

## KnowTheChain Apparel & Footwear Benchmark Methodology Version 2 (January 2018)

*KERING ANSWER – August 30<sup>th</sup> 2018*

### SCORED DISCLOSURE

#### THEME 1 COMMITMENT AND GOVERNANCE

##### 1.1 Commitment

The company:

(1) has publicly demonstrated its commitment to addressing human trafficking and forced labor.

*Kering answer: Please refer to Code of Ethics: <http://www.kering.com/sites/default/files/kering-code-of-ethics-english.pdf>*

*p.2: "The group's rules of business conduct reflect several international standards, including:*

- The United Nations Universal Declaration of Human Rights and the European Convention on Human Rights;*
- Various International Labour Organisation conventions, notably conventions 29, 105, 138 and 182 (child labour and forced labour)"*

*p.3: section 'our colleagues and staff': "We fight against child and forced labour."*

*p.7: section 'Suppliers' and sub-contractors': "We fight against child labour and forced labour"*

*p.8-9, supplier's charter: "In the light of this, Kering and its brands require their suppliers to commit themselves to the following basic principles which, taken as a whole, constitute Kering's Suppliers' Charter: (...) To prohibit the recourse, in whatever form, to slavery, debt bondage, or forced or compulsory labour together with products or services created by these means. The term 'forced or compulsory labour' covers all work or service exacted from an individual under threat of any penalty or without remuneration and for which the person has not offered himself/herself voluntarily; (...) The unlawful practice of child labour, or forced or compulsory labour is totally unacceptable in any commercial relationship between Kering or its brands and a supplier."*

*Please also refer to Sustainability Principles:*

*[http://www.kering.com/sites/default/files/document/kering\\_sustainability\\_principles\\_for\\_luxury\\_division\\_0.pdf](http://www.kering.com/sites/default/files/document/kering_sustainability_principles_for_luxury_division_0.pdf)*

*p.4: "The mandatory provisions include prohibitions against child labour, forced labour, human trafficking"*

*p.5: "FORCED LABOUR : No use of forced labour (including involuntary prison labor, indentured labor, bonded labor or any other forms of forced labor) is allowed and employees cannot be asked to pay "deposits" or fees or have their identification documents withheld.*

*No portion of employees' salaries, indemnities, property or documents may be withheld the purpose of forcing employees to continue their employment relationship with the firm. Employees are free to*

*leave their employment relationship with reasonable notice as defined by governing law and prevailing industry practices.*

*(...) Neither the supplier nor its sub-suppliers shall engage in or with any organisation engaged in trafficking in human beings.”*

## **1.2 Supply Chain Standards**

The company's supply chain standard:

(1) requires suppliers to uphold workers' fundamental rights and freedoms (those articulated in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work), including the elimination of forced labor;

*Kering answer: Also refer to Kering Sustainability Principles:*

*[http://www.kering.com/sites/default/files/document/kering\\_sustainability\\_principles\\_for\\_luxury\\_division\\_0.pdf](http://www.kering.com/sites/default/files/document/kering_sustainability_principles_for_luxury_division_0.pdf)*

*p. 13: "Applicable conventions: (...) - The Fundamental Conventions of the International Labour Organisation (ILO)"*

(2) has been approved by a senior executive;

*Kering answer: The Code of Ethics and enclosed suppliers' charter have been approved the highest authority in the group, namely François-Henri Pinault, Chairman and Chief Executive Officer. See "Foreword by François-Henri Pinault" in the first pages of the Code of Ethics.*

(3) is easily accessible from the company's website;

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

*Kering answer: The Code of Ethics is updated on a regular basis. Next update is planned for next year.*

*See Kering 2017 Reference Document [http://www.kering.com/sites/default/files/document/kering-ddr\\_va\\_vdef-290317-miseenligne.pdf](http://www.kering.com/sites/default/files/document/kering-ddr_va_vdef-290317-miseenligne.pdf)*

*p.71: "Set out since 1996 in the Group's first Ethics Charter, Kering's ethical principles apply to everyone within the Group and reflect the Group's strong convictions about business practices. Kering's Code of Ethics, which was established in 2005 and first updated in 2009, was overhauled again in 2013."*

*p.237: "The Group regularly examines ways to adapt these documents to its organisation".*

(5) is communicated to the company's suppliers.

*Kering answer: See Kering 2017 Reference Document*

*[http://www.kering.com/sites/default/files/document/kering-ddr\\_va\\_vdef-290317-miseenligne.pdf](http://www.kering.com/sites/default/files/document/kering-ddr_va_vdef-290317-miseenligne.pdf)*

*p.121: "These sustainability principles have been phased into supplier contracts since 2016. Each supplier is in turn tasked with imposing these principles on its own subcontractor network, if they have any."*

*p.275: "Kering also redrafted contracts based on a Group template to be signed by its direct suppliers. These newly formulated contracts ensure a higher level of protection against corruption and extend the Group's Code of Ethics and Sustainability Principles to its entire supply chain."*

*The Code of Ethics and the Sustainability Principles are also communicated and emphasized to suppliers during supplier audits (both global audits during activation, and follow-up audits) and supplier contracts' sign up.*

*See Kering Standards: [http://www.kering.com/sites/default/files/kering\\_standards.pdf](http://www.kering.com/sites/default/files/kering_standards.pdf)*

*p.103, section 'social compliance and enforcement of kering code of ethics in supply chain':*

*"Kering requires audits to be carried out in accordance with the Kering Supplier Charter and Sustainability Principles acknowledged by the supplier when signing the supplier agreement in order to cover key ethical challenges. These include the following: (...) • Forced labour"*

*And p.104: "The global audit is performed during the activation (i.e. before a supplier can start working with a Kering brand). The supplier is then renewed every two to four years depending on supplier's risk. The global audit monitoring goal is to check the more critical areas to prevent the presence of Zero tolerance and High Non-conformity issues.*

*The follow-up monitoring is performed as a second check to ensure the implementation of action plans coming from the global audit and to cover less critical areas. (...)*

*The communication flow (audit planning, sending the CAP, etc.) between the Kering Audit team and the suppliers should be as follows:*

- For direct suppliers: Kering Audit team contacts the direct supplier directly copying in the brand's production and sustainability functions teams.*
- For suppliers and their sub-suppliers: the Kering Audit team contacts the supplier copying in the brands' production and sustainability functions teams. The supplier then liaises with the sub-suppliers. For audit confirmation and audit date at sub-suppliers' site, the supplier reverts to the Kering Audit team copying in the brand's production and sustainability functions teams."*

### **1.3 Management and Accountability**

The company:

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

*Kering answer: Monitoring of human rights at Kering group is performed through several structures as described below. Please refer to Kering 2017 Reference Document*

*[http://www.kering.com/sites/default/files/document/kering-ddr\\_va\\_vdef-290317-miseenligne.pdf](http://www.kering.com/sites/default/files/document/kering-ddr_va_vdef-290317-miseenligne.pdf)*

*- p.64: As the overarching organization of Kering's sustainability approach, a Sustainability Committee is in place at board level to provide guidance and overview on company's sustainability issues. : "a Sustainability Committee, established in 2012 at Board level, provides advice on and guides the Group's sustainability strategy. Comprising four Directors (François- Henri Pinault, Jean-François Palus, Daniela Riccardi and Sapna Sood), the Committee met twice in 2017."*

*- p.65: Sustainability governance chart at group-level.*

*- p.64 Sustainability department: "Kering's Sustainability Department defines the Group's sustainability strategy and policies, and supports the Group's brands by operating as a resource platform and sounding board, with a view to setting out and building on the initiatives taken*

*individually by each brand. More than 15 specialists, who report to the Group's Chief Sustainability Officer, a member of the Executive Committee, assist the brands with the implementation of the Group's sustainability strategy by systematically looking for potential synergies and continuous improvement." (...) "In addition, each brand has at least one Sustainability Lead and for the larger brands, entire sustainability teams. As a result, Kering's sustainability team numbers more than 60 people."*

*- p.64 and p.121: supplier audit organization: "A dedicated team has also been established within Kering Group Operations, the entity tasked with managing supply chain, logistics and industrial operations on behalf of the Group's Luxury brands."*

*"a single central body allowing Kering to control the compliance of its Luxury brands' suppliers was established in late 2015, and began operating in January 2016. The new organisation is based on six key pillars: (...) 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. Containing 88 questions, the comprehensive audit questionnaire is divided into 13 categories (child labour, forced labour, health and safety, freedom of association and right to collective bargaining, discrimination, environment, etc.) and aligned with the best standards in the field, in particular the SA8000 and SMETA standards."*

*- p.368: The Ethics organization: "In parallel to the first circulation of its Code of Ethics in 2005, Kering also set up a Group Ethics Committee. This Committee is now supported by two regional Ethics Committees: the Asia- Pacific (APAC) Ethics Committee and the Americas Ethics Committee. A global hotline is also available to all staff in all 12 of the Code's languages. The Ethics Committees are composed of representatives of the Group's brands and Kering staff (Corporate, Kering APAC and Kering Americas). This entire structure is managed by Kering's Chief Sustainability Officer and Head of International Affairs. The Ethics Committees have three main functions:*

- supervising the proper circulation and application of the Code of Ethics and the principles that it defends;*
- responding to any issues raised by a Group employee, be it a simple request for clarification or a question relating to the interpretation of the Code and its application, or a claim submitted to the Committee due to alleged non- compliance with one of the Group's ethical principles;*
- generating initiatives for developing the Group's sustainable development policy and activities."*

*- p.72: The compliance organization: "The Compliance structure, established in 2015 and led by a Group Chief Compliance Officer (CCO) backed up by an international network of Brand Compliance Officers (BCO) appointed by the CEOs of each brand, assists and guides employees at all levels of the Group to ensure compliance with prevailing legal requirements, including anti- bribery and competition requirements."*

*- p.376: the due diligence steering committee: "Kering formed a steering committee to oversee its compliance with the Law of the Duty of Care. The steering committee is composed of members from several departments, including Compliance, Sustainability, and Internal Audit. This committee has approved Kering's risk mapping and abovementioned action plan."*

*- p.82: Focusing on employees and social dialogue, the Kering European Works Council. "Created pursuant to the agreement of September 27, 2000, the Kering European Works Council (EWC) provides a Europe- wide forum for information, consultation, the exchange of views and dialogue.*

*The principal purpose of the EWC is to become a key intermediary in the development of social dialogue between European countries with differing realities and social practices.”*

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

#### **1.4 Training**

The company undertakes programs which include:

(1) the training of all relevant decision-makers within the company on risks, policies, and standards related to human trafficking and forced labor; and

*Kering answer: Also refer to Kering 2017 Reference Document*

*[http://www.kering.com/sites/default/files/document/kering-ddr\\_va\\_vdef-290317-miseenligne.pdf](http://www.kering.com/sites/default/files/document/kering-ddr_va_vdef-290317-miseenligne.pdf)*

*p.72: “In 2017, emphasis was once again put on corruption, respect for others and conduct in the workplace and the effect of climate change on the sourcing of raw materials. 90% of Group employees worldwide completed the training.”*

(2) the training and capacity-building of suppliers on risks, policies, and standards related to human trafficking and forced labor, covering key supply chain contexts.

*Kering answer: The Code of Ethics and the Sustainability Principles are also communicated and emphasized to suppliers during supplier audits (both global audits during activation, and follow-up audits) and supplier contracts’ sign up.*

*See Kering Standards: [http://www.kering.com/sites/default/files/kering\\_standards.pdf](http://www.kering.com/sites/default/files/kering_standards.pdf)*

*p.103, section ‘social compliance and enforcement of kering code of ethics in supply chain’:*

*“Kering requires audits to be carried out in accordance with the Kering Supplier Charter and Sustainability Principles acknowledged by the supplier when signing the supplier agreement in order to cover key ethical challenges. These include the following: (...) • Forced labour”*

*And p.104: “The global audit is performed during the activation (i.e. before a supplier can start working with a Kering brand). The supplier is then renewed every two to four years depending on supplier’s risk. The global audit monitoring goal is to check the more critical areas to prevent the presence of Zero tolerance and High Non-conformity issues.*

*The follow-up monitoring is performed as a second check to ensure the implementation of action plans coming from the global audit and to cover less critical areas.”*

#### **1.5 Stakeholder Engagement**

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 policy makers, worker rights organisations, local NGOs, or other relevant stakeholders in countries in which its suppliers operate, covering different supply chain contexts; and

*Kering answer: Please note that Kering is a signatory to the Pledge Against Forced Child Labour in Uzbekistan Cotton as mentioned p.42 of the Kering Standards and as listed here:*

*<https://www.sourcingnetwork.org/cotton-pledge-signatures-fl>*

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

*Kering answer: Kering is a member of the Mekong Club. As such Kering participates in regular meetings of the organization and is also investigating how to apply their risk metrics to Kering's supply chain. See <https://themekongclub.org/our-association/our-members/>*

*Kering is also an active member of the GBCAT (Global Business Coalition Against Human Trafficking) initiative. See <https://www.gbcat.org> and <https://3blmedia.com/News/Global-Business-Coalition-Against-Human-Trafficking-Expands-Scope-and-Steps-Efforts-End>*

## **THEME 2 TRACEABILITY AND RISK ASSESSMENT**

### **2.1 Traceability**

The company discloses:

- (1) the names and addresses of its first-tier suppliers;
- (2) the countries of below first-tier suppliers (this does not include raw material suppliers);
- (3) the sourcing countries of raw materials at high risk of forced labor and human trafficking; and

*Kering answer: In the Kering Standards, Uzbekistan, Syria, Turkmenistan are listed as countries at high risk of forced labour for cotton production and as such should not be used as sourcing countries for Kering's suppliers. See [http://www.kering.com/sites/default/files/kering\\_standards.pdf](http://www.kering.com/sites/default/files/kering_standards.pdf), p.42: "No cotton should be sourced from Uzbekistan, Syria, Turkmenistan or from other countries that are considered "high risk" for child labour or forced labour systems of cotton production. Kering will update suppliers as necessary on sourcing countries that are considered "high risk" ".*

- (4) some information on its suppliers' workforce.

*Kering answer: also refer to Kering's 2017 reference document p.120: [http://www.kering.com/sites/default/files/document/kering-ddr\\_va\\_vdef-290317-miseenligne.pdf](http://www.kering.com/sites/default/files/document/kering-ddr_va_vdef-290317-miseenligne.pdf)*

*Kering's supplier portfolio consists in thousands of mostly small suppliers, highly fragmented market, high level of craftsmanship.*

*Additional information on Gucci's supply chain (Gucci represents 57% of Kering's Luxury revenues) is available on their sustainability website Equilibrium: <http://equilibrium.gucci.com/people/#developing-our-supply-chain>*

### **2.2 Risk Assessment**

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

*Kering answer: Also see the Kering Standards: [http://www.kering.com/sites/default/files/kering\\_standards.pdf](http://www.kering.com/sites/default/files/kering_standards.pdf)*

*p.46: Core principles for paper and wood sourcing include: “Ensuring no forced labour in making forestry products”*

*p.60: Core principles for cellulosic fabrics sourcing include: “Ensuring no forced labour in cellulosic fabrics supply chains”*

*p.79: Minimum requirements for tanning process: “Do not use leather coming from unknown tanneries: Kering aims at having full visibility of its leather supply chain to minimise risks related to environmental and social aspects like water pollution, improperly managed waste, and forced labour.”*

### **THEME 3: PURCHASING PRACTICES**

#### **3.1 Purchasing Practices**

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

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

*Kering answer: Regarding wood and paper use, also refer to Kering 2017 Reference Document: [http://www.kering.com/sites/default/files/document/kering-ddr\\_va\\_vdef-290317-miseenligne.pdf](http://www.kering.com/sites/default/files/document/kering-ddr_va_vdef-290317-miseenligne.pdf)*

*p.108: paper and wood are used for packaging as shown by figures in 2017 packaging consumption table. “The Group still uses significant volumes of cardboard and plastic for the protection and transport of goods sold in stores or online.”*

*Regarding organic cotton use, please refer to Kering 2017 Reference Document, p. 104:*

*“These initiatives enabled the Group’s Luxury brands to continue increasing the use of organic cotton in 2017. As such, Alexander McQueen used more than 30,000 kg of organic cotton for its Autumn / Winter 2017 and Spring / Summer 2018 collections, an increase of 66% compared with 2016. Roughly 40% of all cotton purchased by Balenciaga was certified organic by GOTS in 2017. At Bottega Veneta, organic cotton accounts for 88% of total cotton used for its ready- to- wear collections and for the flannel bags used to protect leather goods, jewelry and shoes. Stella McCartney continues to use organic cotton (particularly in its jeans, which account for more than 80% of the brand’s overall use of cotton), focusing on GOTS and OCS certifications to ensure the highest standards in terms of traceability and environmental impact along the entire textile production chain. (...) Saint Laurent has in turn chosen to focus the integration of organic cotton on its permanent collections; in 2017, several articles in the jersey category (T- shirts, sweatshirts, polo shirts) accordingly used GOTS certified cotton. After testing the integration of organic cotton in various items (shirts, jeans, T- shirts, etc.), Gucci has significantly increased the amounts used in its men’s and children’s ready- to- wear collections, for the lining of ties and for all shirts used for the uniforms worn by sales staff, representing 105 tonnes of GOTS certified organic cotton. Lastly, Brioni has chosen to develop a capsule collection, Brioni sustainable, including organic cotton shirts.”*

(2) is adopting responsible purchasing practices in the first tier of its supply chain; and

*Kering answer: Kering’s supplier selection process is described in the Kering standards, section “social compliance and enforcement of Kering code of Ethics in supply chain “ from p.103 onwards: [http://www.kering.com/sites/default/files/kering\\_standards.pdf](http://www.kering.com/sites/default/files/kering_standards.pdf)*

*Kering's buyers, as any employee of the Group, are required to comply to the Code of Ethics and to take the mandatory e-learning training on Code of Ethics which encompasses Supplier's Charter principles.*

(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).

**Additional question from Know The Chain:**

**3.1(3) In case the Kering Vendor Rating System is already implemented, please provide evidence that it is used to provide business to suppliers with strong labor performance.**

**3.2 Supplier Selection**

The company:

(1) assesses risks of forced labor at potential suppliers prior to entering into any contracts with them.

*Kering answer: Each potential supplier undergoes a strong selection process before its activation, that includes a global audit based on an extensive set of 88 questions under 13 key categories that represent what Kering considers the highest priority issues in terms of social and environmental matters for its supply chain. A dedicated category out of the 13 is on forced labor.*

*Please refer to Kering 2017 Reference Document:*

*[http://www.kering.com/sites/default/files/document/kering-ddr\\_va\\_vdef-290317-miseenligne.pdf](http://www.kering.com/sites/default/files/document/kering-ddr_va_vdef-290317-miseenligne.pdf)*

*p.121: "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. Containing 88 questions, the comprehensive audit questionnaire is divided into 13 categories (child labour, forced labour, health and safety, freedom of association and right to collective bargaining, discrimination, environment, etc.) and aligned with the best standards in the field, in particular the SA8000 and SMETA standards."*

*And to the Kering Standards: [http://www.kering.com/sites/default/files/kering\\_standards.pdf](http://www.kering.com/sites/default/files/kering_standards.pdf)*

*p.103-106: details about the supplier audit process in section 'Social compliance and enforcement of Kering code of ethics in supply chain'*

*"During the global audit the auditor will: • Observe key site activities • Interview management • Interview selected workers and without management present • Inspect key company documentation including worker contracts, union agreements, management procedures, management records, and any other documentation, and records relating to wages, disciplinary practices, health and safety discrimination, wages, working hours, freedom of association and collective bargaining (unions,) and employment of children and young workers"*

(2) addresses risks of forced labor related to sub-contracting.

**3.3 Integration into Supplier Contracts**

The company:

(1) integrates supply chain standards addressing forced labor and human trafficking into supplier contracts.



*Kering answer: Kering's supply chain standards regarding forced labour and human trafficking are covered by 4 key documents integrated into supplier contracts: The Code of Ethics, the Suppliers' charter enclosed in the Code of Ethics, the Sustainability Principles, and the Kering Standards.*

*The Code of Ethics, the Suppliers' charter enclosed in the Code of Ethics, the Sustainability Principles are mandatory principles that the supplier must commit to when signing a contract with Kering. The Kering standards are guidelines attached to each supplier contract, within given strategic context of Kering Sustainability approach: in 2017, Kering committed that 100% of its raw materials be covered by Kering standards by 2025.*

*See Kering 2017 Reference Document [http://www.kering.com/sites/default/files/document/kering-ddr\\_va\\_vdef-290317-miseenligne.pdf](http://www.kering.com/sites/default/files/document/kering-ddr_va_vdef-290317-miseenligne.pdf)*

*p.60: regarding Kering standards: "the Kering standards of excellence set out the sourcing and manufacturing processes applicable to all of the Group's brands and their suppliers. (...) They serve as a guide for verifying supplier compliance with Kering's requirements."*

*p.121: regarding Sustainability principles: "These sustainability principles have been phased into supplier contracts since 2016. Each supplier is in turn tasked with imposing these principles on its own subcontractor network, if they have any."*

*p.237:" The Group regularly examines ways to adapt these documents to its organisation, ensures that suppliers adhere to the Group Suppliers' Charter, which they are required to promote within their production units".*

*p.275: "Kering also redrafted contracts based on a Group template to be signed by its direct suppliers. These newly formulated contracts ensure a higher level of protection against corruption and extend the Group's Code of Ethics and Sustainability Principles to its entire supply chain."*

### **3.4 Cascading Standards through the Supply Chain**

The company:

(1) 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 standards addressing forced labor and human trafficking.

#### **THEME 4: RECRUITMENT**

##### **4.1 Recruitment Approach**

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

(2) requires employment and recruitment agencies in its supply chain to uphold workers' fundamental rights and freedoms (those articulated in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work), including the elimination of forced labor; and

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

##### **4.2 Recruitment Fees**

The company:

(1) requires that no worker in its supply chain pay for a job—the costs of recruitment should be borne not by the worker but by the employer ("Employer Pays Principle"); and

(2) takes steps to ensure that such fees are reimbursed to the workers, in the event that it discovers that fees have been paid by workers in its supply chain.

**Additional question from Know The Chain:**

**4.2(1) We would welcome stronger disclosure around recruitment fees.**

#### **4.3 Monitoring and Ethical Recruitment**

The company:

(1) takes steps to ensure employment and/or recruitment agencies used in its supply chain are monitored to assess and address risks of forced labor and human trafficking; and

(2) provides details of how it supports ethical recruitment in its supply chain.

#### **4.4 Migrant Worker Rights**

The company:

(1) takes steps to ensure migrant workers understand the terms and conditions of their recruitment and employment, and also understand their rights;

(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;

(3) takes steps to ensure migrant workers are not discriminated against, and not retaliated against, when they raise grievances; and

*Kering answer: Migrant workers, like any worker working in Kering's operations or supply chain, have access to the Ethics hotline that is available in 12 languages and operating from 12 countries. From 2018, this hotline is available not only to all Group employees but also externally and worldwide. The corresponding phone numbers are available in the Code of Ethics which is publicly disclosed on Kering's website, p.13: <http://www.kering.com/sites/default/files/kering-code-of-ethics-english.pdf>*

*See Kering 2017 Reference Document [http://www.kering.com/sites/default/files/document/kering-ddr\\_va\\_vdef-290317-miseenligne.pdf](http://www.kering.com/sites/default/files/document/kering-ddr_va_vdef-290317-miseenligne.pdf)*

*p.119: "Ethics hotline set up for all Group employees worldwide in 2013. From 2018 access to this hotline will no longer be limited to employees of the Group."*

*The Code of Ethics also mentions Kering's non retaliation policy for any person addressing a request to the hotline:*

*See Code of Ethics p.11: "The Ethics Committees make sure that no action is taken against an employee who, in all good faith, reports a case of failure to comply with an ethical principle of the Code, as a consequence of having reported the matter."*

(4) provides evidence of how it works with suppliers to ensure migrant workers' rights are respected.

#### **THEME 5: WORKER VOICE**

### 5.1 Communication of Policies

The company takes steps to ensure:

- (1) its policies and standards, which include human trafficking and forced labor, are available in the languages of its suppliers' workers; and
- (2) its human trafficking and forced labor policies and standards are communicated to workers in its supply chain.

*Kering answer: as mentioned previously, Kering's suppliers are responsible for disseminating the standards to their employees and throughout their sub-supply chain.*

### 5.2 Worker Voice

The company:

- (1) works with relevant stakeholders to engage with and educate workers in its supply chain on their labor rights;
- (2) takes steps to ensure that there are worker-to-worker education initiatives on labor rights in its supply chain;
- (3) provides evidence of the positive impact of worker engagement in its supply chain; and
- (4) provides at least two examples of worker engagement initiatives covering different supply chain contexts.

### 5.3 Freedom of Association

The company:

- (1) describes how it works with suppliers to improve their practices in relation to freedom of association and collective bargaining;
- (2) works with local or global trade unions to support freedom of association in its supply chain;
- (3) takes steps to ensure workplace environments in which 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
- (4) provides at least two examples covering different supply chain contexts of how it improved freedom of association for supply chain workers.

### 5.4 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 chain is available to its suppliers' workers and relevant stakeholders;

*Kering answer: Any worker working in Kering's operations or supply chain has access to the Ethics hotline that is available in 12 languages and operating from 12 countries. From 2018, this hotline is available not only to all Group employees but also externally and worldwide. The corresponding phone numbers are available in the Code of Ethics which is publicly disclosed on Kering's website, p.13: <http://www.kering.com/sites/default/files/kering-code-of-ethics-english.pdf>*

See Kering 2017 Reference Document [http://www.kering.com/sites/default/files/document/kering-ddr\\_va\\_vdef-290317-miseenligne.pdf](http://www.kering.com/sites/default/files/document/kering-ddr_va_vdef-290317-miseenligne.pdf)

*p.119: “Ethics hotline set up for all Group employees worldwide in 2013. From 2018 access to this hotline will no longer be limited to employees of the Group.”*

*In addition, specific to fashion models, Kering and LVMH established in 2017 a Model’s charter to ensure that fashion models are always provided with proper working conditions.*

*This charter – “the charter on the working relations with fashion models and their well-being” - states: “Complaints and audit — From the first selection interview to the last performance, the model must have the possibility of making a direct complaint in the case of a dispute with a modeling agency, a casting director or a brand employee (e.g. through the setting up of a hotline or the nomination of a brand representative)”.*

*For more detail, please refer to:*

*[http://www.kering.com/sites/default/files/the\\_charter\\_on\\_fashion\\_models\\_lvmh\\_kering\\_2p\\_en.pdf](http://www.kering.com/sites/default/files/the_charter_on_fashion_models_lvmh_kering_2p_en.pdf)*

(2) takes steps to ensure that the existence of the mechanism is communicated to its suppliers' workers;

(3) takes steps to ensure that workers or an independent third-party are involved in the design or performance of the mechanism, to ensure that its suppliers' workers trust the mechanism;

*Kering answer: the Ethics hotline is run by an external independent third party company.*

(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

(5) provides evidence that the mechanism is available and used by workers below tier one in its supply chain, or by relevant stakeholders in key supply chain contexts.

## **THEME 6: MONITORING**

### **6.1 Auditing Process**

The company has a supplier audit process that includes:

(1) non-scheduled visits;

(2) a review of relevant documents;

(3) interviews with workers;

(4) visits to associated production facilities and related worker housing; and

(5) supplier audits below the first tier.

### **6.2 Audit Disclosure**

The company discloses:

(1) the percentage of suppliers audited annually;

*Kering answer: Additional information on Gucci’s audits (Gucci represents 57% of Kering’s Luxury revenues) is available on their sustainability website Equilibrium:*

*<http://equilibrium.gucci.com/people/#developing-our-supply-chain>*

*“In 2017 alone, 59% of all Gucci suppliers were subject to at least one full audit or a follow-up audit. In total, 1604 audits were carried out across our supply chain. We ended our relationship with 75 suppliers who did not meet our required standards after being issued with and supported through corrective actions.*

*We have 22 audit pending processes and should the corrective plan we addressed to the suppliers be not successfully met, Gucci will terminate the relationship with such suppliers.”*

- (2) the percentage of unannounced audits;
- ( 3) the number or percentage of workers interviewed during audits;
- ( 4) information on the qualification of the auditors used; and
- ( 5) a summary of findings, including details regarding any violations revealed.

## **THEME 7: REMEDY**

### **7.1 Corrective Action Plans**

The company's corrective action plans include:

- (1) potential actions taken in case 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, spot-checks, or other means;
- ( 3) potential consequences if corrective actions are not taken; and
- ( 4) a summary or an example of its corrective action process in practice.

### **7.2 Remedy Programs / Response to Allegations**

A. If no allegation regarding forced labor in the company's supply chain has been identified in the last three years, the company discloses:

- (1) a process for responding to the complaints and/or reported violations of policies and standards; and
- (2) at least two examples of outcomes for workers of its remedy process in practice, covering different supply chain contexts.

B.1. If one or more allegations regarding forced labor in the company's supply chain have been identified in the last three years, the company discloses:

- (1) a process for responding to the complaints and/or reported violations of policies and standards;
- (2) a public response to the allegation, which covers each aspect of each allegation;
- (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.

B.2. If one or more allegations regarding forced labor in the company's supply chain have been identified in the last three years, and the company denies the allegation, the company discloses:

- (1) a process for responding to the complaints and/or reported violations of policies and standards;
- (2) a public response to the allegation, which covers each aspect of each allegation;
- (3) a description of what actions it would take to prevent and remediate the alleged impacts; and
- (4) 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

*THE FOLLOWING WILL BE DISPLAYED ON A COMPANY'S SCORECARDS.*

### **Commitment(s) to address forced labor in the supply chain**

The company has developed measurable and time-bound commitment(s) to address forced labor in the supply chain.

### **Compliance with Regulatory Transparency Requirements**

#### **UK Modern Slavery Act**

Where applicable, the company discloses annual statements under the Modern Slavery Act which fulfils the three minimum requirements (director signature, board approval, link on homepage).

*Kering answer: Kering's commitment to UK Modern Slavery Act is publicly available at [http://www.kering.com/sites/default/files/document/modern\\_slavery.pdf](http://www.kering.com/sites/default/files/document/modern_slavery.pdf)*

*and listed on Modern Slavery Registry: <https://www.modernslaveryregistry.org/companies/7692-kering-sa/statements/9520>*

*It has been reviewed by the board and signed-off by François-Henri Pinault, chairman of the board and CEO of Kering.*

#### **California Transparency in Supply Chains Act**

Where applicable, the company discloses a statement under the California Transparency in Supply Chains Act which fulfils the minimum requirements (conspicuous link on homepage, reporting against five areas).

*Kering answer: Kering's commitment to the California Transparency in Supply Chains Act is publicly available at [http://www.kering.com/sites/default/files/document/modern\\_slavery.pdf](http://www.kering.com/sites/default/files/document/modern_slavery.pdf)*

*and listed on Modern Slavery Registry: <https://www.modernslaveryregistry.org/companies/7692-kering-sa/statements/9520>*

*It has been reviewed by the board and signed-off by François-Henri Pinault, chairman of the board and CEO of Kering.*

*THE FOLLOWING WILL BE DISPLAYED ON THE COMPANY'S SCORECARD ONLY IF A COMPANY PROVIDES SUCH INFORMATION.*

### **Business model**

To put the KnowTheChain analysis into context, companies are invited to disclose relevant information on their business model, such as sourcing countries, owned versus outsourced production, etc. [Note KnowTheChain reserves the right to edit the information provided]

*Kering answer: as mentioned in Kering's 2017 reference document, p.120:*

*[http://www.kering.com/sites/default/files/document/kering-ddr\\_va\\_vdef-290317-miseenligne.pdf](http://www.kering.com/sites/default/files/document/kering-ddr_va_vdef-290317-miseenligne.pdf), for its Luxury activities, Kering's supplier portfolio consists in thousands of mostly small suppliers, highly fragmented market, high level of craftsmanship. The average number of employees by supplier is fewer than 50. Geographically, more than 95% of Kering's direct suppliers and contractors are located in Europe, predominantly in Italy (88.5%), 4.3% in Western Europ (excluding Italy), 2.3% in Eastern Europe and 4.4% in Asia.*

*More detail about Kering's business model is available through Kering's first integrated report published in August 2018:*

*[http://www.kering.com/sites/default/files/document/2017\\_kering\\_integrated\\_report.pdf](http://www.kering.com/sites/default/files/document/2017_kering_integrated_report.pdf)*

*From p.34 onwards, the report provides an overview of its value chain and the stakeholders involved at each of its five key steps (creation, development, production, sales and marketing, customer experience).*

### **Addressing forced labour risks related to third-party products**

Where a company--in addition to own branded products--sells third party products, the company discloses how it assesses and addresses forced labor risks related to third party products (relevant for retail companies).

*Kering answer: Kering relies on third-party companies to produce personal care products sold under its brands, such as Balenciaga perfumes. These third-party companies are required to comply with the same requirements and processes as any supplier of Kering, as described in the above questionnaire. More precisely regarding forced labour risks, these third-party companies are required to comply with Kering's Code of Ethics and enclosed Suppliers' charter, the Sustainability Principles, and to undergo Kering's auditing process for contract activation and throughout the contract life.*