

KnowTheChain Apparel & Footwear Benchmark - Additional Disclosure 2020/2021

Company Name: **KERING**

Date: **February 25, 2021**

This additional disclosure by Kering complements our detailed response and only provides additional information for which KnowTheChain could not yet identify sufficient information. We invite you to review our various publications and reporting disclosure, including – but not limited to – the following:

- Our 2019 Universal Registration Document (published March 2020) and 2020 URD (published March 2021) <https://keringcorporate.dam.kering.com/m/4727d00d80ab511e/original/2019-Universal-Registration-Document-.pdf>
- Kering Code of Ethics <https://keringcorporate.dam.kering.com/m/54bb996280ffd2c5/original/Document-Code-of-Ethics-EN-2019.pdf>
- Kering Sustainability Principles <https://keringcorporate.dam.kering.com/m/0af202fd3de1740b/original/Sustainability-principles-Kering-Luxury-Activities.pdf>
- Kering Standards <https://keringcorporate.dam.kering.com/m/75995a4c6ddb4a42/original/Kering-Standards-for-raw-materials-and-manufacturing-processes.pdf>

You can also check our website content, especially:

- <https://progress-report.kering.com/>
- <http://www.kering.com/en/sustainability>
- <http://www.kering.com/en/sustainability/news>
- <http://www.kering.com/en/sustainability/2025-strategy>
- <http://www.kering.com/en/sustainability/media-library>
- <http://www.kering.com/en/sustainability/recognition>

THEME 1: COMMITMENT AND GOVERNANCE

1.1 Commitment

The company:

- (1) publicly demonstrates its commitment to addressing forced labor and human trafficking.

Criteria achieved per the information collected by KTC from our open source documents. See our Code of Ethics, including our Suppliers' charter, as well as our Sustainability Principles and the Kering Standards for Raw Materials and Production Processes.

1.2 Supplier Code of Conduct

The company's supplier code of conduct:

- (1) requires suppliers to respect the ILO core labor standards, which include the elimination of forced labor;
- (2) is easily accessible from the company's website;

Criteria achieved per the information collected by KTC from our open source documents.

(3) is updated regularly, following internal review and input from external stakeholders;

Kering is regularly updating its Code of Ethics. In particular, the Code was updated and revised in 2018 and 2019, with review by the Board of Directors early 2019 (March 14, 2019 – cf 2019 URD p226) and circulated in June 2019 to all employees.

(4) is communicated to the company's suppliers; and

As announced in our 2019 URD, Kering did roll out a communication plan directly addressed to its suppliers about the Code of Conduct and alert system in 2020, in the form of a dedicated website and a flyer and poster downloadable. The campaign was translated into 15 languages. More details will be provided in our 2020 URD to be published end March 2021.

(5) requires its first-tier suppliers to take steps to ensure that their own suppliers implement standards that are in-line with the company's supply chain policies addressing forced labor and human trafficking.

Criteria achieved per the information collected by KTC from our open source documents.

1.3 Management and Accountability

The company:

(1) has a committee, team, program, or officer responsible for the implementation of its supply chain policies that address forced labor and human trafficking; and

Criteria achieved per the information collected by KTC from our open source documents.

(2) has tasked a board member or board committee with oversight of its supply chain policies that address forced labor and human trafficking.

At Board level, the Sustainability Committee is in charge of this topic. In 2019, the Committee reviewed the update of the Code of Ethics - that includes the Suppliers' charter - before it was reviewed and approved in a Board session (March 14, 2019 – cf 2019 URD p226). In addition, all members of the Executive Committee including Kering's President and CEO François-Henri Pinault have signed the Code (cf Code p5).

1.4 Training

The company:

(1) trains all relevant decision-makers within the company on risks and policies that address forced labor and human trafficking;

Criteria achieved per the information collected by KTC from our open source documents.

(2) trains its first-tier suppliers on risks and policies that address forced labor and human trafficking and discloses the percentage of first-tier suppliers trained; and

(3) engages in capacity building to enable its suppliers to cascade its supply chain policies that address forced labor and human trafficking to their own supply chains and/or trains suppliers below the first tier on such policies.

Answer to (2) and (3) This information will be accessible in Kering's 2020 URD. In addition to the communication plan rolled out in 2020 towards our suppliers, Kering designed and implemented a

new supplier portal in 2020. This portal is an online collaborative platform, accessible to all suppliers of the Group's brands via the Kering supplier space, a single point of contact between suppliers and the Group on various subjects including sustainability. The supplier portal is a new tool for evaluating ("Vendor Rating System"), sharing information and practices in terms of sustainable development. In particular, the new supplier portal will enable the Group to continuously evaluate, through a dedicated questionnaire, the implementation of the Kering Standards throughout its extended upstream supply chain. To accompany this launch, online training has been provided to 200 suppliers in different product categories, complemented by the establishment of a support team and a dedicated mailbox.

This platform also provides direct access to the e-learning dedicated to the Kering Standards which aim to explain to suppliers our vision of sustainable production. The Kering Standards set out the criteria imposed on the Group and its suppliers in five key areas including social impact, laying down minimum requirements for prospective Group suppliers in each of these five areas, and set out the more demanding requirements that suppliers will be required to meet by 2025. See Kering's Standards p161 Appendix Social Compliance and Enforcement of the Kering Code of Ethics in Supply Chain. A supplier training on the Kering Standards was already launched in 2019, see 2019 URD p141 – "4.2.3 Circulation of the Kering Standards" and p141 "4.2.4 Initiatives aimed at supporting suppliers and encouraging them to adopt sustainable practices".

In addition, in the context of the suppliers' charter, suppliers are required to cascade these requirements to their own suppliers and subcontractors.

Stakeholder Engagement

To fully understand and address working conditions in sourcing countries, companies need to engage with potentially affected groups and local stakeholders such as trade unions, worker organizations, or local NGOs—in addition to suppliers. Furthermore, as forced labor risks tend to be systemic in nature, collaboration with other companies, for example, to engage policy makers to strengthen labor legislation, is needed to address forced labor in supply chains.

In the last three years, the company has engaged relevant stakeholders by:

- (1) providing at least two examples of engagements on forced labor and human trafficking with stakeholders such as policy makers, worker rights organizations, or local NGOs in countries in which its first-tier suppliers and suppliers below the first tier operate; and

We have been engaging with the Alliance for corporate transparency through Frank Bold business advisory, for an initial engagement on human rights matters **at EU level in terms of future legislation on supply chain due diligence**. In addition, we are participating to the **OECD Advisory group** and Forum on **Due Diligence in the Garment and footwear sector**, promoting responsible supply chain due diligence.

As presented in our 2019 URD (p145), 83,8% of our suppliers are located in Italy. In this country, Kering and its Italian Houses launched in 2019 a major study on the role of women in the supply chain, in collaboration with the *Camera Nazionale della Moda* and three specialist associations (BSR, Wise Growth and Valore D). The study identified four priority focuses: working conditions and economic opportunities, leadership and career advancement, motherhood, and workplace conduct and harassment. This project is described p64-65 of our 2019 URD. It was continued in 2020 (and Saint Laurent joined). Supply chain map as of FY2020 and outcomes of the 2020 developments are presented in our 2020 URD.

Beyond, we are conducting ongoing efforts to achieve traceability of our supply chain – we have already managed to achieve 74% traceability, in line with our target to achieve 100% traceability by 2025. There is still a part “unspecified”.

- (2) actively participating in one or more multi-stakeholder or industry initiatives focused on eradicating forced labor and human trafficking across the industry.

Kering is participating to several multi-stakeholder initiatives focused on eradicating forced labor and human trafficking across the industry, including the Mekong Club, which tackles problems of modern slavery and the Sustainable Apparel Coalition. Kering is also a member of BSR, an international network of more than 300 companies, and takes part in three joint initiatives: Business Action for Women, which includes 18 consumer goods companies alongside the Win-Win Strategies NGO working to improve conditions for women in society; the Global Business Coalition Against Human Trafficking (GBCAT), formed by major private groups and NGOs to combat modern slavery, primarily by detecting and eradicating it from companies’ complex supply chains; and the Responsible Luxury Initiative (ReLi), which promotes transparency and cooperation among luxury businesses, especially on supply chain matters. As part of its involvement, the Group is active in sharing its practices and results with the other members.

THEME 2: TRACEABILITY AND RISK ASSESSMENT

2.1 Traceability and Supply Chain Transparency

The company discloses:

- (1) the names and addresses of its first-tier suppliers;
- (2) the countries of its below-first-tier suppliers (this does not include raw material suppliers);

In addition to your findings on this topic, we are disclosing our supply chain mapping in our URD p146. This mapping covers suppliers in our database, eg 4,243 suppliers as of December 31, 2019 (figures will be updated for 2020 in the 2020 URD); of which 21.5% are direct suppliers (direct business relationship), 16.7% are contractors (direct suppliers which subcontract part of their production), and 61.8% are subcontractors (working for contractors and having no direct business relationship with the company). The mapping of this database is as follow:

- 83.8% in Italy,
- 6.8% in other parts of western Europe,
- 2.5% in eastern Europe,
- 6% in Asia,
- and 0.9% "other".

Kering does not directly source raw materials such as cotton from cotton farms. Among this database, there are “**production” raw material suppliers** (providing already transformed materials such as yarn or cotton fabric, leather). Those identified as key to the Group represent roughly 20% of all such suppliers, corresponding to approximately 80% of purchases.

Beyond, we are conducting ongoing efforts to achieve traceability of our supply chain – we have already managed to achieve **91% traceability**, in line with our target to achieve 100% traceability by 2025. There is still a part “unspecified”. To further accelerate our efforts on this challenging topic, we are implementing various innovative projects relying on new technologies such as blockchain technology, with traceability expert Oritain on cotton for instance (example p165 of the 2019 URD).

In addition, thanks to our EP&L tool (environmental profit and loss), we have mapped our supply chain below-first-tier. Suppliers must declare to the brands annually at the EP&L which country the raw materials – including cotton – sold to them originated from. This exercise is complicated because many steps take place between the cotton farm and the fabric (ginning which often takes place in the country of origin, then spinning, weaving or knitting, dyeing) and as a convenience, there are many cotton traders. Our requirements are evolving. “Minimum requirements” is that we should know at least the country of sourcing. “Additional conditions” is that we want to have traceability up to the cotton field by 2025.

Also, our EP&L tool (environmental profit and loss) is publicly disclosed on an open-source website that features a digital **map of our sourcing footprint by country**, and we explain in the EP&L methodology paper how this supplier mapping was built. Both are publicly available: <https://kering-group.opendatasoft.com/pages/epl-map-2019/> and <https://keringcorporate.dam.kering.com/m/696b4ae960166525/original/Kering-EP-L-methodology-and-2013-Group-results.pdf>

- (3) the sourcing countries of at least three raw materials at high risk of forced labor and human trafficking; and
- (4) the number of workers per supplier, and one additional data point on its suppliers' workforce (e.g., the gender ratio, migrant worker ratio, or level of unionization per supplier).

About Kering's organic cotton research project

Kering does not tolerate forced labour or any exploitation of labour in its supply chains.

If Kering becomes aware of any case of forced labour in its supply chain, the Group will terminate its relationship with the supplier in question.

The organic cotton research project launched in China has no link with the cotton used by Kering brands in the manufacture of their products. It is a study initiated in partnership with RARE, an international environmental NGO based in the US, and South Pole, a global climate consulting firm, to assess whether it is possible to introduce regenerative farming practices and scale up organic farming. The initiative has helped farmers to improve soil health, for example, and to apply good carbon accounting practices. A report on the project has been published by the stakeholders.

Kering's Code of Ethics affirms the Group's commitment to responsible business conduct, which includes respect for human rights not only for all its direct employees, but also for those working in its supply chains. Within the Code of Ethics, the Supplier Charter provides a detailed reminder to all the Group's business partners of Kering's ethical, social and environmental standards.

Kering buys neither cotton nor raw materials, but finished products (fabrics, etc.). Environmental and social considerations inform Kering's commitment to use only traceable and sustainably grown cotton in its supply chains.

Improving the traceability of raw materials is an important objective in our sustainable development policy. **Having achieved 91%**, Kering aims to achieve 100% traceability in its supply chain by 2025. This requires close cooperation with our suppliers, industry bodies and other stakeholders. Kering is actively involved in sector working groups and initiatives aimed at improving the integrity of cotton supply chains (GOTS, Textile Exchange...).

2.2 Risk Assessment

Risk assessment involves evaluating the potential that a company has (by virtue of who its suppliers are and where they are located) of being linked to forced labor and human trafficking. Risk assessment is a process that is carried out in addition to and outside of auditing. It helps identify potential forced labor risks as well as actual impacts that may be hard to detect through audits. This process may involve engaging local stakeholders, labor rights experts, independent sources, and

assessing risks associated with specific raw materials, regions, or groups of workers such as migrant workers.

The company discloses:

- (1) details on how it conducts human rights supply chain risk or impact assessments that include forced labor risks or assessments that focus specifically on forced labor risks; and

As presented in the 2019 URD in chapter "2.5 Vigilance plan", in 2017 the Group carried out a mapping of the risks specific to Kering's activity and its supply chain.

This **risk map will be renewed in 2021** in order to update the identification of risks of serious violations of human rights and fundamental freedoms, human health and safety and the environment.

- (2) details on forced labor risks identified in different tiers of its supply chains.

In order to continue to refine its understanding of the challenges of human rights management in our supply chain, but also to learn from best practices in this area, Kering conducted a **new study in 2020 on the governance and management of human rights within the supply chain**, at the level of the Companies and the Group. This study, conducted in collaboration with GoodCorporation, an external organization specializing in business ethics, included consulting various internal stakeholders to gather their feedback. The results of these assessments were analyzed in light of the recommendations contained in the United Nations Guidelines on Business and Human Rights and the OECD guide on due diligence applicable to responsible supply chains in the apparel and footwear sector in order to identify new avenues for progress.

Kering also conducted a **study to identify and assess the human rights risks associated with the supply of certain key raw materials**, including forced labor risks. This approach was also carried out according to the countries in which the Group's suppliers are located.

The results of all of these studies identified various key points and topics, and these recommendations were shared with members of the Executive Committee.

Finally, all of this work has made it possible to update the list of risks that the Group considers to be significant in terms of human rights (forced labor, child labor in the supply of raw materials, discrimination, health and safety in our supply chains, living wages in the supply chain, harassment).

In addition, the **update of the materiality assessment carried out by the Group in 2020** made it possible to identify respect for human rights as one of the particularly strategic issues placed at the heart of the discussions relating to the development of the 2025 strategy, and in line with the United Nations' Sustainable Development Goals. This materiality analysis, renewed in 2020, confirmed the place of respect for human rights among the crucial issues for the Group.

You can also refer to our 2020 response to the WDI on **salient human rights issues** and where in our supply chain and operations they have been identified (3 salient issues are identified as part of the WDI).

THEME 3: PURCHASING PRACTICES

3.1 Purchasing Practices

Purchasing practices and pricing may both positively impact labor standards in the company's supply chains and increase risks of forced labor and human trafficking.

The company:

(1) is taking steps toward responsible raw materials sourcing;

Kering has a strong commitment towards responsible raw materials sourcing. To this end, the Group has published the **Kering Standards for Raw Materials and Manufacturing Processes** and announced clear targets to attain by 2025, such as:

- 100% traceability of key raw materials and 100% compliance with Kering Standards for Raw Materials and Manufacturing Processes (the Kering Standards)
- Reduction of environmental profit and loss (EP&L) account impact by 40% across our supply chain up to the production of raw materials, including remaining carbon emissions as well as water use, water and air pollution, waste production and land use changes
- Creation of a Kering Supplier Index of Sustainability which will ensure each supplier's sustainability performance will be visible to all Kering brands
- Contribution to a positive social impact across the entire supply chain, with a focus on raw material sourcing locations

By design, the Kering Standards are specific, and requirement based. Thus, as a reflection of our commitment, Kering assesses all new suppliers for adherence to our sustainability standards and work with current suppliers who have challenges in meeting certain Kering Standards, since the publication of the Kering Standards in 2017.

In addition, a **new supplier portal in 2020 was launched as an online collaborative platform**, accessible to all suppliers of the Group's brands via the Kering supplier space. In particular, the new supplier portal will serve as a **vendor rating system** and enable the Group to continuously evaluate, through a dedicated questionnaire, the implementation of the Kering Standards throughout its extended upstream supply chain. To accompany this launch, online training has been provided to 200 suppliers in different product categories, complemented by the establishment of a support team and a dedicated mailbox.

In addition to the measures described above, there are **clear and uniform procedures** for all the Houses, corresponding to the different stages of the supplier relationship, including the activation procedure, monitoring procedure, and termination of contract procedure, to ensure that suppliers working with Kering meet the Group's requirements in terms of environmental and social performance. This procedure is described p145 of the 2019 URD (same for 2020 etc). You can also refer to section "4.2.2 Responsible purchasing policy for non-market purchases" of our 2019 URD p141.

You can also refer to section "4.2.2 Responsible purchasing policy for non-market purchases" of our 2019 URD p141.

(2) is adopting responsible purchasing practices in the first tier of its supply chains, which include planning and forecasting;

Regarding the situation in 2020 due to the pandemics, Kering has reaffirmed its commitment to supporting our suppliers and partners during this difficult period and to strictly adhering to all the conditions of our contracts with our suppliers. As such, Gucci announced on May 28th, 2020 the renewal of its partnership with the bank Intesa SanPaolo. This partnership is designed to provide Gucci suppliers with access to financing solutions at competitive prices and very advantageous conditions, similar to those of Gucci.

- (3) provides procurement incentives to first-tier suppliers to encourage or reward good labor practices (such as price premiums, increased orders, and longer-term contracts); and

Kering has an **activation procedure** that sets out the minimum requirements to be met in terms of environmental and social performance prior to engaging in any contractual relationships with Kering. This works as a clear incentive to conduct business with the Group. In addition, the **vendor system** will further reinforce incentives for our suppliers regarding their environmental and social performance (see above (1) and 1.4).

- (4) discloses two quantitative data points demonstrating that it has responsible purchasing practices in place that address the risk of forced labor and human trafficking.

Kering publishes in its URD the **outcomes of its social audits**, which include several KPI (breakdown by severity and type, results etc). Please refer to p147 of the 2019 URD.

3.2 Supplier Selection

The company:

- (1) assesses risks of forced labor at potential suppliers before entering into any contracts with them and discloses details on the outcomes of this process; and

There are clear and uniform procedures for all the Houses, corresponding to the different stages of the supplier relationship, including the **activation procedure** to ensure that suppliers working with Kering meet the Group's requirements in terms of environmental and social performance **prior to engaging in any contractual relationships with Kering**. This procedure is described p145 of the 2019 URD (same for 2020 etc).

In addition, there is an internal process which aims to identify suppliers likely to be considered "at risk", which are the ones present in country considered "at risk". A country is considered "at risk" when the indicators contained in various external databases lead to consider that the human rights risks are high or very high.

- (2) addresses risks of forced labor related to sub-contracting and discloses details on the outcomes of this process.

Unauthorized subcontracting is considered a zero-tolerance breach by Kering. Breaches subject to zero tolerance (relating to the most serious situations liable to be encountered, specifically child labor, forced labor, irregular work, undeclared subcontractors, threats, discrimination, serious breaches of regulations, counterfeit, etc.) triggers the immediate establishment of a committee bringing together the Kering audit team and the relevant House(s) to decide on the future of the relationship with the supplier: immediate shutdown of the approval process if the supplier is in the process of being activated but has not started working; and discussions about the possibility of remediation and support for the supplier or about the need to terminate the contractual relationship if the supplier is working on one or more orders.

3.3 Integration into Supplier Contracts

The company:

- (1) integrates the ILO core labor standards, which include the elimination of forced labor, into supplier contracts;

Please note that our **Code of Ethics – including the Suppliers’ Charter** and our commitments to the ILO conventions – is available in 14 languages and is **embedded in the contractual framework with the suppliers**.

(2) discloses the percentage of suppliers whose contracts include such standards; and

Kering's Code of Ethics – including the Suppliers’ Charter – and Sustainability Principles (including social aspects related to human rights, elimination of forced labor and human trafficking) have been **phased into supplier contracts** since 2016 and are mandatory since 2020.

You can refer to the detail on our supplier database (4,243 suppliers as of Dec 31, 2019) disclosed p147 of our 2019 URD. Updated figures for 2020 will be available in our 2020 URD.

(3) requires its suppliers to integrate such standards into contracts with their own suppliers.

As indicated above, Kering's Code of Ethics and Sustainability Principles have been phased into supplier contracts since 2016 and are mandatory since 2020.

As stated page 3 of the Kering Sustainability Principles : "In terms of scope, all of Kering and its brands’ suppliers are required to comply with these Principles, and **attest that their respective supply chains do likewise**. This encompasses our suppliers and all of their sub-suppliers, including suppliers of materials, production materials, packaging and services used in the production or performance of activities on behalf of Kering and its Brands’, and any personnel acting for and/or on behalf of the supplier and its sub-suppliers. "

As indicated p88 of the 2019 URD: "Suppliers are required to abide by these principles themselves (Stated in the Code of Ethics and Suppliers' Charter) **and to extend these requirements to their own suppliers and subcontractors**."

As indicated P18 of the Code of Ethics in its Suppliers’ Charter, “Suppliers are required to take appropriate steps **to effectively apply the principles of this charter to its own suppliers and subcontractors**.”

> Source: <https://keringcorporate.dam.kering.com/m/0af202fd3de1740b/original/Sustainability-principles-Kering-Luxury-Activities.pdf>

THEME 4: RECRUITMENT

4.1 Recruitment Approach

The company:

(1) has a policy that requires direct employment in its supply chains;

Unauthorized subcontracting is prohibited by Kering.

As indicated p88 of the 2019 URD: "Suppliers are required to abide by these principles themselves (Stated in the Code of Ethics and Suppliers' Charter) and to extend these requirements to their own suppliers and subcontractors." This is also stated in the Sustainability Principles, that are part to the contractual framework with our suppliers.

(2) requires employment and recruitment agencies used by its suppliers to respect the ILO core labor standards, which include the elimination of forced labor; and

In the context of the rollout of a dedicated communication plan for the workers of Kering's direct suppliers and its Houses deployed in 2020, a high level of detail adapted to the addressees of this communication was adopted. This illustrates concretely what was expected from suppliers, thus

exhibiting Kering's requirements: the absence of forced labor, **the absence of recruitment fees paid by employees**, special attention to be paid to vulnerable persons, access to adequate sanitary facilities and, if they exist, to decent dormitories, free disposal of salaries and personal documentation, respect for privacy, access to adequate personal protective equipment, etc.).

This communication plan was announced in Kering's 2019 URD and more information on its content and roll-out are available in the 2020 URD.

- (3) discloses information on the recruitment agencies used by its suppliers.

4.2 Recruitment Fees

According to the ILO, workers should not be charged directly or indirectly, in whole or in part, any fees for recruitment or related costs (such as costs for training, medical tests, or travel).

The company:

- (1) requires that no worker in its supply chains should pay for a job—the costs of recruitment (i.e., recruitment fees and related costs) should be borne not by the worker but by the employer ("Employer Pays Principle"); and

In the context of the rollout of a **dedicated communication plan for the workers of Kering's direct suppliers and its Houses** deployed in 2020, a high level of detail adapted to the addressees of this communication was adopted. This illustrates concretely what was expected from suppliers, thus exhibiting Kering's requirements: the absence of forced labor, **the absence of recruitment fees paid by employees**, special attention to be paid to vulnerable persons, access to adequate sanitary facilities and, if they exist, to decent dormitories, free disposal of salaries and personal documentation, respect for privacy, access to adequate personal protective equipment, etc.). This communication plan was announced in Kering's 2019 URD and more information on its content and roll-out are available in the 2020 URD.

- (1) takes steps to ensure that such fees are reimbursed to the workers and/or provides evidence of payment of recruitment-related fees by suppliers if it discovers that fees have been paid by workers in its supply chains.

4.3 Monitoring and Responsible Recruitment

The company:

- (1) takes steps to ensure employment and/or recruitment agencies used by its suppliers are monitored to assess and address risks of forced labor and human trafficking; and
- (2) provides details of how it supports responsible recruitment in its supply chains (e.g., by collaborating with stakeholders to engage policy makers to strengthen recruitment standards).

As part of their pursuit of gender equality both in-house and throughout their supply chains, in 2019 Kering and its Italian Houses worked with the Camera Nazionale della Moda and three specialist associations (BSR, Wise Growth and Valore D) on a wide - reaching study into the role of 1.2 2019 highlights and key figures 3 Sustainability – Sustainability at Kering 64 Kering – 2019 Universal Registration Document women in the supply chains of the Italian luxury industry. As part of this multi-stakeholder project, Kering and its Italian Houses conducted a study in 2019. **The study identified four priority focuses: working conditions and economic opportunities, leadership and career**

advancement, motherhood, and workplace conduct and harassment. The findings were presented by Gucci, Bottega Veneta, Pomellato and Kering Eyewear in December 2019 at the Including Diversity event run by the Camera Nazionale della Moda in Milan and are available online on the BSR website, www.bsr.org

4.4 Rights of Workers in Vulnerable Conditions

Migrant workers and other workers in vulnerable conditions are at a higher risk of being in forced labor, and additional steps are needed to ensure their rights are respected. Conditions which render workers vulnerable may include characteristics such as gender or age and external factors, including workers' legal status, employment status, economic conditions, and work environment (such as isolation, dependency on the employer, or language barriers).

The company:

- (1) takes steps to ensure migrant workers in its supply chains understand the terms and conditions of their recruitment and employment and also understand their rights;

Please refer to answer 4.2 (1).

- (2) takes steps to ensure its suppliers refrain from restricting workers' movement, including through the retention of passports or other personal documents against workers' will; and

Audits are conducted to ensure the application of the Suppliers' Charter and the Sustainability principles. Please refer to p145 of the 2019 URD regarding the description of the procedure.

- (3) discloses at least two outcomes of steps it has taken to ensure respect of the fundamental rights and freedoms of supply chain workers in vulnerable conditions (those articulated in the ILO core labor standards, which include the elimination of forced labor).

In its 2019 URD, Kering discloses the results of its suppliers' social audits and provides KPIs on the breakdown by type and by severity as well as how these were resolved. Please see p147 and 148.

2 examples of remediation are detailed p148, concerning (i) a case of social dumping – a zero-tolerance breach under the Kering classification, and (ii) a lack of payment of social security contributions.

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

THEME 5: WORKER VOICE

5.1 Worker Engagement

The company:

- (1) takes steps to ensure its supply chain policies that address forced labor and human trafficking are communicated to workers in its supply chains;

Please refer to our answer to 4.2 (1) on our dedicated communication plan to workers of our direct suppliers.

- (2) takes steps to ensure that relevant stakeholders engage with and educate workers in its supply chains on their labor rights and/or supports worker-led efforts on labor rights education;

As disclosed in our 2020 URD, for phase 2 of the multi-stakeholder project on women in the supply chain in Italy, launched in 2020, Kering worked to implement the recommendations from the study conducted in 2019 (please refer to our answer to 4.3.2) by circulating the findings and by organizing **training sessions for suppliers**. An initially planned "tour of Italy" of suppliers had to be cancelled due to the health situation and replaced by a phygital event organised for suppliers during Milan's Fashion Week in September 2020. The event brought together 200 suppliers exclusively on the theme of gender equality, showed how this issue was an asset in terms of resilience and innovation in the current crisis and invited for more in-depth training. At the end of 2020, 165 women - 107 white-collar and 58 blue-collar - selected by Bottega Veneta, Gucci and Pomellato suppliers were able to participate in an **in-depth training session organized by Wise Growth on the issues of empowering women at work, work-life balance and self-awareness**. Kering plans to continue these trainings in 2021.

- (3) provides evidence of the positive impact of worker engagement in its supply chains; and

In Italy, where more than 83,8% of our suppliers are located, **worker engagement is made through collective bargaining** - the Italian collective bargaining agreement (CCNL Tessili Moda Industria). Kering along with other companies and Fair Wage Network and CNMI (Camera Nazionale della Moda Italiana) conducted a study in Italy to assess the wages in the luxury sector. This study, with interviews of more than 1,100 individual employees across all regions of Italy, was requested to analyze wage practices among a list of manufacturers in the luxury sector with the goal to examine their wage levels and wage-fixing mechanisms while also evaluating the overall wage framework in Italy, including the structure and mechanisms of the CCNLs as a benchmark and parameters of wage levels and social security contributions. The findings were that, thanks to workers' engagement, the collective agreements in Italy help companies to fix starting wages that compares well with the living wage.

- (4) provides at least two examples of worker engagement initiatives covering different supply chain contexts.

83,8 % of our suppliers are located in Italy (FY2019 data). The above survey conducted by Fair Wage Network is a first example of worker engagement initiative, covering the topic of **living wage in Italy** (q3).

Another example of positive workers' engagement is the multi-stakeholder project on **women in supply chains** in partnership with Camera della Moda – already referred to in above responses). Following a study in 2019 (cf URD 2019 p62), the project entered its second phase in 2020 with dedicated training for women workers in the supply chains of several of Kering's Houses, with the **aim of empowering women workers in the supply chain**.

5.2 Freedom of Association

The company:

- (1) works with independent local or global trade unions to support freedom of association in its supply chains;

- (2) discloses that it is party to a global framework agreement that covers its supply chains and/or an enforceable supply chain labor rights agreement with trade unions or worker organizations;

For (1) and (2) : In Italy, where more than 83,8 % of our suppliers are located, worker engagement is made through collective bargaining - the **Italian collective bargaining agreement** (CCNL Tessili Moda Industria).

- (3) takes steps to ensure workplace environments in which its suppliers' workers are able to pursue alternative forms of organizing (e.g., worker councils or worker-management dialogues) where there are regulatory constraints on freedom of association; and

This is done through the enforcement of our Code of Ethics – including the suppliers' charter – and the Sustainability Principles, that include explicit references to suppliers' workers' rights to freedom of association and collective bargaining. As explained above, these are embedded into the contractual framework with suppliers since 2016 and mandatory since 2020. **Compliance is assessed at various steps of the supplier relationship: activation procedure, comprehensive audit, follow-up audits and through questionnaires on our supplier portal** (vendor rating system) launched in 2020 (cf 3.1). Please see p145-147 of the 2019 URD.

- (4) provides at least two examples covering different supply chain contexts of how it improved freedom of association and/or collective bargaining for its suppliers' workers such as migrant workers (e.g., by taking action where suppliers impede workers' rights to freedom of association and/or collective bargaining or by engaging policy makers to improve respect for such rights).

5.3 Grievance Mechanism

The company:

- (1) takes steps to ensure a formal mechanism to report a grievance to an impartial entity regarding labor conditions in the company's supply chains is available to its suppliers' workers and their legitimate representatives;
- (2) takes steps to ensure that the existence of the mechanism is communicated to its suppliers' workers;

In 2020, and as announced in our 2019 URD, a **dedicated communication plan for the workers of Kering's direct suppliers and its Houses was developed and deployed in 2020**. This communication, translated into **15 languages**, was structured around two documents: a poster to be displayed in the relevant places on the sites of suppliers and service providers, to be seen by the greatest number (canteen, checkroom, entrance, etc.) and a "flyer" to be given directly to employees. Each of these documents reiterated six key ethical principles: compliance with laws and regulations, exclusion of all forms of corruption, fraud, money laundering and conflicts of interest, respect for human rights and fundamental freedoms, respect for the health and safety of everyone, respect for the integrity and dignity of each individual and protection of the environment. A level of detail adapted to the addressees of this communication was adopted to illustrate concretely what was expected (mentioning in particular the absence of forced labor, the absence of recruitment fees paid by employees, special attention to be paid to vulnerable persons, access to adequate sanitary facilities and, if they exist, to decent dormitories, free disposal of salaries and personal documentation, respect for privacy, access to adequate personal protective equipment, etc.).

- (3) takes steps to ensure that its suppliers' workers or their legitimate representatives are involved in the design and/or performance of the mechanism, to ensure that the workers trust the mechanism;
- (4) discloses data about the practical operation of the mechanism, such as the number of grievances filed, addressed, and resolved, or an evaluation of the effectiveness of the mechanism; and

Please refer to our URD – section 2.3 promoting and respecting ethics within the Group and beyond and 2.4 Impact of policies and initiatives (“claims addressed to Ethics Committees”) for the presentation of the whistleblowing procedure and the **disclosure of the grievances received and managed through the alert system. The whistleblowing procedure is open both to Kering employees and interns, and to external and temporary staff working for suppliers, partners or service providers under contract with the Group.** It also enables suppliers to report potential breaches of the Group’s Code of Ethics. **Both are being treated with the same level of priority by the Group.** Outcomes and data about the practical operation of the mechanism are disclosed in the section “Claims addressed to Ethics Committees” p86 of the 2019 URD (2020 data are available in the 2020 URD).

- (5) provides evidence that the mechanism is available and used by workers below the first tier in its supply chains.

As indicated above, the whistleblowing procedure is open both to Kering employees and interns, and to external and temporary staff working for suppliers, partners or service providers under contract with the Group. **Both are being treated with the same level of priority by the Group:** figures reported in the URD (section “Claims addressed to Ethics Committees”) are therefore consolidated.

THEME 6: MONITORING

6.1 Monitoring Process

To improve implementation of its supply chain policies, conditions at supplier level can be monitored in different ways. This could include specialized audits to detect forced labor at higher-risk suppliers or worker-driven monitoring (i.e., monitoring undertaken by independent organizations that includes worker participation and is guided by workers’ rights and priorities).

The company has a supplier monitoring process that includes:

- (1) non-scheduled visits;
- (2) a review of relevant documents;
- (3) off-site interviews with workers;
- (4) visits to associated production facilities and related worker housing; and
- (5) steps to ensure that suppliers below the first tier are monitored.

In addition to points 1,2 3 and 4, Kering’s supplier monitoring system also includes steps to ensure that suppliers below the first tier are monitored. First, all subcontractors need to be validated by the Group. Any case of unauthorized subcontracting is considered a zero-tolerance breach by the Group.

Once validated, subcontractors (working for contractors and having no direct business relationship with the Houses, considered T2) are included in our supplier base. To date, they represent 61.8% of the suppliers included in the database. Once included in the database and after the initial activation procedure, they are covered by our standard monitoring system, including audits (2019 URD p147).

6.2 Monitoring Disclosure

The company discloses:

- (1) the percentage of suppliers monitored annually;
- (2) the percentage of unannounced monitoring visits;
- (3) the number or percentage of workers interviewed; and
- (4) information on the qualification of the monitoring organization used and/or the use of worker-driven monitoring (i.e., monitoring undertaken by independent organizations that includes worker participation and is guided by workers' rights and priorities); and
- (5) a summary of findings, including details regarding any violations revealed.

Criteria 1 & 5 achieved per the information collected by KTC from our open source documents.

For (4): Whether audits are carried out by Kering's Internal Audit team or qualified external auditors, the same Group audit protocol applied in the same way for all audits conducted: a single and comprehensive audit methodology, including not only the key chapters relating to social compliance, but also the essential components relating to health and safety, and environmental management. The comprehensive audit questionnaire is divided into 13 categories and specifically cover topics such as child labor, forced labor, health and safety, freedom of association and the right to collective bargaining, discrimination, the environment, etc.). It is aligned with the best standards in the field, in particular the SA8000 and SMETA standards

THEME 7: REMEDY

7.1 Corrective Action Plans

The company discloses:

- (1) a corrective action process for its suppliers and potential actions taken in cases of non-compliance, such as stop-work notices, warning letters, supplementary training, and policy revision;
- (2) a means to verify remediation and/or implementation of corrective actions, such as record review, employee interviews, or spot-checks;
- (3) potential consequences if corrective actions are not taken; and

A single and comprehensive audit methodology, including not only the key chapters relating to social compliance, but also the essential components relating to health and safety, and environmental management, has been defined and is implemented. Anomalies identified during these audits are classified into four categories and standard responses to each case have been defined and are listed in the URD p145-146.

In addition, Kering discloses the results of these audits in its URD. You can refer to p147 of the 2019 URD to see results of the 2019 audits. In particular, "robust corrective action plans were put together following the audits, wherever breaches of compliance, and particularly serious breaches, were identified. Follow-up audits were then conducted to verify the resolution of the problem. The zero-tolerance breaches identified during the audits were dealt with immediately, in accordance with established rules and in coordination with the relevant Houses. To speed up the resolution of issues, the central team held more than 220 committee meetings with the Houses in 2019, which effectively resulted in the resolution of a large number of anomalies."

Potential consequences can lead to the termination of the business relationships.

- (4) a summary or an example of its corrective action process in practice.

As detailed in the answer (3), a summary is presented p147 of the 2019 URD. In addition, 2 examples of remediation measures are provided p148.

7.2 Remedy Programs / Response to Allegations

A. The company discloses:

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking; and
- (2) at least two examples of outcomes of its remedy process in practice, covering different supply chain contexts, for its suppliers' workers; and
- (3) a description of what actions it is taking to prevent and remediate the use of forced Uyghur labor.

KERING does not tolerate forced labour or any exploitation of labour in its supply chains.

If KERING becomes aware of any case of forced labour in its supply chain, the Group will terminate its relationship with the supplier in question.

The organic cotton research project launched in China has no link with the cotton used by KERING brands in the manufacture of their products. It is a study initiated in partnership with RARE, an international environmental NGO based in the US, and South Pole, a global climate consulting firm, to assess whether it is possible to introduce regenerative farming practices and scale up organic farming. The initiative has helped farmers to improve soil health, for example, and to apply good carbon accounting practices. A report on the project has been published by the stakeholders.

KERING's Code of Ethics affirms the Group's commitment to responsible business conduct, which includes respect for human rights not only for all its direct employees, but also for those working in its supply chains. Within the Code of Ethics, the Supplier Charter provides a detailed reminder to all the Group's business partners of KERING's ethical, social and environmental standards.

KERING buys neither cotton nor raw materials, but finished products (fabrics, etc.). Environmental and social considerations inform KERING's commitment to use only traceable and sustainably grown cotton in its supply chains.

Improving the traceability of raw materials is an important objective in our sustainable development policy. Having achieved 91%, KERING aims to achieve 100% traceability in its supply chain by 2025. This requires close cooperation with our suppliers, industry bodies and other stakeholders. KERING is actively involved in sector working groups and initiatives aimed at improving the integrity of cotton supply chains (GOTS, Textile Exchange...).

B.1. If one or more additional allegations regarding forced labor in the first or lower tier of a company's supply chains have been identified and disclosed by a third party(ies) in the last three years, the company discloses:

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking;
- (2) that it engages in a dialogue with the stakeholders reportedly affected in the allegation(s);
- (3) outcomes of the remedy process in the case of the allegation(s); and
- (4) evidence that remedy(ies) are satisfactory to the victims or groups representing the victims.

Please refer to the above answer.

B.2. If one or more allegations regarding forced labor in the first or lower tier of a company's supply chains have been identified and disclosed by a third party(ies) in the last three years, and the company denies the allegation, the company discloses:

- (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking;
- (2) a description of what actions it would take to prevent and remediate the alleged impacts; and
- (3) that it engages in a dialogue with the stakeholders reportedly affected in the allegation or requires its supplier(s) to do so.

NON-SCORED DISCLOSURE

Target Setting

The company discloses measurable and time-bound targets to address forced labor in its supply chains.

Yes/No. Please provide details.

The company reports on progress towards achieving previous targets on an annual basis.

Yes/No. Please provide details.

Reporting Legislations

UK Modern Slavery Act: Where applicable, the company discloses at least one statement under the UK Modern Slavery Act.

Yes/No. Please provide link to a publicly available statement.

Kering and some of its Houses publish a UK Modern Slavery Statement.

- Kering 2019: <https://keringcorporate.dam.kering.com/m/6f84ecba215dadd2/original/Kering-Modern-Slavery-Statement-2019.pdf>
- Balenciaga 2019: <https://www.balenciaga.com/en-gb/legal-pages/kering-group-modern-slavery-statement/modern-slavery-act-kering-statement.html>
- Gucci 2019: <https://www.gucci.com/documents/Slavery/gucci-modern-slavery-statement-2019.pdf>
- Saint Laurent 2019 <https://www.ysl.com/en-us/legal-notice/name/modern-slavery-act-kering-statement.html>

California Transparency in Supply Chains Act: Where applicable, the company has a disclosure under the California Transparency in Supply Chains Act.

Yes/No. Please provide link to a publicly available statement.

Due Diligence on Third-Party Products

Where a company—in addition to own branded products—sells third-party food and beverage products, the company discloses how it assesses and addresses forced labor risks related to third-party food and beverage products.

Yes/No. Please provide details. Not applicable

High Risk Sourcing¹

Please provide a full list of raw materials present in your supply chains, or alternatively indicate for each of the commodities below whether it is present in your supply chains. Note where a company does not provide this information, KnowTheChain will review the company's website as well as third party sources to identify relevant information.

Our EP&L tool (environmental profit and loss) is publicly disclosed on an open-source website that features a digital **map of our sourcing footprint by country**, and we explain in the EP&L methodology paper how this supplier mapping was built. Both are publicly available: <https://kering-group.opendatasoft.com/pages/epl-map-2019/>

Requirements for each of these key raw materials are listed in our Kering Standards for Raw Materials

<https://keringcorporate.dam.kering.com/m/696b4ae960166525/original/Kering-EP-L-methodology-and-2013-Group-results.pdf>

Raw Materials

- Bamboo
- Cashmere*
- Cotton
- Rubber (natural)
- Silk
- Viscose*
- Wool*

Sourcing Countries for Apparel & Footwear Supply Chains (garments, textiles, etc)

- Argentina
- Brazil
- China
- Ethiopia
- India
- Malaysia
- Nepal
- North Korea
- Thailand
- Vietnam

Presence of Migrant Workers in Supply Chains

Yes/No. Please provide details.

¹ Data according to US Department of Labor's list of Goods Produced by Forced Labor website as of September 2020. Accessed October 2020.

* = Risk factors identified based on publicly available sources and discussions with expert organizations.