



**Company Engagement Questions:**  
**KnowTheChain Apparel & Footwear benchmark**

**Documents**

1. Please share links to any policy statements, reports, or other documents that you would like to be taken into account in a review of your company's approach to managing forced labor risks in the supply chain.

**Commitment and governance**

Awareness and commitment

2. Has your company made a formal commitment (e.g. adopted a policy) to address human trafficking and forced labor? Please include a link to the commitment.

*Related to indicator A.1.2 of the CHRB*

Kering's Code of ethics is the foundation on which the Group's commitment to ensuring respect for fundamental rights is built. It is based on international reference texts such as the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, the United Nations Convention on the Rights of the Child, the main ILO Conventions, the ten principles of the UN Global Compact which Kering signed in 2008. In 2013, during the overhaul of its Code of ethics, Kering decided to insert its Suppliers' Charter in order to bolster the Group's emphasis on compliance by its suppliers with the key social and environmental standards laid down in the Code.

See Kering Code of Ethics p3:

*"We owe our colleagues and staff respect and fair treatment, and we need to do our utmost to create a motivating work environment that fosters their development. We aim to promote a human resources policy that contributes to the professionalism, motivation and fulfilment of each individual by providing opportunities for training, job mobility, internal promotion and development of employability. We provide working conditions that comply with human rights, social legislation and environmental, health and safety laws and regulations. We fight against child and forced labour. We encourage freedom of speech for the Group's staff. We encourage dialogue and respect the free exercise of unions' rights within the context of local laws and regulations."*

The Code of ethics is available in the 12 most widely spoken languages in the Group on the Group's intranet, and on Kering's website for readers from outside the Group.

> See Kering Code of Ethics:

[http://www.kering.com/sites/default/files/kering\\_code\\_ethique\\_gb\\_2015.pdf](http://www.kering.com/sites/default/files/kering_code_ethique_gb_2015.pdf)

## Supply chain standards

3. Does your company have a supply chain standard that requires suppliers to uphold workers' fundamental rights and freedoms, including the elimination of forced labor? Please include a link to the standard, and provide information on how frequently the standard is updated.

*Related to indicator A.1.2 of the CHRB*

The principles laid down in Kering's Code of Ethics apply both for the Group's direct activities and its valued chain: See Kering Code of Ethics p7

*"We require our suppliers to adhere to the principles laid down in the Group Suppliers' Charter. We fight against child labour and forced labour. The Group has introduced checking procedures and does not knowingly work with any partner who disregards these essential principles. The Group therefore ensures that its main suppliers are assessed at least once every two years. Kering and its brands will help them adopt best practices and comply with its Code of ethics. Beyond these audits and checking procedures, we work to establish lasting partnerships with our suppliers and sub-contractors, and support them through training skills and development programmes and sharing good practices."*

To go further Kering decided to include its suppliers' charter within its code of Ethics, see p8-9:

*"Kering and its brands declare their commitment to comply with the provisions of the International Labour Organisation (ILO) and in particular with the conventions concerning the eradication of child labour and the abolition of slavery and forced labour. Moreover, the Group has shown its commitments as a signatory of the United Nations Global Compact and through this support emphasises its defence of the ten principles of the Global Compact since 2008.*

*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 work by children under 15 years of age, saving an ILO waiver clause permitting work by children over 14 years of age;*
- 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;*
- To prohibit any type of work which, by its nature or the conditions in which it is carried out, is likely to compromise health, safety or morality;*
- To prohibit any behaviour contrary to dignity at work, especially any practice contrary to social regulations and in particular concerning remuneration, working hours and working conditions;*
- To respect employees' directly applicable right of representation and expression;*
- To prohibit discrimination, in particular racial, ethnic and gender discrimination;*
- To prohibit all forms of sexual and psychological harassment;*
- To ensure the appropriate circulation of the principles of the Charter to its employees;*
- To take appropriate measures for the effective application of the principles of the Charter to its own suppliers;*
- To faithfully warn Kering and/or its brands of any serious difficulty in applying the Charter.*
- To comply with directly applicable environmental legislation and work to implement the three principles of the Global Compact relating to environmental protection:*
  - Support a precautionary approach to environmental challenges,*
  - Undertake initiatives to promote greater environmental responsibility,*
  - Encourage the development and diffusion of environmentally friendly technologies.*

*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. In a general way, Kering and its brands shall ensure that any supplier is helped to improve its standards to meet the objectives stipulated in this Charter.”*

## Management

4. Who within your company is responsible for the implementation of your company's supply chain policies and standards relevant to human trafficking and forced labor? Please indicate the committee, team or officer, and describe the scope of their responsibility and how they interact with other internal teams, groups or departments

*Related to indicator B.1.1 of the CHRB*

Initially based on a single body (ECSRC – Ethics and Corporate Social Responsibility Committee, set up in 2005), the ethics organisation has since late 2013 drawn on the work of three Ethics Committees, a Group committee and two regional Committees (Asia Pacific and the Americas), thereby dovetailing with the policy applied within the Group of delegating responsibility to ensure the existence of bodies that can act effectively in the light of actual operating conditions, within a shared reference framework applied throughout the Group. Each of the three Committees is made up of representatives from Kering and representatives from the Group's brands to ensure greater diversity. Employees are able to call on these Committees to request clarification or ask a question regarding the interpretation of the Code, if they are unsure how to behave in a specific situation or if they wish to submit a complaint to the Committee for alleged non-compliance with one of the principles of the Code for examination. An ethics hotline was also set up for all Group employees in their country or area of operation. The hotline assists the Ethics Committees in reporting information, questions and complaints from employees and can be called by anyone in the Group who prefers this system over contacting one of the three Committees directly. The Group Ethics committee is chair by the Group Chief Sustainability Officer, member of the Excom and reporting Directly to the Group CEO and Chairman of the Board.

> See Kering Reference Document p63 and 69:

[http://www.kering.com/sites/default/files/document/kering\\_referencedocument\\_2015.pdf](http://www.kering.com/sites/default/files/document/kering_referencedocument_2015.pdf)

## Training

5. Does your company conduct training programs for internal decision-makers and suppliers' management teams on risks, policies and standards related to human trafficking and forced labor (this may include training on elements such as passport retention, payment of wages, and vulnerable groups such as migrant workers)? Please describe.

*Related to indicator B.1.5 (internal training) and B.1.7 (training of suppliers) of the CHRB*

In 2013, the Group decided to put in place a training programme on ethics and the Code for all Group employees worldwide. The programme was developed in 2013 and introduced throughout Kering in February 2014. Available in nine languages, it sets out the ethical ground rules in place at Kering, and presents case studies and ethical dilemmas that help employees ask themselves the right questions. It will be updated annually, and will cover all the major ethics principles upheld by the Group's Code of ethics, with a module dedicated to the fight against corruption. The topics covered in 2014 included corruption, fraud, conflicts of interest and the confidentiality of information on social media. In 2015, the second year of the

programme covered topics related to diversity, corruption, respect for human rights and protection of the environment. In 2016, the themes of corruption, conduct in the workplace, responsible sourcing of raw materials, traceability and compliance with business confidentiality, will be highlighted.

> See Kering Reference Document p70:

[http://www.kering.com/sites/default/files/document/kering\\_referencedocument\\_2015.pdf](http://www.kering.com/sites/default/files/document/kering_referencedocument_2015.pdf)

## Stakeholder engagement

6. In the last three years, has your company engaged on human trafficking and forced labor, especially as it relates to the supply chain a) with local stakeholders such as NGOs, trade unions or policy makers or b) in multi-stakeholder initiatives? Please describe with whom your company has engaged, the purpose of the engagement and how it relates to forced labor and human trafficking in the supply chain, and your company's role and level of engagement.

*Related to indicator A.1.4 of the CHRB*

In an increasingly interconnected world, players in the private sector need to pay attention to and maintain relationships with their partners and stakeholders. Kering therefore aims to establish quality relationships built on trust with all its partners, regardless of location, with a view to gaining a full appreciation of their concerns and expectations, and, as far as possible, incorporating these aspects into its strategy. For Kering, this means:

- defining a policy for consultation and analysis of stakeholder expectations at the Group level;
- encouraging brands to develop their own stakeholder dialogue platforms at a more operational level.

In 2014, Kering called on the expertise of Business for Social Responsibility (BSR), a consultancy specialised in the field of stakeholder dialogue, to update its materiality analysis. To this end, 12 interviews were carried out internally with senior executives of Kering and its brands. Kering also sent a questionnaire to over 100 external stakeholders (universities, NGOs, consumer groups, trade unions, investors and rating agencies, suppliers and business federations). Human rights, working conditions and supplier relations was ranked as one of the priority issue and as therefore generated specific discussion NGOs, trade unions or policy makers both at Group and Brand level.

As an example, PUMA has created its own dialogue and exchange mechanisms with their stakeholders. They've organised in 2015 their twelfth annual Talks at Banz, an event attended by nearly 40 participants (suppliers, industry and government representatives, NGOs, sustainability experts, etc.) to address the theme of "Mainstreaming Sustainability". In addition to this annual event, PUMA has developed a local dialogue mechanism to bring it closer to the issues on the ground. One example is the new partnership PUMA forged in 2015 with the Maquila Solidarity Network to engage in constructive dialogue on working conditions in the textile sector in Mexico.

PUMA is also working closely with the Fair Labor Association (FLA). The cooperation between PUMA and FLA dates back to 2004, and aims to manage and implement the required standards in terms of working conditions at suppliers. PUMA.Safe has been certified by the Fair Labor Association since 2007. In 2005, PUMA also undertook to publish an annual update of its supplier list. An example is PUMA's 2015 commitment alongside the FLA and other contractor brands to implement a national minimum wage policy in Georgia with local stakeholders. 2015 also saw PUMA continue its work on the integration of the Ruggie Framework (also known as

the United Nations Guiding Principles on Business and Human Rights) into its approach to human rights.

> See Kering Reference Document p62 and 113-117:

[http://www.kering.com/sites/default/files/document/kering\\_referencedocument\\_2015.pdf](http://www.kering.com/sites/default/files/document/kering_referencedocument_2015.pdf)

## **Traceability and risk assessment**

### Traceability

7. Please describe your company's supply chain tracing processes.

Does your company publicly disclose a) the names and locations of first-tier suppliers, and b) some information on suppliers beyond the first tier? If yes, please provide a URL.

*Related to indicator D.2.3 of the CHRB*

One of the main tool through which Kering is implementing supply chain traceability is the Environmental Profit and Loss (EP&L). The EP&L is an innovative tool designed to assess impacts and reliance on natural resources. It makes it possible to attribute a monetary value to the consequences on population groups of the Company's environmental impacts throughout its supply chain. The EP&L is covering all Group activities and Bus since 2014. As part of the E P&L we have surveyed over 1,000 of our key suppliers, across 5 continents, from product assembly through to raw material producers, including silk farms, textile factories, sheep farms and tanneries. The EP&L has significantly increase the level of traceability for key raw materials as well as the knowledge of the supply chain, from direct supplier up to raw material producers.

> See EP&L report

[http://www.kering.com/sites/default/files/document/kering\\_epl\\_methodology\\_and\\_2013\\_group\\_results\\_0.pdf](http://www.kering.com/sites/default/files/document/kering_epl_methodology_and_2013_group_results_0.pdf)

This huge work has also helped the Group improve the management of supplier's social compliance which is moving towards a more integrated model. Kering accordingly launched an ambitious project in 2015 to harmonise and combine resources for each stage in the supplier relationship process (contract, invoicing, traceability, audit, etc.). The sustainability team is involved in this project, which will also help brands implement and monitor social and environmental criteria for brand suppliers and subcontractors. More specifically, the project enabled the establishment in 2015 of a team of internal auditors at Group level, which will ultimately allow the integration of social and safety audits for all Luxury brands, the harmonisation of the standards used in these audits and the appropriate response to non-compliance.

> See Kering Reference Document p62 and 118:

[http://www.kering.com/sites/default/files/document/kering\\_referencedocument\\_2015.pdf](http://www.kering.com/sites/default/files/document/kering_referencedocument_2015.pdf)

In this context, PUMA decided to publish in 2015 the list of its core component and material suppliers (Tier 2 and 3) in addition to its core manufacturers (Tier 1 suppliers). This PUMA global core factory list includes suppliers that stand for 80% of the sourcing volume of the apparel, footwear, and accessory division in 2015.

> See PUMA's global core factory list:

[http://about.puma.com/damfiles/default/sustainability/supply-chain/manufacturing-map/MasterList\\_CoreFactories\\_2016-332d9830bd2944558380c8ebd54fa09f.pdf](http://about.puma.com/damfiles/default/sustainability/supply-chain/manufacturing-map/MasterList_CoreFactories_2016-332d9830bd2944558380c8ebd54fa09f.pdf)

## Risk assessment

8. Please describe your companies' risk assessment processes. Please include specific examples of when your company has conducted forced labor risk or impact assessments focused on a particular commodity, region or group (e.g. migrant workers in a specific context), as well as the forced labor risks identified through these risk assessment processes (e.g. high risk commodities or high risk sourcing countries).

*For examples of commodities where forced labor risks have been identified - such as cotton from Brazil, silk from Uzbekistan or leather from the Bangladesh - see Verite (2016) – "[Strengthening protections Against Trafficking in Persons in Federal and Corporate Supply Chains Research on Risk in 43 Commodities Worldwide](#)".*

*Related to indicator B.2.1 of the CHRB*

The Group constantly strives to make its operations more secure and to improve its methodology to identify and deal with risks. In 2015, the Group pressed ahead with changes to its risk management methodology initiated in 2011 and the means used for its risk management system. The Group's risk management system provides an organisational framework, a three-step risk management process and continuous monitoring of the system. The risk management process involves:

- identifying risks: this step makes it possible to identify and centralise the main risks. A risk is characterised by an event, one or more internal or external sources, and one or more consequences. Risk identification within the Group is part of a continuous effort with assessments in principle on a twice-yearly basis;
- analysing risks: this step involves reviewing the potential consequences of the main risks (for example, financial, human, legal or reputational consequences) and assessing their impact, whether they may occur as well as the level of risk control. This is also a continuous effort, and assessments are conducted in principle twice a year during work group sessions with the main managers of the Divisions; the risk management policy describes in detail the criteria and procedures for these assessments;
- dealing with risk: during this last step, the most appropriate action plan(s) for the Company is (are) identified. This risk mapping system was put in place several years ago and has been strengthened since 2011 with the presentation made to the Risk Committee of a consolidated risk map for each Division. The risk management process is monitored over the long-term.

In 2013, the Group deployed special software for the management of risk identification and analysis which guarantees a common methodology across both Divisions and extends the responsibilities of the managers included in these workshops. In 2014, the Group extended its risk identification process through work sessions with the holding company's main managers. In 2015, the Group extended its risk identification process through work sessions with the key managers of Kering's regional divisions in the Americas and Asia-Pacific.

In addition, Kering is using Verisk Maplecroft, covering 36 risks indices as well as scorecards for 179 countries to encapsulate Human rights risks into its risk management system.

## **Purchasing practices**

### Purchasing practices

9. Does your company make an effort to avoid purchasing practices that increase the risk of human trafficking and forced labor in the supply chain (e.g. short-term contracts, excessive downward pressure on pricing, sudden changes of workload?) Please elaborate.

*Related to indicator D.2.2 of the CHRB*

For non-retail (indirect) purchases, the Group's Indirect Purchasing Department remains committed to responsible sourcing based on a reciprocal undertaking with suppliers to respect the Kering Code of ethics. It also has specific commitments tailored to each category of purchases, with buyers identifying the most relevant sustainability criteria. To formalise this process, a responsible purchasing policy has been implemented at Group-level. It sets out the priorities to be shared and applied by all Group employees to manage purchasing ethically and responsibly. It has been distributed to all Kering employees. Kering further formalised these commitments in 2014 by signing the 2010 "Responsible Supplier Relations" Charter framed by the French Ministry of the Economy and Finance, and the Compagnie des dirigeants et acheteurs de France (French purchasing managers body – CDAF). The Charter's purpose is to promote the implementation of and compliance with best practices in relation to suppliers in France, and to encourage the major signatory contractors to implement a progress approach with their suppliers, especially small and medium-sized enterprises, in order to develop a true partnership through mutual knowledge and the respect for each party's rights and duties.

> See Kering Reference Document p116:

[http://www.kering.com/sites/default/files/document/kering\\_referencedocument\\_2015.pdf](http://www.kering.com/sites/default/files/document/kering_referencedocument_2015.pdf)

## Supplier selection

10. Does your company assess risks of forced labor at potential suppliers prior to entering into contracts with them (this may include aspects such as passport retention and payment of wages)? Please describe.

*Related to indicator B.1.7 of the CHRB*

Before working for one of the Group Brand, a supplier is usually asked for a pre-screening to assess potential risks, including human rights risks. This can be done via a specific audit or in the context of the tender. As an example, each factory applying for accreditation as PUMA supplier, must first conduct a pre-screening to get an overview of the factory's compliance status followed by an initial audit conducted by the PUMA Safe team. This initial audit ensures that the new factory meets PUMA's social standards prior to collaboration, if PUMA's requirement isn't met, corrective action plan can be defined together with the supplier before the sourcing partner starts working with PUMA. The initial audit is covering Human right risks but also working conditions, health & safety, etc.

> See PUMA's Sustainability handbook – Social Standards 2016 p12:

[http://about.puma.com/damfiles/default/sustainability/standards/PUMA-s-handbooks/PUMA-Sustainability-Handbook\\_Social-Standards\\_1607-560def3b0741d9d52ee17e9d86e8c70e.pdf](http://about.puma.com/damfiles/default/sustainability/standards/PUMA-s-handbooks/PUMA-Sustainability-Handbook_Social-Standards_1607-560def3b0741d9d52ee17e9d86e8c70e.pdf)

11. How does your company take into consideration the capacity of suppliers to meet fluctuating demands (to reduce the risk of undeclared subcontracting)?

Subcontractors are under Group scrutiny. As an example, PUMA's Sustainability handbook – Social Standards classified undeclared subcontracting as a critical issue, which is considered a serious/critical violation of PUMA's Code of Conduct and they will be treated with higher priority than other findings. The finding of one or more Critical Issues may lead to a failure of the PUMA compliance audit or to a significant downgrade of the audit rating result

> See PUMA's Sustainability handbook – Social Standards 2016 p18:  
[http://about.puma.com/damfiles/default/sustainability/standards/PUMA-s-handbooks/PUMA-Sustainability-Handbook\\_Social-Standards\\_1607-560def3b0741d9d52ee17e9d86e8c70e.pdf](http://about.puma.com/damfiles/default/sustainability/standards/PUMA-s-handbooks/PUMA-Sustainability-Handbook_Social-Standards_1607-560def3b0741d9d52ee17e9d86e8c70e.pdf)

## Integration into supplier contracts

12. Does your company integrate its supply chain standards addressing forced labor and human trafficking into supplier contracts?

*Related to indicator B.1.4.b of the CHRB*

Suppliers and Sub-contractors are required to adhere to the principles laid down in the Group Suppliers' Charter which includes forced labor and human trafficking clauses.

> See Kering Code of Ethics p8-9: <http://www.kering.com/sites/default/files/kering-code-of-ethics-english.pdf>

The management of suppliers' social compliance also takes into account the Group's growth, and is moving towards a more integrated model. Kering accordingly launched an ambitious project in 2015 to harmonise and combine resources for each stage in the supplier relationship process (contract, invoicing, traceability, audit, etc.). The sustainability team is involved in this project, which will also help brands implement and monitor social and environmental criteria for brand suppliers and subcontractors. In this context, sustainability principles, specific to the activity of the supplier, are developed and will be included in contracts.

## Cascading standards

13. Does your company have a process to cascade standards on forced labor down the supply chain (e.g. requiring first-tier suppliers to ensure that their own suppliers implement standards that are in line with the company's standards)? Please describe.

*Related to indicator A.1.2 of the CHRB*

Yes, since 2016 PUMA has deepened their social compliance program to its (T2) component and (T3) material suppliers, which means more low tier suppliers will be directly monitored by PUMA sustainability team.

## Recruitment

### Recruitment approach

14. Please describe your company's recruitment approach, including a) whether your company requires recruitment agencies in its supply chain to uphold workers' rights (this may include aspects such as written contracts, access to passports, and regular payment of wages), b) whether it has a policy on direct employment (i.e. a policy prohibiting suppliers in its supply chain from using recruitment agencies), and c) whether it requires suppliers to disclose to the company the recruiters that they use.

*Related to indicator D.2.5.b of the CHRB*

> See PUMA's Sustainability handbook – Social Standards 2016 p22:

Persons involved in the recruitment process shall be trained in the local laws on child labor and on PUMA's compliance requirements.

- The factory shall follow a recruitment procedure applicable to all employees granting them equal opportunities to fill up the open positions.
- The recruitment procedure shall include the publication of the job description, and required qualifications, carrying out the necessary number of interviews and reviewing employee's appropriate documentation.
- Discriminatory questions should not be asked such as; those related to pregnancy, religious beliefs, marital status, ethnic origin, union membership or others. Where local or international migration laws/regulations require such information to be provided in conflict with labor standards, evidence of procedures must be presented to indicate that such information is not used for discriminatory hiring decisions.

## Recruitment fees

15. Please describe your company's approach to recruitment fees in the supply chain, including whether your company requires that no fees be charged to supply chain workers during recruitment processes, and whether and how your company ensures that fees paid by workers are reimbursed.

*Related to indicator D.2.5.b of the CHRB*

> See PUMA's Sustainability handbook – Social Standards 2016 p22:

[http://about.puma.com/damfiles/default/sustainability/standards/PUMA-s-handbooks/PUMA-Sustainability-Handbook\\_Social-Standards\\_1607-560def3b0741d9d52ee17e9d86e8c70e.pdf](http://about.puma.com/damfiles/default/sustainability/standards/PUMA-s-handbooks/PUMA-Sustainability-Handbook_Social-Standards_1607-560def3b0741d9d52ee17e9d86e8c70e.pdf) *“There should be no unreasonable cost passed on to the applicant such as; recruitment fees, medical examinations, travel or other fees..”*

> See also PUMA's Sustainability handbook – Social Standards 2016 for migrant workers p30:

[http://about.puma.com/damfiles/default/sustainability/standards/PUMA-s-handbooks/PUMA-Sustainability-Handbook\\_Social-Standards\\_1607-560def3b0741d9d52ee17e9d86e8c70e.pdf](http://about.puma.com/damfiles/default/sustainability/standards/PUMA-s-handbooks/PUMA-Sustainability-Handbook_Social-Standards_1607-560def3b0741d9d52ee17e9d86e8c70e.pdf) *“Recruitment fees, such as those required by agents, and other fees that must be legally borne by the worker as required by either the host or home country, such as levies and government deposits, are often deducted from worker wages and often binds workers for prolonged periods to employers that may not be suitable. Deductions of this nature should not form more than the legal specific percentage of the monthly gross wage, or the worker must at least have 75% of the minimum or contracted basic wage net of all deductions of similar nature, whichever amount will leave the worker a higher net wage.”*

## Recruitment audits:

16. Does your company audit recruiters used in its supply chain, to assess risks of forced labor and human trafficking, and/or require suppliers to audit their recruiters?

*For further information, see Verité – [Fair Hiring Toolkit. Conducting Interviews with Labor Recruiters](#).*

As stated in PUMA's Social Handbook p.22, persons involved in the recruitment process shall be trained in the local laws and on PUMA's compliance requirements including forced labor and human trafficking

> See [http://about.puma.com/damfiles/default/sustainability/standards/PUMA-s-handbooks/PUMA-Sustainability-Handbook\\_Social-Standards\\_1607-560def3b0741d9d52ee17e9d86e8c70e.pdf](http://about.puma.com/damfiles/default/sustainability/standards/PUMA-s-handbooks/PUMA-Sustainability-Handbook_Social-Standards_1607-560def3b0741d9d52ee17e9d86e8c70e.pdf)

## Worker voice

### Communication of policies to workers

17. Please describe how your company communicates its human trafficking and forced labor related policies and standards to workers in its supply chain, and whether your company makes its policies and standards available in the languages of suppliers' workers (including migrant workers).

*Related to indicator B.1.4.b of the CHRB*

Kering's Code of ethics is available in the 12 most widely spoken languages in the Group. It is available on Kering's intranet and website, the principles of the Code which are covering Human rights are communicated to the supply chain through contract and also through the audit teams. In addition, Brands are organizing specific round table or training sessions with its key suppliers.

For example, Bottega Veneta gathered more than a hundred suppliers on its Montebello Vicentino site in 2015 around sustainability topics. Gucci conducted nine awareness-raising meetings in 2015, bringing together nearly 375 suppliers on issues ranging from the protection of human rights to the fight against corruption, but also covering the sustainability principles that are an integral part of contracts signed by suppliers. PUMA organised round tables with 270 suppliers in Turkey, India, Indonesia, Vietnam, Cambodia, China, Argentina and Bangladesh. This allowed nearly 500 people to be made aware of local environmental and social issues, and to be trained in the brand's policies and processes.

> See Kering Reference Document p117:

[http://www.kering.com/sites/default/files/document/kering\\_referencedocument\\_2015.pdf](http://www.kering.com/sites/default/files/document/kering_referencedocument_2015.pdf)

## Worker voice

18. Please describe how your company engages with workers in its supply chain on labor related issues and rights outside of the context of the factories/farms in which they work? (whether directly or in partnership with stakeholders).

[Example available here](#)

*Related to indicator B.1.8 of the CHRB*

Kering constantly engage with its stakeholders and more particularly with its suppliers which are key partners. For Kering, this means:

- defining a policy for consultation and analysis of stakeholder expectations at the Group level;
- encouraging brands to develop their own stakeholder dialogue platforms at a more operational level.

This dialogue can be done through platform such as the Sustainable Apparel Coalition (SAC): in 2012, Kering became a member of the SAC, which brings together major players (brands, retailers, suppliers, NGOs, etc.) from the textile, footwear and accessories sector, who work together to reduce the negative environmental and social impacts caused by the industry worldwide. The Group and its brands made a substantial contribution to the creation and implementation of the HIGG Index, a tool that tracks the environmental and social impacts of the textile, footwear and accessories sector, notably at the supply chain level. PUMA, Volcom and Stella McCartney are also stakeholders in the SAC's work. Of particular note in 2015 was the Convergence project, partnered by Kering, which aims to lay down a framework of harmonised and global social audit procedures.

Brands are also engaged in specific multistakeholders' platform such as the European Cultural and Creative Industries Alliance (ECCIA), which brings together Europe's five Luxury Goods and creative industry federations, including Comité Colbert for France, Fondazione Altgamma for Italy and Walpole for the UK.

Some brands go further by creating their own dialogue and exchange mechanisms with their stakeholders. This is the case for PUMA, which organised its twelfth annual Talks at Banz, an event attended by nearly 40 participants (suppliers, industry and government representatives, NGOs, sustainability experts, etc.) to address the theme of "Mainstreaming Sustainability". In addition to this annual event, PUMA has developed a local dialogue mechanism to bring it closer to the issues on the ground. One example is the new partnership PUMA forged in 2015 with the Maquila Solidarity Network to engage in constructive dialogue on working conditions in the textile sector in Mexico.

## Worker empowerment

19. Please explain how your company encourages its suppliers to ensure workplace environments where workers are able to organize, including through alternative forms of organizing, where there are regulatory constraints on freedom of association.

*[For additional information on worker empowerment, see context in "Responding to Challenges of Freedom of Association" chapter of Ethical Trading Initiative's practical guide on "Freedom of Association in Company Supply Chains", and related company example on page 35](#)*

*Related to indicator D.2.6.b of the CHRB*

PUMA has partnered with Fair Wage Network (FWN) and Better Work (BW) in the context of the field testing of projects which aims to explore mechanisms to implement fairer wage structures among PUMA supplier factories. The Human Resources Management System project with Better Work held in Vietnam and Cambodia also integrated an introduction to the Fair Wage Methodology in its approach. Launched in 2012, the project aims to enhance human resource management systems to help address worker concerns including wage concerns. The beneficiaries of this project were the 16 factories used and, more indirectly, their 30,504 workers.

The Fair Wage Remediation project in Indonesia was started in 2012 and concluded in early 2014. Initial results showed that all factories that participated benefited from more stable wage structures that helped stabilize social dialogue in the facilities, resulting in peaceful and constructive wage discussions between factory employees and management that do not disrupt factory operations despite ongoing industrial unrest in the rest of the region. A review of results is ongoing.

PUMA remains active in the leading edge Freedom of Association Protocol in Indonesia, serving on the National Committee to oversee the continued growth of more mature industrial relations within its supply chain. Discussion is underway to use the experience as a model for other industries, as only wide-reaching peaceful relations can ensure a stable manufacturing environment.

> See PUMA website capacity building: <http://about.puma.com/en/sustainability/supply-chain/capacity-building>

## Grievance mechanism

20. Please describe your company's grievance mechanism, and clearly indicate whether it is available to workers in the supply chain, and how it is communicated to workers in the supply chain. Please also note whether you require your suppliers to establish a grievance mechanism, and to convey the same expectation to their suppliers.

*Related to indicator C.1 and C.5 of the CHRB*

Kering's Code of ethics is used as the sole set of standards implemented by all throughout the Group, regardless of their level of responsibility, position held or location. The Code of ethics is available in the 12 most widely spoken languages in the Group on the Group's intranet, and on Kering's website for readers from outside the Group. The ethics organisation has since late 2013 drawn on the work of three Ethics Committees, a Group committee and two regional Committees (Asia Pacific and the Americas), thereby dovetailing with the policy applied within the Group of delegating responsibility to ensure the existence of bodies that can act effectively in the light of actual operating conditions, within a shared reference framework applied throughout the Group. Each of the three Committees is made up of representatives from Kering and representatives from the Group's brands to ensure greater diversity. Employees are able to call on these Committees to request clarification or ask a question regarding the interpretation of the Code, if they are unsure how to behave in a specific situation or if they wish to submit a complaint to the Committee for alleged non-compliance with one of the principles of the Code for examination. An ethics hotline was also set up for all Group employees in their country or area of operation. The hotline assists the Ethics Committees in reporting information, questions and complaints from employees and can be called by anyone in the Group who prefers this system over contacting one of the three Committees directly

The principles contained in the Kering Code of ethics naturally apply to all Group brands, and can be supplemented by additional commitments more in tune with the various brands' operational issues. This is the case for instance with PUMA, which has had its own Code of Conduct for suppliers since 1993. Since 2005, the brand has also issued PUMA.Safe pocket guides for its employees and suppliers. These guides present PUMA's social, environmental and health and safety standards. A Social Handbook is also available, with contact details to enable factory employees to reach the PUMA.Safe team directly in case of breaches of the PUMA Code of Conduct. PUMA's membership of the Fair Labor Association (FLA) means that third parties are also entitled to file official complaints with the FLA if they feel that there has been a breach of the Code. The cooperation between PUMA and FLA dates back to 2004, and aims to manage and implement the required standards in terms of working conditions at suppliers. PUMA.Safe has been certified by the Fair Labor Association since 2007. In 2005, PUMA also undertook to publish an annual update of its supplier list. An example is PUMA's 2015 commitment alongside the FLA and other contractor brands to implement a national minimum wage policy in Georgia with local stakeholders. 2015 also saw PUMA continue its work on the integration of the Ruggie Framework (also known as the United Nations Guiding Principles on Business and Human Rights) into its approach to human rights. The Ruggie Framework defines the set of Guiding Principles on Business and Human Rights, and is the reference framework issued by the United Nations on human rights.

## **Monitoring**

Auditing process

21. Please describe your company's supplier auditing process including whether the process includes a) scheduled and non-scheduled visits, b) a review of relevant documents (documents may include wage slips, information on labor recruiters, contracts, etc.)<sup>i</sup>, and c) interviews with workers.

For further details on document reviews see Verite – [Fair Hiring Toolkit. Conducting a Review of Documentation](#).

Related to indicator B.1.6 of the CHRB

The management of suppliers' social compliance also takes into account the Group's growth, and is moving towards a more integrated model. Kering accordingly launched an ambitious project in 2015 to harmonise and combine resources for each stage in the supplier relationship process (contract, invoicing, traceability, audit, etc.). The sustainability team is involved in this project, which will also help brands implement and monitor social and environmental criteria for brand suppliers and subcontractors. More specifically, the project enabled the establishment in 2015 of a team of internal auditors at Group level, which will ultimately allow the integration of social and safety audits for all Luxury brands, the harmonisation of the standards used in these audits and the appropriate response to non-compliance.

Up until now, Brands were following specific approach, both in terms of audits standards and audit processes. Audits can be done through internal audit teams or external agency. In the Luxury division, Brands usually build on the SA 8000 standards to conduct their audits and certify their management systems. This global standard takes into account not only the company itself, but also the companies in its production chain. It requires the certified company and its suppliers to respect nine corporate responsibility requirements relating to child labour, forced labour, health and safety, freedom of association and collective bargaining, discrimination, disciplinary practices, working hours, remuneration and management systems, and to set up a specific management system for this purpose. In 2013, Gucci and Bottega Veneta received SA 8000 certification for all their activities. Kering's international logistics platform for its Luxury brands (Luxury Goods International, LGI) also enjoys SA 8000 certification.

Stella McCartney is using the reference framework designed by SMETA (SEDEX Members Ethical Trade Audit), which, in addition to compliance with the principles of the ETI (Ethical Trading Initiative), analyses working conditions, health and safety at work, and environmental and ethical practices, including by subcontractors.

PUMA's audits are performed by PUMA.Safe (Social Accountability and Fundamental Environmental Standards, a team of nine internal auditors dedicated to these issues) and are conducted in accordance with FLA standard.

Volcom follows a mixed approach by conducting some audits with its own teams, others being conducted by an external firm commissioned by Volcom directly or by another of the supplier's clients.

For all Brands, audits can be announced or unannounced and can include also interviews with workers.

> See Kering Reference Document p118-119:

[http://www.kering.com/sites/default/files/document/kering\\_referencedocument\\_2015.pdf](http://www.kering.com/sites/default/files/document/kering_referencedocument_2015.pdf)

## Audit disclosure

22. Does your company disclose

- a) the percentage of suppliers audited annually
- b) the percentage of unannounced audits
- c) information on who carried out the audits (this may include further information on the

expertise of auditors such as relevant certifications, in cases where third-party audits are used, the names of the auditors, and in cases where internal auditors are used, details on department/team/group within which the auditor(s) sits), and  
d) a summary of findings, including details of any violations revealed?

Please provide a URL with the relevant information.

*Related to indicator B.1.6 of the CHRB*

The total number of audits performed at Group level are regularly disclosed in Kering's Reference Document.

> See Kering Reference Document p118-119:

[http://www.kering.com/sites/default/files/document/kering\\_referencedocument\\_2015.pdf](http://www.kering.com/sites/default/files/document/kering_referencedocument_2015.pdf)

Some Brands are disclosing in addition the percentage coverage, for example PUMA conducted 384 audits across 332 factories in 2015, covering more than 95% of the factories that PUMA works with. PUMA is also disclosing the results of its social audits on its annual report: <http://report.puma-annual-report.com/en/company-overview/sustainability/social-sustainability/>

## Remedy

Corrective action plans

23. Does your company have a process for creating corrective action plans when violations are discovered through an auditing process? Please describe this process and the elements of a corrective action plan.

*Related to indicator B.1.6 of the CHRB*

The corrective action plans that are set-up following social audits are disclosed within Kering's Reference Document: *"Bottega Veneta performed 819 social and safety audits across its various business units in 2015. These audits brought to light two cases of non-compliance related to payroll management and implementation of the work contracts, as well as opportunities that will ultimately improve the health and safety conditions and the ergonomics of workstations."*

*"A total of 384 audits were conducted in 332 factories in 2015, covering more than 95% of the factories that PUMA works with. Supplier performance in relation to the social and environmental standards of the PUMA audit criteria is expressed by a grade ranging from A to D, A being the best. 34 factories failed the audit, with a grade of C or D, and were consequently suspended. The three main causes of non-compliance were health and safety, wages and freedom of association."*

> See Kering Reference Document p118-119:

[http://www.kering.com/sites/default/files/document/kering\\_referencedocument\\_2015.pdf](http://www.kering.com/sites/default/files/document/kering_referencedocument_2015.pdf)

## Remedy

24. Does your company have a process to provide remedy to workers in its supply chain in cases where violations are discovered, including for responding to instances of forced labor and human trafficking? If yes, please provide examples of outcomes.

*Related to indicator C.7 of the CHRB*

*“The main component of both the puma.safe and FLA audits is the remediation of the areas of failure. To achieve sustainable compliance, in formulating the corrective action plan, the factories are to address not only the areas of failure as they are but the root causes of the failures. This way, the recurrence of non-compliance with the same nature would hopefully be avoided. The results of the subsequent visits by the puma.safe team are entered in the tracking chart. The tracking chart shows the progress of the remediation process as well as the nature of evidence gathered by the puma.safe team. After the time given to the brand to remediate is over, the tracking chart is subsequently posted on the FLA website, whether or not the remediation process is completed. Whether or not the remediation process is completed, the FLA can conduct a verification audit at any of the factories that it had previously audited. In this verification audit, the FLA monitors check if the remediation progress report was done properly and that the corrective actions have indeed been implemented as indicated in the progress report by the brand.*

> See PUMA Social Handbook 2013 p46:

[http://about.puma.com/damfiles/default/sustainability/standards/PUMA-s-handbooks/2013\\_HANDBOOK\\_SOCIAL\\_V2\\_071113-740d803177ca1851a8f57ac7c94ab8ce.pdf](http://about.puma.com/damfiles/default/sustainability/standards/PUMA-s-handbooks/2013_HANDBOOK_SOCIAL_V2_071113-740d803177ca1851a8f57ac7c94ab8ce.pdf)

*“The CORRECTIVE ACTION PLAN is used to list and document the issues that need to be improved. A copy of this sheet, which is signed by both the audit team and the factory representative, is given to the factory for the management to formulate its planned corrective actions together with the corresponding timetable for their implementation. The audit team keeps the other copy of the request on file for the subsequent remediation and verification of the corrective actions. Verification of corrective actions, depending on the nature of the findings, can be done remotely via desktop review or via a follow-up visit. Depending on the nature of findings, some immediate corrections maybe taken into account prior to the finalization of the audit report, in accordance with internal issues remediation standards. A factory is given a maximum of 10 days after the audit to send the corrective action plan (including already implemented action points) to the auditor before the audit report and the factory rating will be finalized.”*

See PUMA’s Sustainability handbook – Social Standards 2016, p14:

[http://about.puma.com/damfiles/default/sustainability/standards/PUMA-s-handbooks/PUMA-Sustainability-Handbook\\_Social-Standards\\_1607-560def3b0741d9d52ee17e9d86e8c70e.pdf](http://about.puma.com/damfiles/default/sustainability/standards/PUMA-s-handbooks/PUMA-Sustainability-Handbook_Social-Standards_1607-560def3b0741d9d52ee17e9d86e8c70e.pdf)

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