; dismissals include leavings initiated by the employer, except for economic dismissals.

Details on indicators relative to HR profile

All data relative to the Group's human resources profile (average age, average seniority) concern exclusively permanent contract employees.

Seniority as expressed in the report means seniority within Kering. It takes into account the professional experiences acquired by the employee within the various Kering brands.

In the event of the conversion of a temporary fixed-term contract to a permanent contract, seniority is counted in accordance with applicable law in the relevant country.

Details on indicators relative to industrial relations

Collective agreements signed in the brand

This indicator concerns only collective agreements negotiated or renewed and signed between the employer and the employees or their representatives during the reference year, to the exclusion of agreements signed before the reporting period but still in effect.

The following are excluded from this indicator:

- Branch-level agreement or national agreements
- Agreements not intended to govern labour relations, working conditions or wages
- Agreements renewed automatically

Strikes

This indicator counts only collective work stoppages linked to collective grievances.

Details on indicators relative to training

Training budget

This indicator accounts for all the sums spent for personnel training in the relevant entities: educational costs, wages of employees in training, payments to training institutions, trainees' expenses, trainer's fees in case of internal training.

Workforce trained

The indicator « workforce trained » is the number of employees who had at least one or more than one training during the year even if they are no longer registered at the end of the year. The trainings may have been conducted whether in-house or externally and are all accounted for, whether they are attributable or not.

The concept of « workforce trained » provided in the Universal Registration Document, when there is no precision, include both « workforce trained in safety » and « workforce trained excluding safety ».

Training hours

This indicator includes all training hours attended by employees during their normal working time, whether in-house or externally, even if they are no longer registered at the end of the year.

The concept of « training hours » provided in the Universal Registration Document, when there is no precision, include both « safety training hours » and « training hours excluding safety ».

The number of training hours is counted on the basis of training cost during the year concerned.

Details on indicators relative to safety and working conditions

Workplace accidents

This indicator includes all accidents that occurred at the workplace or during business trips, leading both to an official report and at least one working day lost, regardless of the national legislation in force. Workplace/home commuting accidents or relapses are not counted in this indicator.

The number of days lost due to work accidents is reported in calendar days as from 2019 (data for the previous years, reported in working days, were not restated.).

Safety training

This indicator takes into account all training sessions on occupational safety. An employee who attended several safety training programmes during the year is counted only once.

INDEPENDENT AUDIT OF DATA

The extra-financial data published in the Universal Registration Document were verified by one of the statutory auditors, DELOITTE & Associés.

Pursuant to Article L.225-102-1 of the French Commercial Code, Kering, appointed one of its Statutory Auditors as Independent Third Party responsible for the verification of the information published in Chapter 3.1 of the 2020 Universal Registration Document. The report by the Statutory Auditor can be found on page 225 to 227 of Kering 2020 Universal Registration Document and concerns, among other things, the fairness of qualitative and quantitative published environmental, social and societal information.

Empowering Imagination