

2025 SUSTAINABILITY STRATEGY

CRAFTING TOMORROW'S LUXURY



“ More than ever, I am convinced that sustainability can redefine business value and drive future growth. As business leaders, we all have a crucial role to play and I worked with the CEOs of our luxury Maisons to embed sustainability across our activities while developing this next important phase of our sustainability strategy. Our strategy outlines how we will redesign our business to continue to thrive and prosper sustainably into the future, while at the same time helping to transform the luxury sector and contributing to meet the significant social and environmental challenges of our generation.”

FRANÇOIS-HENRI PINAULT,
CHAIRMAN & CEO, KERING

“ Rethinking luxury is a necessity to adapt to our changing world while responding to the concerns of new generations of luxury clients. We have already made significant improvements over the last years and we will continue to strive for the highest environmental and social standards. It is through catalysing innovation that we will be able to go beyond incremental improvements and implement the transformational changes that are necessary to be truly sustainable in our business and as an industry. We will continue to open-source our solutions and approaches to support the scaling up of sustainability in the luxury sector, while sharing every 3 years the progress we have made.”

MARIE-CLAIRE DAVEU,
CHIEF SUSTAINABILITY OFFICER AND HEAD OF INTERNATIONAL INSTITUTIONAL AFFAIRS, KERING

INTRODUCING THE NEXT CHAPTER IN OUR JOURNEY

Kering believes that luxury can make a significant contribution to creating a more sustainable world. Kering cares about its impact on the planet and on people, and sees the responsibility and the opportunity to reinvent its business and luxury as a whole. Kering will continue to be a leader that fosters collaborations, shares knowledge and catalyses change to help transform the luxury sector over the next 10 years. To do so requires Kering to define a clear path forward and identify innovation and new business models to create positive impacts to ultimately drive this transformational change. As such, Kering's next phase of its sustainability strategy outlines the roadmap and milestones that are necessary to achieve this vision and to set the highest standards in the luxury sector in order to meet global environmental and social challenges now, and in the future. Building on years of commitment, Kering's strategy incorporates the knowledge that has been gained through successfully testing new approaches and learning from the challenges along the way.

The strategy is supported by three themes that translate vision into action:

CARE. COLLABORATE. CREATE.



CARE FOR THE PLANET

Kering aspires to find business approaches and supply chain solutions that contribute to the restoration and regeneration of natural capital, support the protection of biodiversity, address health and safety by eliminating hazardous chemicals, and meet the highest standards of animal welfare. With an increased understanding of its footprint from its Environmental Profit and Loss (EP&L¹) accounting, Kering is dedicated to continuously reducing its environmental impacts and to helping drive positive change beyond its immediate business operations and across its entire supply chain to ultimately create a new, sustainable luxury that operates within planetary boundaries.

Reducing environmental impact

- Use resources within planetary boundaries with a science-based approach in order to reduce carbon emissions from its business activities by 50% in Scope 1, 2 and 3² of the GHG protocol by 2025.
- Further address all supply chain environmental impacts with a goal to reduce the Environmental Profit and Loss (EP&L) account by at least 40%, including the remaining carbon emissions³ and going beyond to also include water use, water and air pollution, waste production and land use changes.
- Enhance EP&L methodology by:
 - combining the planetary boundaries concept to further integrate the latest scientific thinking into natural capital accounting;
 - integrating more real-time data;
 - broadening the scope to include the impact of a product's 'use' and 'end of life' phases.
- Expand offsetting commitment to include a new "insetting" approach to ensure actions across the supply chain deliver climate benefits as well as social value.
- Scale sustainable solutions and synergies.

1 - An EP&L measures in monetary value the costs and benefits generated by a company's environmental impact, both within its own operations and across all of its supply chains.

2 - Emissions from upstream transport and distribution, business air travel and fuel and energy related emissions in Scope 3.

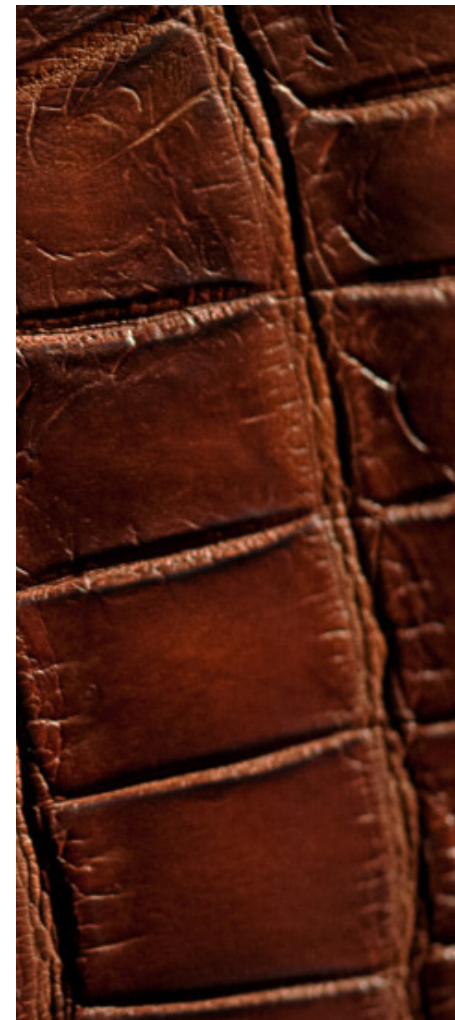
3 - All Scope 3 emissions from purchased goods and services all the way back to raw materials at Tier 4.

Sourcing raw materials and supporting supplier sustainability

- Ensure traceability of key raw materials reaches 95% by 2018, and 100% by 2025.
- Increase the scope of raw materials covered by Kering's high standards, such as precious skins, leather and fur, gold and diamonds, cotton, silk, cashmere, wool, viscose, nylon, plastics, silver and brass, and paper and packaging.
- Create a Supplier Index of Sustainability to ensure Kering Standards for key raw materials and processes are 100% implemented by suppliers by 2025. This raises the bar on social welfare, environmental protection, traceability, animal welfare and chemical use.
- Further explore innovative partnerships with other industries, such as automotive and food, to collaborate on sustainable sourcing.
- Continue to develop and collaborate on sustainable sourcing platforms with NGOs and governments, to ultimately open-source solutions to industry and drive change.

Integrating sustainability into design

- Promote sustainable design and minimise products' environmental impact at every stage, from sourcing, manufacturing and transport to consumer use.
- Create an open-sourced tool to assess products based on Kering Standards.
- Establish a Materials Innovation Lab (MIL) focused on watches and jewellery, in addition to today's MIL for fabrics and textiles.
- Hold cross-sector and stakeholder events to drive business towards higher standards and technical design solutions for sustainability.





COLLABORATE WITH PEOPLE

Guided by the United Nations' Sustainable Development Goals (SDGs), Kering is committed to empowering employees within its own businesses, and to expanding its support and creating opportunities for people throughout its value chain and beyond. Kering is dedicated to advocating social welfare, inside and outside the Group, and is striving to have the highest standards of social justice, equity and human rights across its business.

Amplifying global standards

- Implement a new global parental policy covering standards in terms of maternity, paternity and adoption leave from 1 January, 2017 and across all employees in close to 60 countries.
- Create a well-being at work policy by 2018, and an employee benefits policy by 2020.
- Aim to be the preferred employer in the luxury sector.

Promoting diversity and gender parity

- Achieve gender parity at all levels.
- Ensure salary equality in all functions.
- Implement a sponsorship programme for training and coaching women managers, and roll out mentoring programmes in all countries.
- Promote the development of innovative career paths and ensure all genders are always considered for new opportunities.

Preserving luxury craftsmanship

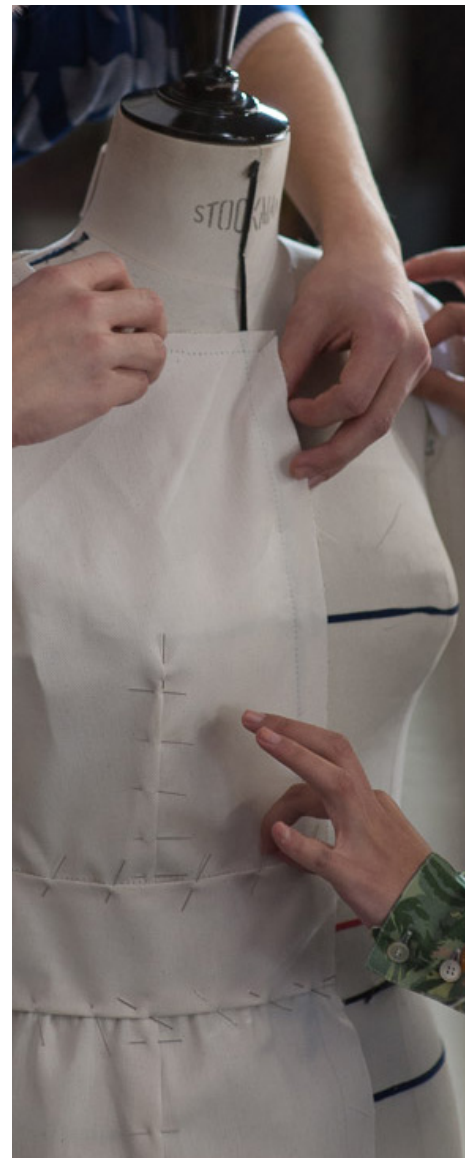
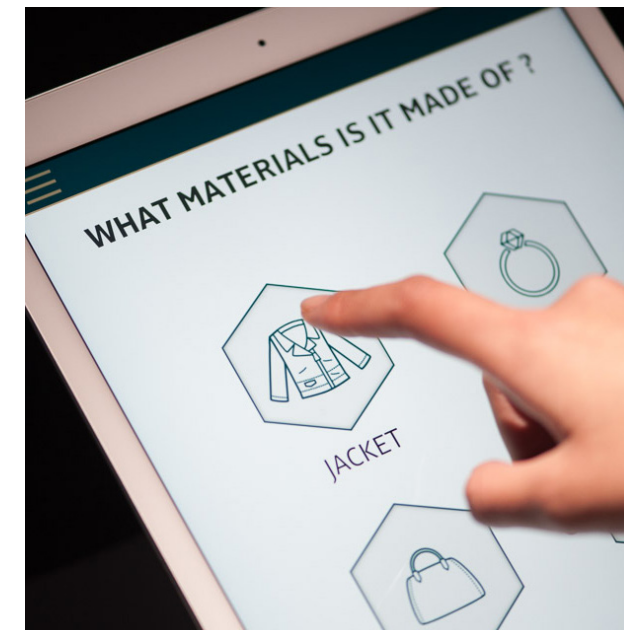
- Support the continuation of craftsmanship traditions and those communities that support them to ensure Kering's luxury heritage is sustainable for the long run.
- Explore innovative models to attract and motivate the next generation of craftspeople, whilst leveraging training, technical support and collaboration with schools that support them.
- Facilitate apprenticeships and tailor 'compagnon' career tracks.

Supporting supply chain transformation

- Contribute to a positive social impact across the entire supply chain, with a focus on raw material sourcing locations, through people-centered programmes.
- Develop an industry leading performance metric system that will measure achievement of the SDGs, and specifically relative to culture, community, opportunity, equity and empowerment.
- Continue to audit to ensure compliance with Kering's social and environmental standards and also go beyond the classic approach, such as incentivising best practices across the supply chain.
- Create a supplier platform to offer technical support and training to share best practices and to achieve Kering's ambitions.

Leveraging partnerships

- Build upon proactive partnerships with leading universities and develop collaborations to identify sustainability solutions and discover the talent of tomorrow.
- Engage with broader society on SDG themes, including existing partnerships such as the Chime for Change movement in favour of girls' and women's empowerment.





CREATE NEW BUSINESS MODELS

Disruptive innovation is paramount, to continue to accelerate Kering's sustainability strategy and meet its ambitious social and environmental goals. As such, Kering will explore new business models and approaches that will decouple growth from the use of resources whilst also creating positive impact. To develop such solutions and stimulate innovation, Kering will harness its innate creativity and leverage its open-sourcing philosophy. Transparency on knowledge and innovation are fundamental to drive progress and to design radical, intelligent solutions to our global challenges. Only in this way can business go beyond incremental change to the transformational change that is critically needed.

Sourcing raw materials and improving processes

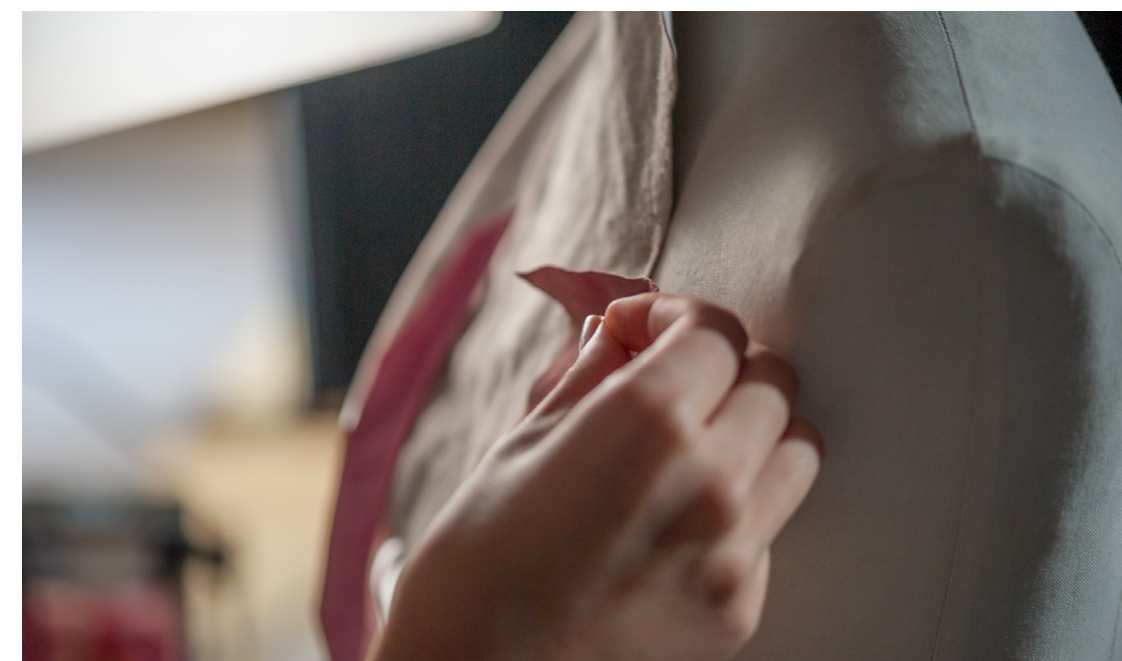
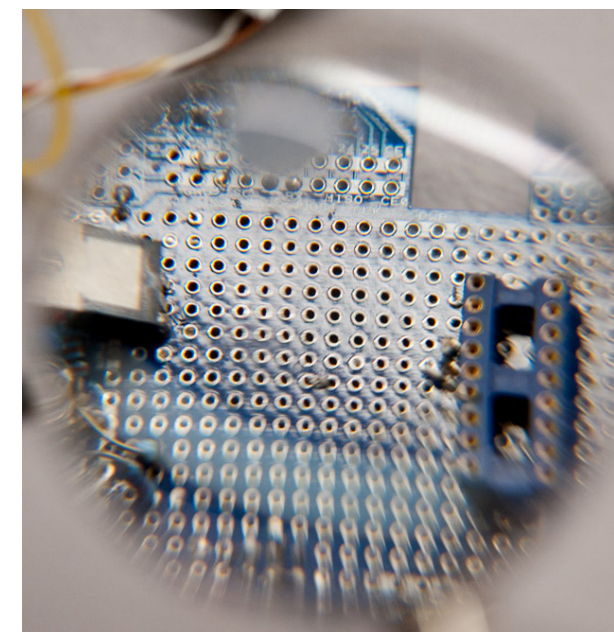
- Scale up an internal purchasing platform to have access to high quality, sustainable raw materials following the success of the Kering Ethical Gold platform and the Kering Organic Cotton platform.
- Improve manufacturing processes to drastically decrease environmental impacts and health implications, such as implementing its chrome-free and metal-free leather tanning process across the Group.
- Develop new and sustainable solutions for sourcing raw materials, including exploring biotech and promoting a circular economy.
- Reinvent conventional ways to work with supply chains, such as creating shared value through 'insetting' programmes.

Fostering and supporting solutions

- Support and incentivise suppliers for sustainable solutions.
- Identify and invest in promising start ups to collaborate on game-changing initiatives that can transform conventional processes in luxury, and influence the industry. For example, Kering's partnership with Worn Again which developed a recycling technology to extract polyester and cotton from old clothing to be spun into new fabric creating a 'circular resource model' for textiles.

Drive change through enablers

- Translate vision into action and reinforce changes through formal mechanisms, such as internal governance.
- Develop talent and skills, and role modelling for Kering management.
- Foster understanding and conviction through transparent, ongoing communication internally and externally, including a comprehensive progress report every three years.
- Establish a Young Leaders Advisory Group, composed of millennials, internally and externally around the world for inspired ideas.



FURTHER INFORMATION



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