



METHODOLOGY MEMO

KERING 2018 SOCIAL REPORTING

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.

The frequency of reporting of all the 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, in keeping with 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 90 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 in this HRIS tool whether on monthly, quarterly or annual basis.

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 31th 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 both of their perimeters.

A correlation matrix between the financial scope and the social scope is formalized annually by the HR department to ensure a perfect match of the perimeters.

In 2018, For every workforce indicator presented, 2017 data have been restated to reflect changes in Group structure in 2018 on a pro forma basis.

Middle East is consolidated with Africa and Asia presented as a single geographic region.

Additional information:

Entities created in 2018 regardless of the date are included in the social reporting, since they are full consolidated by Kering finance department for the 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 474 disabled workers on 31 December 2018.

The traceability of this indicator is legally prohibited in the USA and UK, therefore the coverage rate for this indicator represents 29 950 employees i.e. 86.1% of the registered workforce on December 2016 31st.

KERING SOCIAL REPORTING INDICATORS

Details on indicators relative to the workforce

The “**registered workforce**” corresponds to all employees hired under an employment contract and counted into the salary system on 31 December in one of the Group brands, regardless of the type or duration of the contract. It includes:

- CDI (permanent contracts) and CDD (temporary fixed-term contracts) employees present on 31/12, whether full or part time,
- Registered employees leaving the job on 31/12 (including fixed-term employees),
- Suspended employment contracts (parental leave, unpaid leave, sabbaticals, leave for business creation, long term leave, etc.),
- “Professionalization” or apprenticeship contracts,
- Telecommuters.

The following are therefore excluded from the registered workforce: temporary workers, student interns and contract labour.

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, independent 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).

In case of specific local contracts, the brands took into account what is considered as ‘personal costs’ in payroll system and finance department.

Manager

Is accounted as “manager” an employee working in a brand where the status of « manager » or « non-manager » refers to an internal system of reference that places its function in the category « manager ».



The introduction of a new, digital HR platform for all of the Group's Houses and regions worldwide provided an opportunity to review job definitions and deploy new criteria for determining manager/non-manager status. The change had the effect of reducing the number of managers reported this year. The new definition of a manager is based on job level and does not include, for example, all store managers.

Number of disabled workers on 31/12

This indicator counts all employees able to work but whose abilities to gain or keep gainful employment are limited due to insufficient or reduced physical and/or mental abilities.

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 working under an employment contract with a termination date, signed with an external contractor specialised in the provision of temporary workers.

The temp/contract labour indicator is counted as Full Time Equivalent (FTE), and therefore calculated proportionately to the actual time worked and contracted for the employees concerned during the fiscal year.

In countries when temp agencies do not exist, this indicator counts any person hired primarily 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 Reference 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:

$$\frac{((\text{Average working time Entity A} * \text{Registered workforce Entity France A}) + \dots + (\text{Average working time Entity Z} * \text{Registered workforce Entity Z}))}{\text{Sum of registered workforce in Entities (entities A ... Z)}}$$

Part time

All data on part-time employment published in the Reference Document cover only employees registered under permanent job contracts (CDI).

Overtime

Any hours worked beyond the legal working time in the entity's country are regarded as overtime. No distinction is made between the various rates of overtime paid.

Additional hours worked by part-time employees are not included in the calculation of this indicator.



This indicator has grown this year 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).

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 $52.5 \times 235 = 12,337.5$ days.

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.

Precision:

- in case of an absence covers two consecutive periods, please recalculate the number of days of absence based on the reference period: if an employee is absent from Monday 28th of December to Friday 8th of January, you shall report 4 days of absence at 31/12 for the current year, the remaining days over January shall be accounted for in the following reporting period.
- pro-rata applies depending of full/ part time employee: 1 day of absence employee working 50% = 0.5 day into reporting, 1 day of absence for an employee working full time= 1 day into reporting.

Details on indicators relative to employment

Hiring

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

For temporary/fixed-term job contracts (CDD)

If the temporary contract is renewed, then the CDD hire is only counted once.

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

For two successive temporary contracts with a change of position, two CDD hires are counted.

In the case of an employee hired under a temporary CDD contract converted subsequently into a permanent CDI contract, then one CDD plus one CDI hires are counted.

For permanent job contracts (CDI)

If a permanent CDI employee is transferred to another brand, then a CDI 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 change from fixed-term status to the permanent one.

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 CDD contract was renewed, any 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 CDD departures are counted.

For two successive temporary contracts with a change of position, two CDD departures are counted.

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

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

Specification : departures at the employees' initiative mentioned in the Reference Document include leavings initiated by the employee and leavings due to internal transfer to other entity; dismissals include leavings initiated by the employer, except 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 employees (CDI contracts).

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 that a temporary CDD contract is converted into a permanent CDI contract, seniority is then counted in accordance with applicable law in the relevant country.

Details on indicators relative to compensation

Annual payroll expenses

The indicator called "Annual Payroll Expenses" excludes social contributions, profit sharing and employee shareholding.

It totals all the sums subject to social contributions (salaries, fixed and variable incentive bonuses, extra pay wages) and paid to the employees counted in the year's workforce.



The compensation of employees in expatriation as well as social data related to them, are accounted in the entity where the employees are received.

Details on indicators relative to industrial relations

Collective agreements signed in the brand

This indicator concerns only collective agreements negotiated and signed between the employer and the employees or their representatives.

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.

Please note that across a brand or a country, a collective agreement on a same topic could have been signed within different entities. In the indicator “number of collective agreements signed in the brand”, each agreement is counted as many times as it has been signed in a brand or country.

Strikes

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



Details on indicators relative to training

Training budget

This indicator totals 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.

The concept of « workforce trained » provided in the Reference 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 Reference 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 the budget for training 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. Workplace/home commuting accidents or relapses are not counted in this indicator.

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.

The number of days lost following an accident at work are recorded in working days.

INDEPENDENT AUDIT OF DATA

For the twelfth year in a row, the extra-financial data published in the Reference 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 2018 reference document.

The report by the Statutory Auditor concerns, among other things, the fairness of qualitative and quantitative published environmental, social and societal information.

The report issued by our Statutory Auditors can be found on page 149 to 151 of Kering 2018 Reference Document.