

The image features a large, light gray rectangular frame. Inside this frame, a diagonal line runs from the top-right corner to the bottom-left corner. A second diagonal line runs from the top-left corner to the bottom-right corner, intersecting the first diagonal line. This intersection point is positioned slightly to the left of the center. The word "KERING" is centered horizontally between these two diagonal lines.

K E R I N G



2019

Universal Registration Document

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This document is a non-certified translation into English of the Universal Registration Document issued in French and filed on March 26, 2020 with the Autorité des Marchés Financiers (AMF), as competent authority under Regulation (EU) 2017/1129, without prior approval pursuant to article 9 of said Regulation

The Universal Registration Document may be used for the purposes of an offer to the public of securities or the admission of securities to trading on a regulated market if completed by a securities note and, if applicable, a summary and any amendments to the Universal Registration Document. The whole is approved by the AMF in accordance with Regulation (EU) 2017/1129.

CHAPTER 1

Kering at a glance

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A global Luxury Group, Kering manages the development of a series of renowned houses in fashion, leather goods, jewelry and watches. By placing creativity at the heart of its strategy, Kering enables its Houses to set new limits in terms of their creative expression while crafting tomorrow's Luxury in a sustainable and responsible way. We capture these beliefs in our signature: "Empowering Imagination".

François-Henri Pinault
Chairman of the Board of Directors
and Chief Executive Officer

1. KERING IN 2019

GUCCI

SAINT LAURENT

BOTTEGA VENETA

BALENCIAGA

Alexander
McQUEEN

Prioni
ROMA

BOUCHERON
PARIS

Pomellato



qeelin

ULYSSE NARDIN
SINCE 1840 LE LOGGIA - SUISSE

GIRARD-PERREGAUX

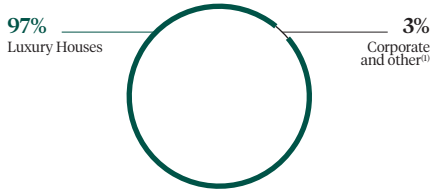


KERING
E Y E W E A R



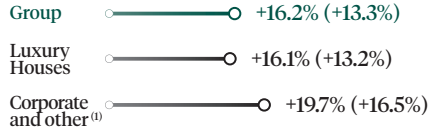
Revenue

€15,884 million



Change in reported revenue

(and change in comparable⁽²⁾ revenue
2019 vs 2018, in %)



Recurring operating income

€4,778 million

Free cash flow from operations

€1,521 million

Net income attributable
to owners of the parent

€2,309 million

Dividend per share

€11.50⁽³⁾



38,068

Employees
as of December 31, 2019⁽⁴⁾



55%

Women managers
within the Group



-14%

EP&L intensity⁽⁵⁾



Carbon neutrality achieved
in 2019 with respect to 2018
(offsetting, Scopes 1 to 3)

(1) The "Corporate and other" segment is defined on page 282.

(2) Comparable revenue is defined on page 290.

(3) Subject to the approval of the Annual General Meeting to be held on April 23, 2020.

(4) 34,902 FTE in 2019.

(5) 2015-2018.

2. HISTORY AND 2019 HIGHLIGHTS

Kering has continuously transformed itself since its inception in 1963, guided by an entrepreneurial spirit and a commitment to constantly seek out growth and create value.

Founded by François Pinault as a lumber and building materials business, the Kering group repositioned itself on the retail market in the 1990s and soon became one of the leading European players in the sector. The acquisition of a controlling stake in Gucci Group in 1999 marked a new stage in the Group's development, and the establishment of a coherent ensemble of complementary luxury brands. Kering is continuing its growth story, unlocking the potential of its Houses and pursuing its ambition to be the world's most influential Luxury group in terms of creativity, sustainability and long-term economic performance.

1963

- François Pinault establishes the Pinault group, specializing in lumber trading.

1988

- Listing of Pinault SA on the Paris Stock Exchange.

1990

- Acquisition of Cfao, a group specializing in trading with Africa and in electrical equipment distribution (activity renamed Rexel in 1993).

1991

- The Group acquires Conforama and enters the retail market.

1992

- Takeover of Au Printemps SA, a department store chain which also held a majority interest in mail order clothing brand La Redoute.

1994

- La Redoute is merged into Pinault-Printemps, renamed Pinault-Printemps-Redoute.
- Takeover of Fnac, a retailer of books, music, films and consumer electronics.

1999

- Acquisition of a 42% stake in Gucci Group NV, marking the Group's entry into the luxury sector.
- First steps toward the creation of a multi-brand Luxury group, with the acquisition by Gucci Group of Yves Saint Laurent, YSL Beauté and Sergio Rossi.

2000

- Acquisition by Gucci Group of high jewelry House Boucheron.

2001

- Gucci Group acquires Italian leather goods brand Bottega Veneta and the House of Balenciaga and signs partnership agreements with Alexander McQueen and Stella McCartney.
- The Group raises its stake in Gucci Group to 53.2%.

2003

- Sale of Pinault Bois & Matériaux to the Wolseley group of the UK.
- The Group raises its stake in Gucci Group to 67.6% (after raising it to 54.4% in 2002).

2004

- The Group raises its stake in Gucci Group to 99.4% further to a tender offer.
- Sale of Rexel.

2005

- Pinault-Printemps-Redoute becomes PPR.
- François-Henri Pinault becomes Chairman and Chief Executive Officer of PPR.

2006

- Sale of a 51% controlling stake in Printemps to RREEF and the Borletti group.

2007

- Sale of the residual 49% stake in Printemps to RREEF and the Borletti group.
- Acquisition of a 27.1% controlling stake in PUMA. This stake was increased to 62.1% further to a tender offer.

2008

- Sale of YSL Beauté to L'Oréal.
- Acquisition of a 23% stake in watchmaker Girard-Perregaux.

2009

- Listing of 58% of Cfao.
- Creation of the Kering Foundation to combat violence against women.

2010

- Acquisition by PUMA of COBRA.

2011

- Closing of the sale of Conforama to Steinhoff.
- Acquisition of Volcom.
- The Group raises its stake in Sowind Group (Girard-Perregaux and JEANRICHARD) to 50.1%.

2012

- Closing of the acquisition of Italian men's tailor Brioni.
- Sale of the remaining 42% stake in Cfao.
- Creation of a joint venture with Yoox S.p.A. dedicated to e-commerce for several of the Group's luxury brands.

2013

- Closing of the acquisition of a majority stake in Chinese fine jewelry brand Qeelin.
- Acquisition of a majority stake in the Christopher Kane brand.
- Acquisition of a majority stake in France Croco – now named Tannerie de Périers – a Normandy-based tannery specializing in precious skins.
- Listing of Groupe Fnac on the Paris Stock Exchange.
- Change of corporate name: PPR becomes **Kering**.
- Acquisition of a majority stake in Italian jewelry group Pomellato.
- Kering is listed on the Dow Jones Sustainability World and Europe Indices (DJSI).

2014

- Closing of the sale of La Redoute.
- Acquisition of watchmaker Ulysse Nardin.

2015

- Launch of Kering Eyewear.
- Sale of Italian shoemaker Sergio Rossi.
- Publication of the very first Environmental Profit and Loss Account (EP&L) at Group level.

2016

- Sale of Electric by Volcom.
- Kering relocates its headquarters to the former Laennec Hospital, in the heart of Paris' Left Bank.
- Kering announces its 2025 Sustainability strategy, which is based on three pillars: Care, Collaborate, Create.

2017

- Agreement signed between Kering Eyewear and Maison Cartier to develop, manufacture and distribute the Cartier eyewear collections, with Richemont acquiring a minority stake in Kering Eyewear.

2018

- Distribution in kind of PUMA shares to Kering shareholders, confirming the Group's positioning as a luxury pure player while maintaining its financial interest at 15.85% of PUMA's share capital.
- Kering announces its withdrawal from Stella McCartney, Volcom, Christopher Kane and Tomas Maier.
- Kering publishes its first Integrated Report (for 2017).
- Kering announces new developments in its digital strategy, aimed at enhancing the Group's omni-channel capabilities and its Houses' digital activities. In particular, Kering will fully internalize the e-commerce activities currently handled through the joint venture with Yoox Net-a-Porter Group (YNAP) in the first half of 2020.

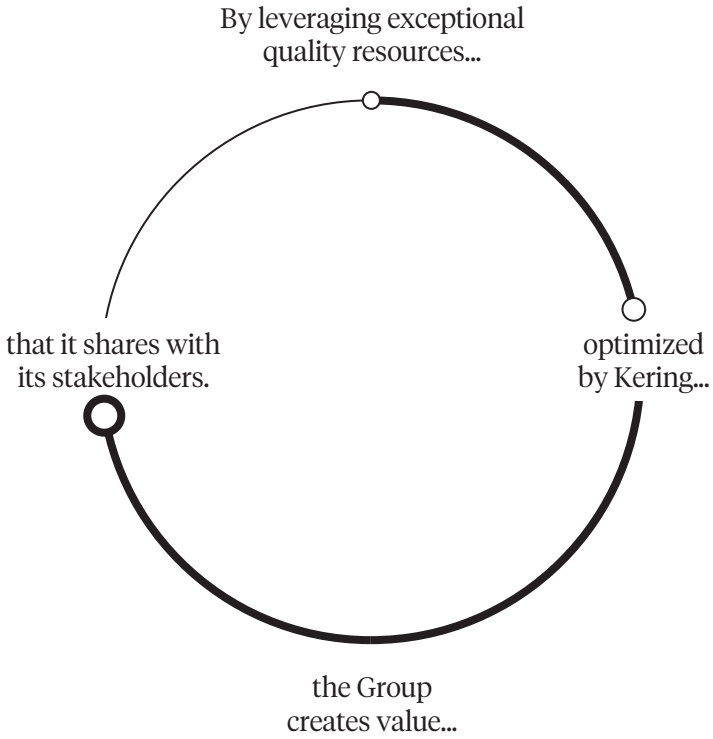
2019**Strategy, activities and finance**

- Completion of the sale of Volcom.
- Kering launches an offering of bonds exchangeable into existing ordinary shares of PUMA maturing in 2022 for a nominal amount of €550 million.

**Corporate Social Responsibility**

- French president Emmanuel Macron gives François-Henri Pinault, Chairman and Chief Executive Officer of Kering, a mission to bring together fashion and textile players with the aim of setting practical objectives for reducing the environmental impact of their industry. Sixty-three leading global fashion and textile companies pledge their commitment in three areas: climate, biodiversity and oceans.
- Kering is the only Luxury group to be included in the Carbon Disclosure Project (CDP) climate change A List for the third consecutive year. Kering becomes carbon neutral, offsetting all remaining emissions in Scopes 1, 2 and 3 of the GHG Protocol from its operations and supply chains.
- Kering is listed on the Dow Jones Sustainability World and Europe Indices (DJSI) for the seventh consecutive year.
- Kering develops a new open source digital platform and organizes a hackathon dedicated to its pioneering EP&L measurement tool.
- Global parental policy: from 2020, Kering commits to providing 14 weeks of paid baby leave to all parents of a new child.

3. OUR VALUE CREATION MODEL

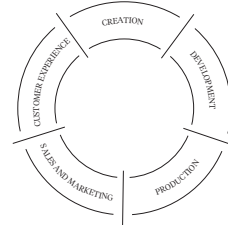


By leveraging exceptional quality resources...

- The Group's actions and business practices founded on an **EXPANSIVE SENSE OF ETHICAL RESPONSIBILITY** combined with strong values
- **38,068 EMPLOYEES** with exceptional know-how and creativity
- **RESPONSIBLE USE OF NATURAL RESOURCES** and raw materials, guided by our 2025 roadmap
- **INNOVATIONS TO PRODUCTS AND PROCESSES**, key levers for differentiation, and exceptional customer experience
- **A network of SEVERAL THOUSAND SUPPLIERS** mainly located in Italy
- **1,381 DIRECTLY OPERATED** stores and a growing number of ateliers
- **€956M IN GROSS OPERATING INVESTMENTS** to support the growth of the Houses
- **A stable SHAREHOLDER STRUCTURE** combined with international capital and a committed governance to support the Group's long-term development

optimized by Kering...

- **A VISION**
Embracing creativity for a modern, bold vision of Luxury
- **A MULTI-BRAND MODEL**
built on a long-term approach and creative autonomy for the Houses
- **A VALUE CHAIN bringing key advantages**
Upstream positioning and integration in the value chain
Cross-business expertise, e.g., Kering Eyewear
Shared support functions
Kering Standards, the common foundation for implementing the 2025 Sustainability strategy



- **A STRATEGY** that aims to harness the full potential of Luxury to grow faster than our markets
PROMOTING ORGANIC GROWTH **ENHANCING SYNERGIES AND DEVELOPING GROWTH PLATFORMS**
- **TO SUPPORT OUR AMBITION**
To be the world's most influential Luxury group in terms of creativity, sustainability and long-term economic performance.

the Group creates value...

	2015 ⁽¹⁾	2019	
Revenue	€7,660m	€15,884m	x2.1 +20% CAGR
Recurring operating income	€1,528m	€4,778m	x3.1 +33% CAGR
Recurring operating margin	19.9%	30.1%	>+10 pts



CUSTOMERS

Several prizes and awards acknowledging the Houses' creativity.

Direct distribution channels guaranteeing service quality and respect for the image of the Houses, representing 78% of revenue.

An increasingly digital experience with growth of more than 20% in online sales.

(1) 2015 data adjusted for 2019 scope.

that it shares with its stakeholders.



EMPLOYEES

€1.98 billion paid in salaries and employer contributions
82.5% of employees trained



ACTORS OF INNOVATION

Extension of the Plug and Play – Fashion for Good partnership to China with the organization of the first K Generation Award



SUPPLIERS AND SUBCONTRACTORS

Resource optimization resulting in annual savings of nearly €1 million as part of the Clean by Design program and an average 19% reduction in greenhouse gas emissions (2015-2018) at participating suppliers
3,441 audits conducted with suppliers on social, environmental and sourcing issues



NGOS AND CIVIL SOCIETY

More than €2.4 million paid by our Houses to cultural sector projects

More than 1 million people reached via social media in the 3 countries hosting the “16 Days 16 Films” campaign (Kering Foundation)



CREATIVE TALENTS AND EXCELLENCE IN CRAFTSMANSHIP

Nearly 500 experts trained at Kering's Houses since 2015 via around twenty programs to support excellence in craftsmanship

First MOOC on sustainability launched in 2018, extended to China in 2019



LOCAL COMMUNITIES

2.4 million metric tons of CO₂ offset via projects in favor of local communities and biodiversity thanks to support from REDD+ carbon offset programs

More than €2.7 million donated by the Houses to combat poverty, and for healthcare, education and training



SHAREHOLDERS AND FINANCIAL COMMUNITY

A balanced and rewarding dividend distribution policy, with a steadily increasing cash dividend: €11.50⁽¹⁾ with respect to 2019, an increase of 10%



ENVIRONMENT

14% reduction in EP&L impact between 2015 and 2018

Roll-out of Kering Standards across all activities; new animal welfare standard published in 2019

Carbon neutrality in Scopes 1, 2 and 3 achieved in 2018 for Kering's operations and supply chains

Kering, founding member of the Fashion Pact

88% of key materials traced back to their country of origin

(1) Subject to the approval of the Annual General Meeting to be held on April 23, 2020.

4. GROUP STRATEGY

Vision

Embracing creativity
for a modern, bold vision
of Luxury

Business model

A multi-brand model
built on a long-term
approach and creative
autonomy for our
Houses

AGILITY

BALANCE

RESPONSIBILITY

Strategy

Harnessing the full
potential of Luxury to
grow faster than our
markets

PROMOTING
ORGANIC GROWTH

ENHANCING SYNERGIES
AND DEVELOPING
GROWTH PLATFORMS

Vision: Embracing creativity for a modern, bold vision of Luxury

A new world order is forming. Against a backdrop of ever-faster change, new economies are taking shape as cultures evolve, disruptive technologies emerge and young “always-on” consumers seek meaningful connections. Today’s change generation is shaking up the rules.

Kering is setting the trend, purposefully shaping the Luxury of tomorrow, which will be more responsible and more in tune with our times while remaining true to the exceptional history and heritage of its Houses. Our ambition is to be the world’s most influential Luxury group in terms of creativity, sustainability and long-term economic performance.

A new generation of consumers means new client expectations. Tradition and expertise, which many luxury brands have relied on for decades, are no longer enough. Consumers today want to express their unique individuality – and our vision of Luxury supports this radical shift. We dare to take risks, think differently, and constantly propose fresh and innovative ideas that inspire emotion and

enthusiasm for our exceptional products capable of expressing each consumer’s distinctive personality.

What Kering and its Houses propose is an experience. Our values are closely tied to a powerful, creative content imbued with modernity and are complemented by the entrepreneurial spirit that permeates each of our brands and by the vision of our creative teams. Kering is made up of women and men who strive each day to create authentic, ever-changing Luxury.

We want to play our part in the emergence of a more environmentally friendly world. We are constantly raising our creative and production standards to ensure respect for the planet while at the same time having positive social impacts. We aim to create value that is equitably distributed among all our stakeholders.

Pronounced “caring”, Kering is much more than a simple allusion – it gives meaning to everything we do.

Business model: A multi-brand model built on a long-term approach and creative autonomy for our Houses

A global Luxury group, Kering manages the development of a series of renowned Houses in Fashion, Leather Goods, Jewelry and Watchmaking: Gucci, Saint Laurent, Bottega Veneta, Balenciaga, Alexander McQueen, Brioni, Boucheron, Pomellato, DoDo, Qeelin, Ulysse Nardin and Girard-Perregaux, as well as Kering Eyewear.

Thanks to our international footprint and the strength of our Houses combined with the creative autonomy they enjoy and the unique quality of our creations, Kering is among the foremost players in the luxury goods market. Our model fosters rapid growth for our brands and creates the space for them to thrive.

“Our multi-brand approach is built on a long-term vision and combines agility, balance and responsibility.”

AGILITY:

Kering provides its Houses with an organizational structure that unlocks their potential for excellence

- **Constancy**

Kering began as a family company more than 50 years ago and is now controlled by Artémis, a holding company owned by the Pinault family. With this strong and stable shareholder, Kering boasts an attractive and sustainable profile conducive to developing its vision in the luxury goods market over the long term.

- **Transformation**

From a conglomerate of diversified retail activities until the early 2000s, Kering has transformed itself into a Luxury group focusing on personal goods. We are now an integrated group bringing together and developing some of the world's most prestigious Houses. Through the years, we have been able to leverage the most effective growth drivers.

- **Clarity**

Kering helps its Houses realize their full growth potential. At each stage of their development, they benefit from the Group's solid integrated value chain and pooled support functions. By encouraging imagination in all its forms, our organization fosters performance while enabling our Houses to unleash the best of their talent and creativity. The Group ensures that performance is aligned with the brands' long-term visions and objectives. Thanks to our curiosity, capacity for self-reflection and big-picture thinking, we can achieve the clarity necessary to secure the performance of the Group and its Houses.

BALANCE:

Kering's multi-brand model is reaching optimal efficiency

- **An ensemble of exceptional Houses**

Each of our Houses fosters a unique blend of emotions and creations. Following our successful transformation into a leading luxury goods player, we boast some of the most prestigious Houses. With distinctive positionings, they play complementary roles in a coherent ensemble.

- **Multi-brand model**

We use our strength as a Group to help forge a distinctive identity for each House. Our brands find ways to express their unique characters: couture and accessories for some, jewelry and traditional watchmaking for others. The Group supports the brands by providing expertise, exercising its power as a group to exert influence, improving supply chain reliability and opening up access to distribution networks, as well as enhancing client experience, especially in digital channels. It also encourages the Houses to share best practices with a view to driving innovation.

- **Growth prospects**

Spurred by positive demographic, economic and sociological factors, the global luxury goods market enjoys significant structural growth potential. Kering adds its own momentum on top of these intrinsic factors, further amplified by placing creative boldness at the heart of its model. So while our most firmly established Houses are reinventing themselves and re-engaging with their audiences, our emerging brands are focused on realizing their full potential and gaining new clients.

- **Ready to weather adverse market conditions**

With both well established and still emerging brands in various specialties, segments and markets, Kering has an extensive footprint in diverse regions. Due to the variety of its clients, products, brands and locations, the Group is well placed to weather changes in market conditions and seize growth opportunities.

“Our economic model is built on exceptional Houses, complementary positionings and varied maturity profiles”

RESPONSIBILITY:

All our operations are founded on a responsible economic model. Our comprehensive, sustainable approach is a structural competitive advantage

- **Towards sustainable Luxury**

Can a responsible economic approach change the very nature of Luxury? For Kering, the answer is a resounding “yes”. For our Houses, sustainability is in line with our vision of modern Luxury. Businesses have an ethical obligation to be more responsible, reflecting society’s new expectations, but this situation can also be viewed as an opportunity to grow, and a source of inspiration and innovation. Methods, materials, resources and products are being reinvented and client usages and expectations are changing. Kering is changing the way it designs luxury products by incorporating the criterion of sustainable value, for clients as well as for society. The targets identified to improve the Group’s social and environmental performance are set out in the 2025 “Advance” strategy.

- **An inclusive approach**

The aim of the responsible model is to rethink Kering’s relationships with its stakeholders so as to ensure fairness and responsibility. Affecting all dimensions of Kering’s eco-system, from the Group’s strategy and the Houses’ creative decisions to operational production, processing and distribution choices, the model aims to reduce the social and environmental impacts of the Group’s operations. Placing people at the heart of the model brings fresh entrepreneurial spirit, engaging employees and stakeholders.

- **Creative potential**

Responsibility is deeply embedded in the Group’s organizational structure and promotes business growth through ever more innovative and attractive products. It rewards best business practices such as good cost control and process upgrading. In a context of limited natural resources, new high-quality materials are being fashioned and more sustainable processes devised. We are constantly on the look-out for innovative and disruptive technologies. For our brands, this represents a vast swathe of creative territory yet to be explored.

- **Governance and ethics**

Built on the Group’s core values, Kering’s responsible model leverages an ambitious governance structure, supported by the Board of Directors and its Sustainability Committee. Together they drive the sustainability strategy, which the Houses put into action every day under the guidance of dedicated experts. The Group’s Ethics Committees, Compliance structure and whistleblowing procedure for employees and third parties ensure that Kering’s Code of Ethics and principles for responsible business conduct are properly applied.

“Being a responsible Luxury group means crafting the Luxury of tomorrow – we perceive change as an opportunity and a growth lever”

Strategy: Harnessing the full potential of Luxury to grow faster than our markets

Over the past decade, Kering has undergone a profound strategic shift and is now a global leader in the luxury sector. In the coming years, the Group will continue to strengthen and sustain its growth momentum.

Promoting organic growth

- **Above-market performance in a growth industry**

The future of the luxury goods market is structurally bright. The growth of emerging economies, the cultural exposure of new populations to new global brands and the increasing use of new technologies are major sources of value creation for Kering. The market growth rate having normalized over recent years, the challenge for each of our Houses is to outperform its respective market in all segments and categories.

- **Product innovation**

Energized by new creative teams, our Houses are setting trends. Backed by the Group, they are moving into new product categories and coming up with ever more fresh ideas. Their offerings both stimulate and meet their clients' expectations and aspirations by arousing desire, inspiring dreams and tapping into emotions.

- **Sales efficiency**

In their networks of directly operated stores, our brands deploy initiatives to boost sales performance, capitalizing on increasingly effective merchandising and in-store operational excellence, supported by the Group and its dedicated teams. Optimizing comparable-store sales performance is a key organic growth lever for Kering.

- **Client experience**

Improving the quality of in-store client experience is central to driving sales performance. Personalized client experience and customization help make each client relationship unique. Support for clients before, during and after the sale – in stores or online – is what enables our Houses to create and sustain lasting connections. With this in mind, in 2019 Kering completed the roll-out of a dedicated application designed with Apple. The Group's sales associates are invited to use the app to consult stock levels in real time, order an out-of-stock product for delivery to the client's home, and generate personalized style advice for a truly revitalized shopping experience. The decision to bring client relations and e-commerce platforms back in-house was guided by the same aim.

- **Omni-channel approach**

Our clients are connected and mobile, constantly flicking between distribution channels, from digital platforms to brick-and-mortar stores. Our client relations strategy is epitomized by continuity on all communication and distribution channels. This holistic omni-channel approach is supported by targeted directly operated store extensions and strategies for distribution agreements, travel retail, e-commerce, social media and digital communication. In 2018, we announced that we would be internalizing our Couture & Leather Goods brands' e-commerce activities in 2020 (with the exception of Gucci, which has always managed its e-commerce directly). With this move, the Group aims to oversee the whole value chain so as to provide clients with a truly exceptional experience across all channels and touchpoints, aligning the e-commerce side with the standards of excellence seen in its boutiques.

- **Digital expertise, CRM and innovation**

A number of projects have been set up under the leadership of the Chief Client and Digital Officer to support Kering in its digital transformation and drive forward its e-commerce, CRM, data science and innovation activities. These include several pilot projects using data science techniques to deliver personalized messages and experiences to individual clients, as well as the creation of a dedicated data science team to improve the service provided to the clients of Kering's Houses by making the best use of the available data. Lastly, the Group's Innovation team has been tasked with fulfilling two objectives: firstly, to instill an internal culture of innovation (applying a test-and-learn approach, sharing discoveries quickly, scouting business trends, etc.) and secondly, to work on disruptive technologies to enrich our business models and support our sustainability efforts.

“Digital is simultaneously accelerating and deepening our relationships with our clients, allowing us to offer them an exceptional shopping experience”

Enhancing synergies and developing growth platforms

Our integrated model gives us a distinct advantage. Our brands benefit from Group-wide synergies while preserving their unique characters and exclusivity.

- **Resource pooling**

Our Houses share certain support functions, allowing them to concentrate on what really counts: creativity, production quality, product range development and renewal, client relations, and brand and product communication. The Group pools resources and streamlines certain strategic functions such as logistics, indirect purchasing, legal affairs, property, accounting, media relations, IT and the development of new tools (in particular with respect to the omni-channel approach). Safe in the knowledge that they are supported by the Group, our Houses can give free reign to their creative energy.

- **Cross-business expertise**

In order to enrich its brands' offerings, the Group draws on cross-business expertise. A notable success story in this domain is Kering Eyewear, which has been developed internally. Our Houses benefit from a dedicated specialist that ensures full control over the value chain of their frame and sunglasses businesses, from creation and development to supply chain; brand strategy and marketing to distribution. This innovative management model enables Kering to harness the full growth potential of its brands in this category and generate significant value creation opportunities.

- **Vertical integration and operational efficiency**

In 2013, the Group began strengthening its upstream positioning in the luxury goods value chain, in particular via the targeted acquisition of leather tanneries to secure raw materials sourcing.

Kering is constantly improving and adapting its operating model to ensure its structures are always more up-to-date and flexible. The Group has launched an ambitious transformation project focusing on its information systems,

supply chain and logistics. The aim is to adapt these functions to the Group's new scope, as well as changing consumer trends and client expectations. With shared, state-of-the-art information systems, as well as redefined logistics operations that include the construction of new warehouses in the United States (2019), Italy (2020-2021) and ultimately Asia, the Group's brands will be in a better position to anticipate demand, respond more quickly and adapt inventory management to optimize costs.

- **Talent excellence**

We pay particular attention to the professional development and satisfaction of the women and men working for our Houses and in our headquarters. Based on ever-greater mobility, our ambitious worldwide human resources strategy facilitates the growth of the Houses through a shared pool of talented individuals, expertise and excellence. The Group helps employees reach their potential and express their creativity by developing skills and performance, as well as by offering aspirational development opportunities.

A source of collective intelligence and enrichment but also fundamental to our culture of equality, allowing each individual to realize their full potential, our policy of promoting diversity, gender parity and inclusiveness is at the heart of Group and House talent management actions and initiatives.

Kering also pays careful attention to the role of women, who make up the majority of its employees and clients. Internal systems are in place to guarantee gender equality, as evidenced by our ambitious global parental policy. The Kering Corporate Foundation is committed to combating violence against women. The aim of the Women in Motion initiative is to showcase the contribution of women to the film industry, whether in front of the camera or behind.

“The Group strives to create value for its Houses and is geared to unlocking their creative potential”

Kering in 2019: A further year of strong and profitable growth

In a global environment once again characterized by geopolitical tensions and their economic ramifications, the luxury goods market enjoyed another year of sustained growth in 2019 (see Chapter 2 for a presentation of the luxury goods market). As in the two previous years, this growth was not uniform across the sector, with some groups – in particular multi-brand groups – considerably outperforming mono-brand players. In addition, growth across geographic areas was uneven, with the Asia-Pacific region clearly driving growth despite the challenges encountered in Hong Kong in the second half of the year.

In 2019, Kering once again demonstrated the relevance of its multi-brand model, harnessing the growth of the luxury goods market across the various segments, regions and consumer groups.

Kering continued to implement its vision and strategy in line with two principles:

- promoting long-term value creation, combining boldness and imagination, creativity and measured risk-taking, adaptability and agility;
- nurturing each brand's potential, with priority given to organic growth and operating cash flow generation.

Structured and organized to bring more expertise, value and operational support to each of its Houses, Kering's financial priorities are unchanged and aim to optimize return on capital employed by enhancing profit margins and rigorously managing capital allocation.

In an economic environment still hesitant in light of the disruptive impact of geopolitical tensions and health crises⁽¹⁾, the Group is looking ahead with confidence and determination.

In 2019, Kering's model again inspired the Group to make commitments and take action for sustainability. A significant example of this is the Fashion Pact, a coalition of fashion and textile players formed under the leadership of François-Henri Pinault with the aim of setting practical objectives for reducing the environmental impact of their industry. The Group also became carbon neutral across all its operations and supply chains, and implemented initiatives to promote greater diversity, as well as an ambitious and inclusive parental policy.

Kering is more committed than ever to environmental and social sustainability and diversity, which are crucial to its goals and long-term performance.

(1) See page 291 of this document.

CHAPTER 2

Group activities

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	Kering Eyewear	58



1. KEY FIGURES

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Revenue	15,884	13,665	+16.2%	13,665
EBITDA <i>EBITDA margin (as a % of revenue)</i>	6,024 37.9%	5,093 37.3%	+18.3% <i>+0.6 pts</i>	4,436 32.5%
Recurring operating income <i>Recurring operating margin (as a % of revenue)</i>	4,778 30.1%	3,995 29.2%	+19.6% <i>+0.9 pts</i>	3,944 28.9%
Net income attributable to owners of the parent o/w continuing operations excluding non-recurring items ⁽¹⁾	2,309 3,212	3,688 2,790	-37.4% <i>+15.1%</i>	3,715 2,817
Gross operating investments⁽²⁾	956	828	+15.4%	828
Free cash flow from operations⁽³⁾	1,521	3,551	-57.2%	2,955
Net debt⁽⁴⁾	2,812	-	-	1,711
Average number of employees (full time equivalent)	34,902	30,595	+14.1%	30,595

<i>Per share data (in €)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Earnings per share attributable to owners of the parent o/w continuing operations excluding non-recurring items	18.40 25.59	29.28 22.15	-37.2% <i>+15.5%</i>	29.49 22.36
Dividend per share	11.50⁽⁵⁾	10.50	+9.5%	10.50

Revenue breakdown and comparable⁽⁶⁾ growth by region



34% of revenue
Asia-Pacific
growth: 20%



33% of revenue
Western Europe
growth: 14%



19% of revenue
North America
growth: 7%



8% of revenue
Japan
growth: 6%



6% of revenue
Other countries
growth: 6%

(1) In 2019, this item did not include the non-recurring tax expense relating to the tax settlement in Italy (see Notes 12.1.1 and 14.2 to the 2019 consolidated financial statements).

(2) Purchases of property, plant and equipment and intangible assets.

(3) Net cash flow from operating activities less net acquisitions of property, plant and equipment and intangible assets.

(4) Net debt is defined on page 290.

(5) Subject to the approval of the Annual General Meeting to be held on April 23, 2020.

(6) Comparable revenue is defined on page 282.

Recurring operating income: change and margin

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Total Luxury Houses	5,042	4,238	+19.0%	4,191
<i>Recurring operating margin</i>	<i>32.8%</i>	<i>32.0%</i>	<i>+0.8 pts</i>	<i>31.6%</i>
Corporate and other⁽¹⁾	(264)	(243)	-8.3%	(247)
Group	4,778	3,995	+19.6%	3,944
<i>Recurring operating margin</i>	<i>30.1%</i>	<i>29.2%</i>	<i>+0.9 pts</i>	<i>28.9%</i>

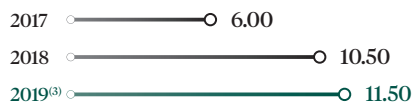
Bridge to adjusted recurring operating income (under IAS 17)

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Recurring operating income	4,778	3,995	+19.6%	3,944
<i>as a % of revenue</i>	<i>30.1%</i>	<i>29.2%</i>	<i>+0.9 pts</i>	<i>28.9%</i>
Fixed portion of lease payments restated under IFRS 16	(765)	(657)	-16.5%	N/A
Depreciation of right-of-use assets (IFRS 16)	711	606	+17.4%	N/A
Adjusted recurring operating income (IAS 17)	4,724	3,944	+19.8%	3,944
<i>as a % of revenue</i>	<i>29.7%</i>	<i>28.9%</i>	<i>+0.8 pts</i>	<i>28.9%</i>

Equity and debt-to-equity ratio*

(in € millions and in %)

Dividend per share

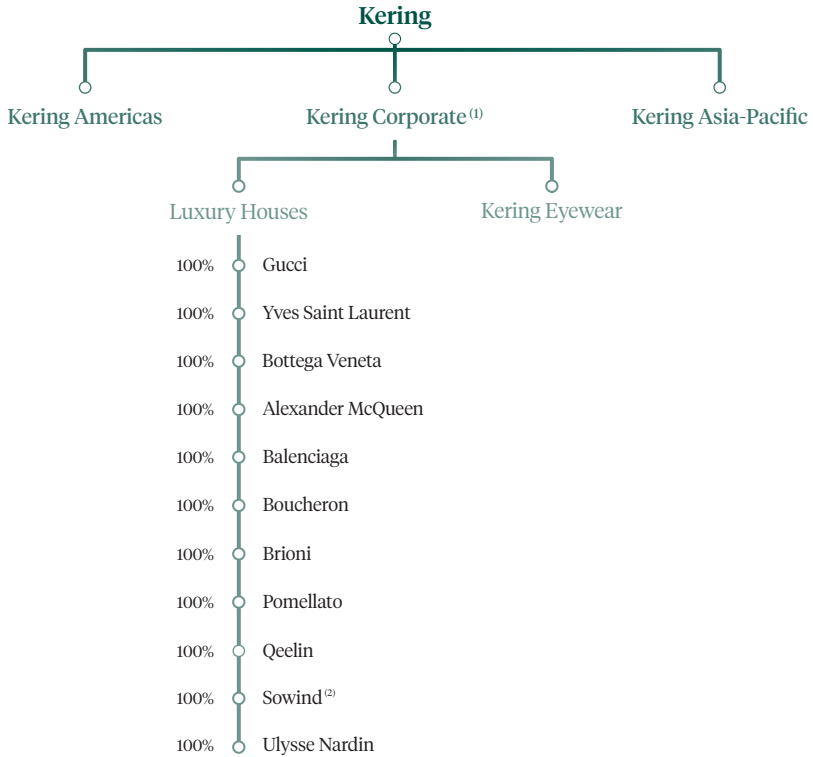
(in €)* Net debt⁽²⁾/equity.

(1) The "Corporate and other" segment is defined on page 282.

(2) Net debt is defined on page 290.

(3) Subject to the approval of the Annual General Meeting to be held on April 23, 2020.

2. SIMPLIFIED ORGANIZATIONAL CHART AS OF DECEMBER 31, 2019



(1) Corporate is defined on page 282.

(2) The Sowind group owns the Girard-Perregaux and JEANRICHARD brands.

3. OUR MARKETS

Introduction



Outlook for 2025

€335-375bn

estimation for personal luxury goods market

NEW GROWTH DRIVERS

Fast-growing middle classes in emerging countries

Larger number of wealthy individuals worldwide

Increase in discretionary spending

Increased global mobility

Relevance of the omni-channel approach and development of travel retail

Development of local and tourist customers



Outlook for 2025

25%

share of e-commerce in total personal luxury goods sales

ENVIRONMENT AND TECHNOLOGY

Growing consumer awareness of environmental issues

Development of artificial intelligence (AI), a new, extra performance driver

Reserves of creativity and innovation for products and processes

Acceleration of digital transformation and sophistication of the CRM approach

Personalization of customer service and stronger relations with our audiences



Outlook for 2025

55%

of the sales made to generations Y and Z

NEW CONSUMPTION HABITS

Young customers, more connected, searching for quality, innovation, and a sense of purpose (millennials)

Globalization and digitization of consumption habits

New consumer experiences explored (rental, subscription, second-hand market, etc.)

Development of the brand universe through directly operated store network

An omni-channel experience supported by global communication



Ambition for 2025

100%

of Kering raw materials traced back to their origin

DEMAND FOR TRANSPARENCY

New stakeholder expectations as regards the environment, society and ethics

Greater transparency in supplier relations

Attraction and retention of talent by becoming the preferred employer

Improved standards throughout the entire value chain

Exemplarity of Kering and recognition by all stakeholders

Source: unless otherwise indicated, all historical and forecast information comes from the Bain Luxury Study – Altgamma Worldwide Market Monitor, published in November 2019, rounded out with data from the full report published in December 2019.

Personal luxury goods market overview

This section contains information derived from studies conducted by organizations such as Altgamma and Bain & Company. Unless otherwise indicated, all historical and forecast information, including trends, sales, market shares, sizes and growth, comes from the Bain Luxury Study – Altgamma Worldwide Market Monitor, published in November 2019, rounded out with data from the detailed report published in December 2019. Luxury goods industry segments and product categories correspond to the definitions used in the Bain Luxury Study – Altgamma Worldwide Market Monitor. The definitions of certain product categories have been modified this year to better reflect market dynamics. In this document, the worldwide personal luxury goods market includes the “soft luxury” segment (shoes, apparel and leather goods), the “hard luxury” segment (watches and jewelry) and the “perfumes and cosmetics” segment.

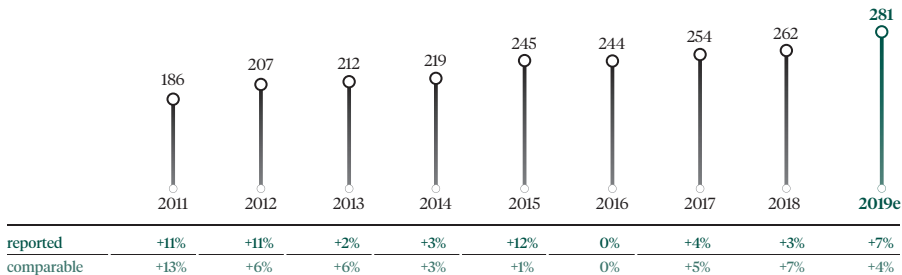
Market overview: size, trends and main growth drivers

The worldwide personal luxury goods market enjoyed strong growth from 2010 to 2012. The market gradually decelerated from late 2013, with weaker or even soft growth at comparable exchange rates up to and including 2016, when signs of a recovery were nonetheless visible in the second half of the year. 2017 saw the return of solid

growth in the market, a trend confirmed in 2018 thanks notably to a promising macro-economic environment. Growth slowed slightly in 2019 at comparable exchange rates, with the luxury goods market expected to reach €281 billion for the year, up 7% as reported and up 4% at comparable exchange rates.

Worldwide personal luxury goods market trend (2010-2019e, in € billions)

Annual change at reported and comparable exchange rates:



Trends

2019 was characterized by:

- growing geopolitical tensions, political changes at the national level and rising economic uncertainties likely to have an impact on consumer confidence, tourism flows and consumption trends, such as trade tensions between the United States and China, Brexit negotiations, uncertainties in the Middle East and protests in France and Hong Kong;
- persistently high currency volatility in certain key currencies for the luxury industry, with some movements affecting local and tourist consumption patterns, including

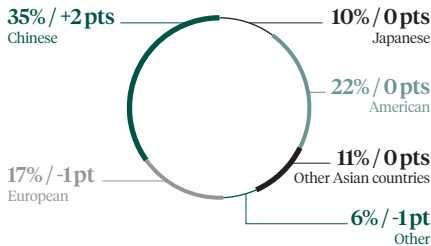
depreciation of the euro, sensitivity of the British pound to each development in the Brexit negotiations, depreciation of the Chinese yuan and the Brazilian real, and strengthening of the Japanese yen;

- slower global GDP growth (2.6% in 2019e versus 3.2% in 2018), with key luxury market regions such as the United States, the Eurozone and Mainland China contributing to the slowdown. The expansionary monetary policies maintained in the world’s main business regions nonetheless limited the deceleration in global growth.

Main structural and cyclical factors underpinning trends in the luxury goods market

a. 2019e luxury goods market by nationality

By nationality, the worldwide personal luxury goods market is characterized by the weight of Chinese and American consumers, who together account for more than half of the market in value. Consumers from China and other Asian countries were the main contributors to market growth in 2019. Chinese consumers increased their share by two percentage points versus 2018, with a corresponding decrease in the share of consumers from Europe and other countries, particularly in the Gulf region.



/pt: Market share change (2019e vs 2018).

b. The market is facing a number of structural changes and more cyclical events, including:

- true core luxury consumers are extending their spending from personal luxury goods to experiences (hotels, cruises, restaurants, etc.), while new luxury consumers are entering the market, either via the “accessible” segment or by going directly to brands that are positioned in a more premium segment;
- luxury consumption and patterns are becoming more value sensitive and digital-oriented and leaning increasingly toward innovation and newness, especially as younger people enter the market and more particularly generations Y and Z (born after 1980 and around 2000, respectively);
- the key players and biggest brands have already achieved significant penetration of the main markets thanks to the expansion of their store networks, which means that growth is now mainly driven by increases in same-store sales.

Against this backdrop, luxury groups and brands need to adapt their strategy to the market trends that are likely to shape the industry in the coming years:

- Chinese consumers will still drive growth, with the increase mostly coming from the boost provided by the rising middle class. Bain estimates that Chinese customers accounted for around 90% of luxury market growth in 2019e;
- management of the generational shift of consumers, whose buying decisions are increasingly influenced by:
 - digital technology (online editorial and marketing content, social media, etc.), together with buying habits that require greater use of digital features and tools (online shopping, Internet of Things, virtual reality, artificial intelligence, mobile payment, etc.),
 - environmental awareness (environmental impact of raw materials and production and distribution activities, product composition, animal welfare, etc.) and the integration of these expectations into brands’ operations and communications (carbon offsetting, management of unsold inventory, etc.);
- luxury consumers seeking a creative and differentiated product offering, together with a customer experience that is both personalized and integrated across physical and digital distribution channels;
- rebalancing of local/tourist spending through close management of international pricing strategy and price differentials across regions.

Certain factors will continue to support demand and growth in the personal luxury goods market, including:

- demographic trends in emerging markets;
- the emerging middle class in these countries, where the average disposable income and the purchasing power of consumers continue to grow;
- the rising number of super-rich consumers and high-net-worth individuals (HNWIs);
- increasing international mobility, generating higher travel flows and spending.

Nevertheless, the luxury goods market is exposed to short-term disruptions that could include:

- macroeconomic uncertainties, currency volatility and higher customs tariffs and taxes on luxury goods;
- geopolitical tensions, security threats and outbreaks of epidemics/diseases;
- any other factor impacting tourism flows (such as visa policies, travel regulations, etc.) or luxury consumption (restrictions, tax and import duties, etc.);
- exogenous events such as political turmoil and unfavorable weather conditions.

Competitive environment

Although fragmented, the worldwide personal luxury goods market is nonetheless characterized by the presence of a few large global players, often part of so-called “multi-brand groups”, as well as a large number of smaller independent players. These players compete in different segments in terms of both product category and geographic location. Kering operates alongside some of the most global groups in the personal luxury goods market, prominent among which are LVMH, Hermès, Prada,

Burberry, Chanel and Richemont. A number of brands with more accessible prices could also compete with established luxury brands.

A phenomenon known as performance polarization has been observed over the past two to three years, with:

- above-market performances by certain players, usually of significant size or belonging to a multi-brand group; and
- below-market performances by single brand and/or medium-sized players.

Regional overview

Worldwide personal luxury goods market: breakdown by region (2019e)

	Size (in € billions)	Reported YoY change	YoY change at comparable exchange rates	% of total market
Europe	88	+2%	+1%	31%
Americas	84	+5%	0%	30%
Mainland China	30	+30%	+26%	11%
Japan	24	+11%	+4%	9%
Rest of Asia	42	+9%	+6%	15%
Rest of the world	12	0%	-5%	4%
TOTAL	281	+7%	+4%	100%

In 2019, the eight largest countries in the worldwide personal luxury goods market were as follows (revenue by consumption location and not by nationality):

Rank	Country	Size (in € billions)	Reported YoY change	YoY change at comparable exchange rates	% of total market
1	United States	75	+5%	0%	27%
2	Mainland China	30	+30%	+26%	11%
3	Japan	24	+11%	+4%	9%
4	Italy	19	+1%	+1%	7%
5	United Kingdom	17	+4%	+4%	6%
6	France	17	+1%	+1%	6%
7	South Korea	15	+15%	+15%	5%
8	Germany	12	+1%	+1%	4%

Europe remained the world's biggest luxury goods market in 2019, with revenue up 1% versus 2018 at comparable exchange rates. Growth in the region was supported by a slight increase in local demand, but the vitality of tourist spending varied between nationalities and destinations, despite generally favorable currency effects. Inside the Eurozone, Italy remained the leading country but recorded a weak performance, with growth of just 1% at comparable

exchange rates. Growth was also limited in France, where tourist numbers were affected by the tense socio-political climate. Spain recorded strong growth, while Germany was impacted by flatter consumption among both locals and tourists. Among the big four European countries, the United Kingdom recorded the best performance, with tourists attracted by the weakness of the British pound resulting from Brexit-related uncertainty.

The Americas region was the second largest market after Europe, with the United States accounting for the vast majority of revenue (c. 89%). The size of the region's market remained stable in 2019, at comparable exchange rates. In the United States, the local market was boosted by the country's economic vitality for most of the year, but department stores continued to struggle with traffic, contributing to the mixed performance in wholesale. The appreciation of the US dollar during the year spurred a shift in spend to purchases outside the domestic market, with US traveler purchases in Europe growing strongly throughout the year. Conversely, the strength of the dollar impacted spending in the United States by tourists from both Asia, particularly China, and Latin America. Canada was also affected by the decline in incoming Chinese tourists, while the luxury market's performance was dampened by socio-political tension in Brazil and Mexico.

Japan represented 9% of the worldwide personal luxury goods market in 2019. It is the third largest country in terms of personal luxury goods consumption after the United States and China, and was up 4% at comparable exchange rates. Despite a stronger yen, Japan continued to benefit to a certain extent from spending by Chinese tourists seeking an alternative to Hong Kong (Special Administrative Region), while domestic spending grew at a slower pace, particularly after the increase in consumption tax that came into effect on October 1, 2019.

Mainland China was the fastest growing key country in 2019, up 26% at comparable exchange rates, and represented 11% of the worldwide personal luxury goods market, an increase of two percentage points. The consumption of luxury goods was boosted by an acceleration in the repatriation of local spending, notably driven by exchange rate trends, supportive government policies (such as the VAT rate reduction in April 2019) and the rise of e-commerce. Spending by locals in their domestic market represented 30% of total spending by Chinese nationals, up three percentage points compared to the previous year. Social unrest in Hong Kong began to impact the personal luxury goods market in the third quarter, with Chinese tourists – who account for the majority of luxury spending in Hong Kong – heading to other countries in Asia or Europe or purchasing their luxury goods in Mainland China.

The market posted double-digit growth in South Korea, thanks to both local and tourist spending, with the country notably attracting tourists who would historically have visited Hong Kong.

The rest of the world – including the Middle East, Africa and Australia – represented 4% of the personal luxury goods market, with €12 billion in revenue in 2019. The market recorded negative growth in the Middle East, with luxury spending hampered by a decline in confidence among local consumers and a decrease in tourist numbers due to recent political turmoil.

Product categories

Following the change in methodology mentioned above, the worldwide personal luxury goods market is now divided into seven main product categories, as shown below:

Worldwide personal luxury goods market: breakdown by category (2019e)

	Market value 2019e (in € billions)	Reported YoY change	YoY change at comparable exchange rates	% of total market
Apparel	64	+5%	+1%	23%
Leather goods	57	+11%	+7%	20%
Shoes	21	+12%	+9%	7%
Watches	39	+1%	-2%	14%
Jewelry	21	+12%	+9%	7%
Perfumes and cosmetics	60	+7%	+3%	22%
Other (eyewear, textile accessories, etc.)	19	N/A	N/A	7%
TOTAL	281	+7%	+4%	100%

Apparel

Apparel represented 23% of the total personal luxury goods market in 2019, totaling an estimated €64 billion, up 5% versus 2018. This category includes ready-to-wear for both men and women. The latter accounted for 54% of the category’s revenue in 2019 and was its main growth driver. Two key trends have emerged in apparel: (i) the popularity of streetwear among younger generations and (ii) the return of more formal clothing with a modern spin.

All Kering “soft luxury” Houses operate in this product category, especially Gucci, Saint Laurent, Balenciaga, Alexander McQueen and, to a lesser extent, Bottega Veneta, as well as Brioni for menswear.

Leather goods

This category includes handbags, small leather goods (wallets, purses, etc.), and other leather products. The revenue generated by leather goods in 2019 is estimated at €57 billion. The category grew at a rate of 11% between 2018 and 2019 (on a reported basis), driven by entry-price handbags and small leather goods.

Kering operates in this category primarily through the Gucci and Saint Laurent brands, as well as Bottega Veneta and, to a lesser extent, Balenciaga and Alexander McQueen.

Shoes

This category includes both men’s and women’s shoes. It represented 7% of the luxury market in 2019, or €21 billion in revenue. It grew by 12% on a reported basis, thanks notably to the trend toward less formal shoes such as sneakers, particularly in Asia.

Kering mainly operates in this product category through Gucci, Saint Laurent, Balenciaga, Alexander McQueen and Bottega Veneta.

Watches

This category generated revenue of €39 billion in 2019, representing 14% of the total personal luxury goods market, and was up 1% versus 2018 as reported. The watches segment was particularly affected by the tense socio-political climate in Hong Kong, with the negative impact only partially offset by growth in other Asian markets, especially Mainland China and Japan. Kering operates in this category across different price points with Gucci Timepieces, Girard-Perregaux, Boucheron and Ulysse Nardin.

Jewelry

Revenue from jewelry increased by 12% as reported in 2019 to reach €21 billion, representing 7% of the personal luxury goods market. The segment was supported by its core offering and by the performance of high jewelry, especially in Japan and Mainland China.

Kering operates in this category primarily through Boucheron, Pomellato, DoDo and Qeelin.

Perfumes and cosmetics

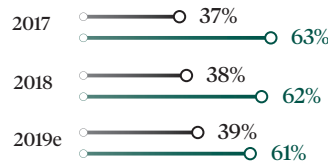
This category represented 22% of the total personal luxury goods market in 2019 and was worth an estimated €60 billion. Kering operates in this product category through licensing agreements between its main brands and leading industry players such as L’Oréal, Coty and Interparfums to develop and sell perfumes and cosmetics.

Other (eyewear, textile accessories, etc.)

Personal luxury goods that do not fit into the categories mentioned above represented 7% of the market in 2019, or €19 billion in revenue. This category includes eyewear, a segment in which Kering operates through Kering Eyewear.

Distribution channels

Worldwide personal luxury goods market: breakdown by distribution channel (2017-2019e)



- Retail
- Wholesale

Retail channel

A strong directly operated store network is important for the success of a luxury brand as it allows greater control over the consumer shopping experience and over the product assortment, merchandising and customer service. In 2019, the retail channel accounted for sales amounting to 39% of the total worldwide personal luxury goods market.

In the case of Kering's Houses, the share of retail sales is far higher (78%), reflecting the maturity of some of the brands, Kering's strategic commitment to grow its directly operated network and growth in the portion of online sales via the brands' own websites.

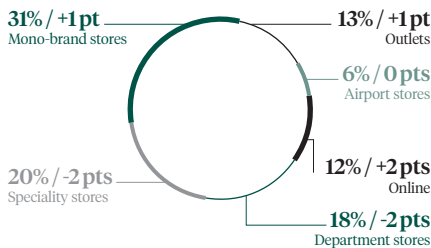
This also reflects the Group's product mix, as the higher share of leather goods and accessories typically translates into a more prominent share of retail sales in the channel mix.

Wholesale channel

The wholesale channel typically includes department stores, independent high-end multi-brand stores and franchise stores, and accounted for approximately 61% of the total worldwide personal luxury goods market in 2019. This channel can thus be multi-brand or mono-brand. The share of wholesale sales is typically higher in ready-to-wear, watches and jewelry, and is also more significant than retail in the channel mix for brands that stand at an earlier stage of maturity.

Sales formats

Distribution channels can also be split into six sales formats. Some of these formats may be operated through retail or wholesale.



/pt: Market share change (2019e vs 2018).

E-commerce

Online sales of luxury goods continued to grow at a fast pace in 2019, with revenue reaching nearly €34 billion (up 22% at comparable exchange rates), representing around 12% of total worldwide personal luxury goods sales. This includes sales made through brand websites (retail channel)

and by department stores and e-tailers (wholesale). Online is the market's fastest growing format globally, driven by Asia and by a younger cohort of generation Y and generation Z consumers. Within e-commerce, brands and e-tailers are the top performers. Brands are accelerating their development of online activities, expanding both the geographical reach and the assortment offered on their e-stores, while e-tailers are seeing strong momentum due to an integrated offer of appealing content, sometimes supported by exclusive partnerships with brands.

Kering's Houses are present online via e-commerce sites, operated completely internally in the case of Gucci. The same will soon be true for the majority of the Group's Houses, thanks to the internalization of their e-commerce activities during 2020.

Kering brands are also distributed online by selected partners.

Market outlook

Key trends for 2020 include:

- a global economic outlook that has been revised downward due to fears about the trade war between China and the United States, and the slowdown in growth in both countries, as well as uncertainty surrounding Brexit;
- a deceleration in demand (whose scale is still difficult to quantify) in China, a key country in today's luxury goods market, notably driven by a slowdown in the country's economic growth and by the consequences of the China-US trade war;
- impacts related to the outbreak of coronavirus;
- continued repatriation of Chinese spending to the domestic market, and the corresponding impact on spending among Chinese tourists, spurred by a reduction in the luxury goods price gap with Europe, partly due to the decline of the Chinese yuan, and government measures implemented to encourage local consumption. In addition, Hong Kong's ability to recover its appeal as a destination for luxury consumers will depend on how its socio-political situation evolves over the coming months;
- uncertainty about the strength of US spending due to the gradual slowdown expected in the country's economic growth. A potential decline in the US financial markets – which could become more volatile during the election period – would also have a negative impact on the wealth effect among US consumers.

According to the forecasts by Bain and Altagamma, the personal luxury goods market is expected to reach €335-375 billion in 2025e, at a compound annual growth rate (CAGR) of 3-5% from 2019e, driven by:

- emerging countries: in addition to Southeast Asian countries (Indonesia, Thailand, etc.), Brazil, Australia, Africa and India are expected to make a greater contribution to the growth of the worldwide personal luxury goods market;
- emerging consumers: a booming upper-middle class especially benefiting the “accessible” luxury segment, particularly in China. In fact, according to McKinsey, by 2022, the Chinese upper-middle class is expected to account for 54% of urban households and 56% of urban private consumption (up from 14% and 20% in 2012 respectively);
- generations Y and Z: estimated to have fueled all of the market growth in 2019e, they are expected to account for 55% of the market by 2025e versus c. 39% in 2019e;
- the development of distribution channels such as discount outlets, travel retail and e-commerce. The latter is expected to account for 25% of total personal luxury goods sales by 2025;
- an increase in high-spending consumer classes such as high-net-worth individuals (HNWIs). Bain estimates that ultra-high-net-worth individuals (UNHWIs) already represent 30% of the luxury market in 2019 and that their share will continue to grow;

- the development of new high-end products and services;
- increasing interest in second-hand luxury goods. The second-hand market generated an estimated €26 billion in 2019e, with growth driven by increased environmental awareness among consumers. Certain customers, particularly among the younger generations, also see the second-hand segment as a more accessible way to enter the luxury goods market;
- the potential of the American market due to its relative under-penetration by European luxury brands.

These trends are expected to drive an increase in the number of luxury market customers from c. 380-390 million in 2019e to c. 450 million in 2025e.

Bain and Altagamma's forecasts through 2025 were published before the Coronavirus (COVID-19) crisis. While the same structural aspects will continue to drive growth in the industry in the medium term, the scale and the scope of the epidemic indicate it will have a significant impact on the development and momentum of the personal luxury goods market in 2020.

Eyewear market overview

This section contains information derived from data compiled by Mordor Intelligence, an independent market research and advisory firm, as well as Grand View Research, a market research and consulting company. The higher levels of granularity provided by the new contributors is the reason behind the change of sources compared to the previous year. The worldwide eyewear market presented in this section includes the following product categories: spectacles, contact lenses, sunglasses and other products.

Estimates of the size of the worldwide eyewear market are based on data from Mordor Intelligence and Grand View Research, both of which follow a similar methodology whereby they extract data from published reference sources, liaise with experts to capitalize on their market

knowledge, and validate data and research following a stringent internal process.

According to Mordor Intelligence, the worldwide eyewear market generated revenue of €119 billion in 2018 (retail price value) and could reach €158 billion in 2024e, representing an average increase of 5% per year.

These forecasts through 2024 were published before the Coronavirus (COVID-19) crisis. While the same structural aspects will continue to drive growth in the industry in the medium term, the scale and the scope of the epidemic suggest it will have a significant impact on the development and momentum of the eyewear market in 2020.

Rounded figures (in billions of euros)	2018	2024e	CAGR ⁽¹⁾
Spectacles	61	81	4%
<i>as a % of total market</i>	<i>51%</i>	<i>51%</i>	
o/w lenses	34	46	4%
<i>as a % of total market</i>	<i>29%</i>	<i>29%</i>	
o/w frames	27	35	4%
<i>as a % of total market</i>	<i>22%</i>	<i>22%</i>	
Contact lenses	17	21	4%
<i>as a % of total market</i>	<i>14%</i>	<i>13%</i>	
Sunglasses	16	26	9%
<i>as a % of total market</i>	<i>13%</i>	<i>17%</i>	
Other products	25	30	3%
<i>as a % of total market</i>	<i>22%</i>	<i>19%</i>	
TOTAL	119	158	5%

(1) Compound annual growth rate.

The spectacle frames and sunglasses segment was estimated at €43 billion in 2018, of which approximately €30 billion corresponded to premium and high-end products, as was the case in 2017.

Kering Eyewear operates only in the high-end (frames and sunglasses) sub-segment, which in 2017 was estimated at €7 billion (retail price value; sub-segment unit prices starting from €180) or around €3 billion at equivalent wholesale prices (source: internal).

Competition on the high-end eyewear sub-segment is relatively intense, with more than 20 players of widely varying sizes and operating models (own brands and/or licensed trademarks, different levels of vertical integration in terms of production and distribution) managing and marketing a total of around 70 luxury brands. The main player on the market is Luxottica (now EssilorLuxottica), which operates alongside companies such as Marcolin/Thélios, De Rigo and Safilo.

Future growth for the worldwide eyewear market is expected to be sustained by i) an aging population and the corresponding demand for solutions for presbyopia, and ii) the development of emerging markets and a rise in disposable income.

These two factors, as well as changing consumer habits with a shift to considering eyewear as beauty or fashion accessories, are contributing to the development of the high-end sub-segment, with a high rate of product renewal.

Lastly, given their price positioning, spectacle frames and sunglasses are an accessible form of Luxury and represent a way for brands to attract a new, more aspirational customer base.

4. GROUP ACTIVITIES

Luxury Houses

2019 key figures

€15,383 million

in revenue

Revenue
(in € millions)

2018  13,247

2019  15,383

Breakdown of revenue by region



34%
Asia-Pacific



32%
Western Europe



19%
North America

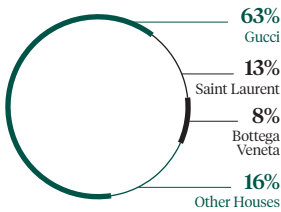


8%
Japan

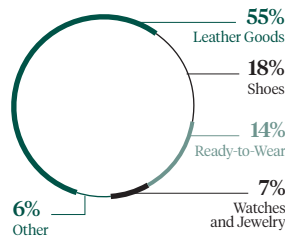


7%
Other countries

Breakdown of revenue by brand



Breakdown of revenue by product category



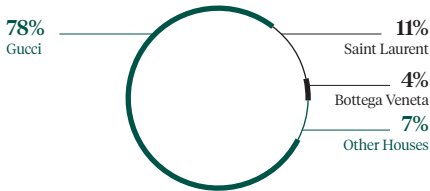
Breakdown of revenue by distribution channel



€5,042 million

in recurring operating income

Breakdown of recurring operating income



Recurring operating income (in € millions)

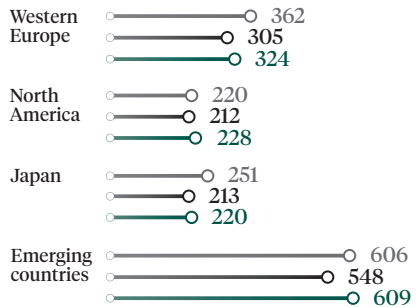


30,956

average number of employees
(full time equivalent)

1,381

directly operated stores



○ Total Dec. 31, 2018: 1,439
(previous DOS count)

○ Total Dec. 31, 2018: 1,278
(new DOS count⁽¹⁾)

○ Total Dec. 31, 2019: 1,381
(new DOS count⁽¹⁾)

(1) Per building, based on occupancy under the same roof.

GUCCI

2019 key figures

€9,628 million

in revenue

€3,947 million

in recurring operating income

17,157

average number of employees
(full time equivalent)

487

directly operated stores

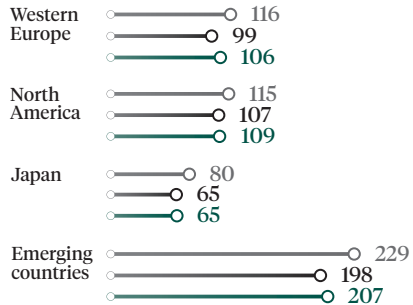
Revenue (in € millions)



Recurring operating income (in € millions)



Number of directly operated stores by region

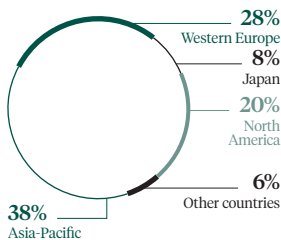


○ Total Dec. 31, 2018: 540
(previous DOS count)

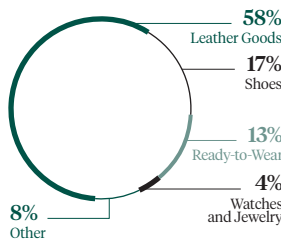
○ Total Dec. 31, 2018: 469
(new DOS count ⁽¹⁾)

○ Total Dec. 31, 2019: 487
(new DOS count ⁽¹⁾)

Breakdown of revenue by region



Breakdown of revenue by product category



Breakdown of revenue by distribution channel



(1) Per building, based on occupancy under the same roof.

Business concept

Founded in Florence in 1921, Gucci is one of the world's leading luxury fashion brands.

At the beginning of 2015, Gucci embarked on a new chapter in its history under the direction of a new management team led by President and CEO Marco Bizzarri and Creative Director Alessandro Michele. Over the last five years, thanks to a disruptive approach to luxury fashion, Gucci has regained its leadership position within the industry, resulting in powerful business momentum.

One of the foundations for the brand's success has been its ability to combine the introduction of a wholly new aesthetic with an equally out-of-the-box strategic vision and execution led by Marco Bizzarri. His approach has prioritized company culture and shared values as the catalysts for a dynamic business. The framework is defined by empowerment at every level of the Company, an atmosphere that encourages thoughtful risk-taking, and a progressive approach to social responsibility.

Gucci products continue to represent the pinnacle of Italian craftsmanship and *savoir-faire*, with unsurpassed quality and attention to detail. They are sold exclusively through a network of 487 directly operated boutiques, a directly operated online store (active in 35 markets), a limited number of franchises as well as select department and specialty stores, both offline and online.

At the end of 2019, Gucci's retail sales represented approximately 85% of the brand's total revenue.

Competitive environment

Gucci is one of the few luxury brands with truly worldwide operations, alongside Hermès, Christian Dior, Chanel and Louis Vuitton. In 2019, Gucci confirmed its leadership position as one of the world's leading luxury fashion brands both in terms of revenue and profitability.

Strategy

The House is just one year away from its 100th anniversary. What has defined and underpinned its success over time has been its constant capacity for reinvention and regeneration, while remaining true to its unique DNA.

Gucci's emphasis on creativity, empowerment of self-expression and constant innovation has helped to ensure the brand continues to sustain a competitive advantage.

The focus on creating an increasingly emotional bond between Gucci and its clients has been one of the key drivers of its performance over the past five years. Deepening the conversation with clients across all of the brand's touchpoints is critical for its long-term success, especially in a technologically connected society, where immersive and innovative digital experiences are paramount to lead the way and engage with consumers across the globe. This is achieved through the careful implementation of a qualitative content and platform strategy that is the source of an ongoing, authentic emotional and engaging narrative.

Gucci's long-term business strategy is based mainly on the key growth drivers reaffirmed during the Kering Capital Markets Day held in June 2018. These include, in particular, the constant improvement of its retail KPIs (traffic, conversion, retention and average ticket), an always more widespread diffusion of the new store concept and the further expansion of the online and travel retail businesses. In terms of products, Gucci's strategy is to achieve full potential in all of its product categories, supported by a clear creative vision, blending established, iconic pieces with the arrival of new products each season.

In line with Kering's long-lasting commitment to sustainability and the introduction of the "Culture of Purpose" ten-year sustainability plan in 2018, Gucci's long-term sustainability strategy is designed to reduce environmental impacts and drive progressive change.

2019 highlights and outlook for 2020

In 2019, Gucci continued to deliver solid growth, above the industry average, as a result of the consistent and successful implementation of its innovative long-term strategy. This performance was achieved by the continued optimization and excellence of its business model and with a limited expansion of the retail footprint and the product portfolio.

From a distribution perspective, the ongoing roll-out of Gucci's new store concept in the year continued to be pivotal in reflecting the brand's aesthetic and values, giving substance and expression to the notion of client inclusivity, reducing barriers between the product and the client, while enhancing cross-selling opportunities.

Given the stability of the retail network footprint during the past few years, the new store concept has played a key part in the significant increase in sales density, achieved across all regions.

A selective approach continued to characterize the wholesale channel, while online sales grew strongly during the year, driven by greater penetration in an increased number of countries and a seamless best-in-class client experience blending a wide range of e-commerce functionalities with rich storytelling. During the year, new online concessions and innovative relationships were also developed with key e-tailers in order to achieve a complete offer on non-proprietary platforms.

In 2019, travel retail emerged as the fastest growing distribution sub-channel, with an acceleration of the network refurbishment. Thanks to a dedicated organization within the Company, Gucci has been able to capture new market opportunities across new, targeted travel retail openings.

In November, Gucci introduced *Gucci Pin*, a series of pop-up stores designed to connect and engage with clients in cities around the world and their surrounding communities, combining dedicated collections with immersive and innovative digital experiences.

From a product perspective, in 2019 Gucci continued consolidating key pillar products, which have become recognized objects of desire, while sustaining curiosity through the calibrated introduction of new pieces, launched at specific times during the year and perfectly integrating with the current offer. During the year, new introductions across all product categories represented approximately 30% of total business.

Meanwhile, building on the highly successful launches of Alessandro Michele's first fragrances with *Bloom*, followed by *The Alchemist's Garden* in 2019, Gucci also saw the introduction of a make-up line bringing the brand's disruptive vision to the beauty category.

Still in 2019, the brand opened its first high jewelry boutique on Place Vendôme (Paris), coinciding with the launch of Alessandro Michele's first high jewelry collection.

Gucci's overall momentum was underlined in 2019 by the Interbrand Best Global Brands ranking, which saw the brand climb from number 39 to 33 as the second fastest growing brand in the world.

Throughout 2019, the House rolled out its new global client service center (Gucci 9) headquartered in Florence (Italy) with regional hubs in the US, Korea, Japan and Southeast Asia. With 350 dedicated online client advisors powered by the latest technology, the new service provides clients with a direct connection to the Gucci community through a seamless, always accessible and personalized experience with a human touch.

In line with Gucci's ongoing mission to create a positive corporate culture in which diversity and inclusion can flourish, the Company appointed a Global Head of Diversity, Equity & Inclusion in July. Her role is to design, develop and implement a global strategy to create a more inclusive and equitable workplace and increase workforce diversity as it relates to Gucci's business initiatives.

In keeping with its long-term sustainability strategy to reduce environmental impacts and drive progressive change, in September Gucci announced its commitment to offset all remaining greenhouse gas (GHG) emissions annually from its own operations and the entire supply chain through four critical REDD+ projects supporting forest conservation and biodiversity around the world. In an unprecedented commitment to sustainability leadership in luxury and fashion, Gucci's supply chain has therefore become carbon neutral.

Reinforcing its global digital expertise, in December Gucci finalized a partnership with Tencent, a Chinese conglomerate specialized in internet-related services. This cooperation agreement will establish a framework that stimulates innovation and leadership in digital strategies spanning the IoT, AI, data science, smart retail, original content and digital thought leadership. The first initiative was launched in October with a series of short films entitled *Gucci Inspiration Map* and featuring multiple international stars and Gucci ambassadors.

In 2020, against a macroeconomic and geopolitical backdrop that will remain challenging, Gucci aims to further consolidate its leadership position within the luxury industry, driven by Alessandro Michele's ever-evolving creative vision. In line with the strategic update presented at the Kering Capital Markets Day held in June 2018, the House will continue to unleash its full potential across all product categories.

More specifically, as a testament to its investment in men's categories, Gucci decided to show its men's Fall/Winter 2020-2021 collection during Milan Fashion Week in January 2020.

The brand plans to continue to invest heavily in innovation across different functions in order to consolidate its leadership in the luxury industry.



SAINT LAURENT

2019 key figures

€2,049 million

in revenue

€562 million

in recurring operating income

3,606

average number of employees
(full time equivalent)

222

directly operated stores

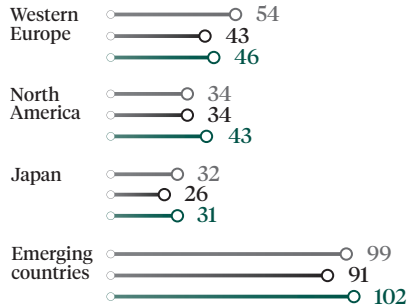
Revenue (in € millions)



Recurring operating income (in € millions)

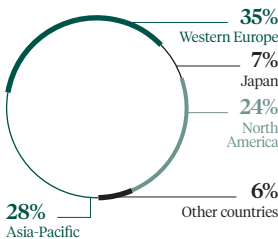


Number of directly operated stores by region



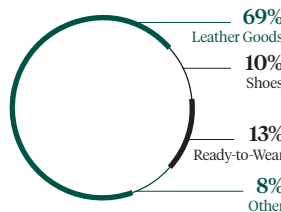
- Total Dec. 31, 2018: 219 (previous DOS count)
- Total Dec. 31, 2018: 194 (new DOS count⁽¹⁾)
- Total Dec. 31, 2019: 222 (new DOS count⁽¹⁾)

Breakdown of revenue by region



(1) Per building, based on occupancy under the same roof.

Breakdown of revenue by product category



Breakdown of revenue by distribution channel



Business concept

Founded in 1961, Yves Saint Laurent is one of the most prominent fashion Houses of the 20th century. Originally an haute couture House, Yves Saint Laurent revolutionized modern fashion in 1966 with the introduction of luxury ready-to-wear under the name *Saint Laurent Rive Gauche*.

Saint Laurent designs and markets a broad range of men's and women's ready-to-wear, handbags, shoes, small leather goods, jewelry, scarves, ties and eyewear. The House's products are made in Italy and France, where an historic workshop manufactures ready-to-wear garments. Under a worldwide licensing agreement with L'Oréal, the House is active in the fragrances and cosmetics segment, and also collaborates with Kering Eyewear to develop a full range of frames and sunglasses.

Anthony Vaccarello has been the Creative Director of the House since 2016. His modern, pure aesthetic, reaffirmed by his mastery in tailoring techniques, is pushing the brand forward with clarity and sophistication, while respecting its DNA.

As of December 31, 2019, the Saint Laurent retail network consisted of 222 directly operated boutiques, which together generated 69% of the total revenue for the year and included flagship stores in Paris, London, Dubai, New York, Hong Kong, Shanghai, Beijing, Tokyo, Miami and Los Angeles.

The House is also present in selected multi-brand and department stores worldwide.

At the end of 2019, the Saint Laurent business achieved another significant milestone by reaching the €2 billion revenue mark.

During the year, YSL.com sales grew dramatically, reinforcing the House's position on the e-commerce market.

Competitive environment

Since its inception, Saint Laurent has held enormous influence both inside and outside the fashion industry. Over the years, its founder, the couturier Yves Saint Laurent, secured a reputation as one of the 20th century's foremost designers and personalities.

The House now competes globally with high-end exclusive luxury brands and occupies a leading position in the ready-to-wear, fashion and leather goods sectors. Saint Laurent's status as a leading fashion House is fully established and recognized, with a very distinctive identity based on solid foundations and strong values, perfectly identified and made relevant to our time.

Strategy

Saint Laurent's primary objective remains to create and market highly desirable products that embody the core values of the brand through innovation and unparalleled quality and design.

Creative Director Anthony Vaccarello's aesthetic influences are remarkably in line with the House style. With a great understanding of the brand's core values such as youth, capacity to bring couture to the street, and ability to create a style that resonates in modern times, he has strongly empowered a highly desirable and sophisticated vision, extremely well received both by the historical client base and by new clients worldwide.

A key focus of Saint Laurent is to build an innovative and sustainable future by retaining and hiring the best talent, promoting gender equality, and developing a sustainable way of doing business, while preserving heritage craft and exploring new business models. With this strategy firmly in place, Saint Laurent is confident in its continuing evolution as a highly desirable 21st century brand with a strong and unique DNA, made authentic by its distinctive history in the world of fashion.

2019 highlights and outlook for 2020

Under the leadership of Francesca Belletini, the Company's CEO, 2019 was another year of expansion for Saint Laurent.

Thanks to the implementation of a highly consistent strategy in terms of products, distribution and communication, the brand confirmed its evolution driven by awareness, desirability and strong performances to enhance the fashion leadership of Saint Laurent in the market.

Under the Eiffel Tower and in different cities around the world, Anthony Vaccarello kept on reaffirming Saint Laurent's ultimate positioning and *savoir-faire*. Season after season, the Creative Director continues to present acclaimed collections, conceived with a modern perspective naturally merging with the legacy of the brand.

Reinforcing brand values through modern and original projects is key to consistently executing Saint Laurent's global communications strategy.

SELF, the multifaceted creative initiative, has proved to be another significant project, bringing back art as one of the brand's core values. Following Daido Moriyama, Vanessa Beecroft and Bret Easton Ellis, the movies of Gaspard Noé and Wong Kar Wai, respectively presented at the Cannes festival and in Shanghai, made the brand highly visible in different creative fields.

Saint Laurent also made 2019 another year of investments, enhancing its retail network with selective store openings worldwide, in both emerging and mature markets, as well as key refurbishments and relocations. Throughout the year, the brand opened 28 directly operated stores (net figure) and reinforced its presence in China with 5 net openings and its first flagship stores in Shanghai and Beijing.

Saint Laurent Rive Droite, a new creative and cultural destination curated by Anthony Vaccarello, was inaugurated in June 2019 on rue Saint Honoré, Paris and Rodeo Drive, Los Angeles. Named Rive Droite as a nod to the *Saint Laurent Rive Gauche* line, the space introduces a brand-new retail destination for expression, exchange and Lifestyle. It proposes a wide range of products including exclusive pieces, limited editions, library, vintage, music and photography combined with art, performances, exhibitions, events and cultural exchanges. Through an extensive and diversified offer from different creative and design fields, Anthony Vaccarello imagines and embraces new ways of enlarging the universe and DNA of Saint Laurent.

In a world where high-tech is key to evolution and growth, Saint Laurent's e-commerce business, as part of the overall omni-channel strategy, was particularly successful in 2019.

As of December 2019, Saint Laurent was present online in more than 50 countries worldwide, including the US, all major European countries, South Korea and Hong Kong.

In an increasingly competitive environment, the brand's priority is to offer an exceptional experience across all distribution channels, while maintaining a privileged relationship with clients in store.

Saint Laurent embraces a clear digital strategy and a consistent and strong social media presence establishing solid online visibility. This is achieved by developing owned channels, while reinforcing earned media relationships and creating relevant and viral content.

Authentic, exclusive and selective, the digital strategy successfully focuses on developing social media and increasing share of voice (SOV). As a result, the September show (presenting the Spring/Summer 2020 collection) ranked #1 in Vogue's ranking of most viewed runways and the collection was acclaimed across all different media platforms.

Fully integrated into the brand's global communications practices and strategies, social media initiatives positioned Saint Laurent as the fastest growing brand on Instagram, now followed by 7.3 million people. Saint Laurent reached more than 2.9 million fans on Facebook and is one of the most popular luxury brands on Twitter, with close to 5.5 million followers.

In line with its current strategy, Saint Laurent will continue to expand its retail distribution network in 2020, while reinforcing its online presence and focusing on building an excellent experience for its clients in every touchpoint with the brand.

BOTTEGA VENETA

2019 key figures

€1,168 million

in revenue

€215 million

in recurring operating income

3,754

average number of employees
(full time equivalent)

268

directly operated stores

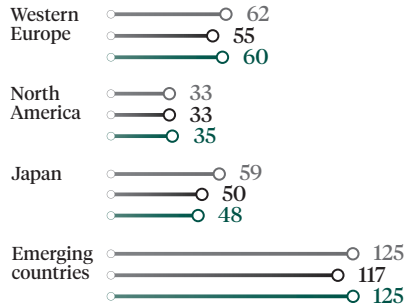
Revenue (in € millions)



Recurring operating income (in € millions)

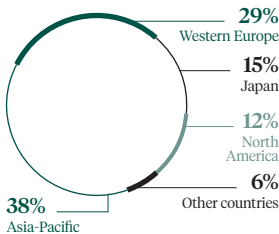


Number of directly operated stores by region

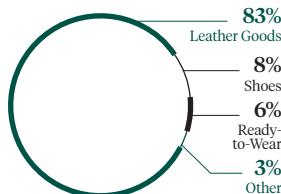


- Total Dec. 31, 2018: 279 (previous DOS count)
- Total Dec. 31, 2018: 255 (new DOS count⁽¹⁾)
- Total Dec. 31, 2019: 268 (new DOS count⁽¹⁾)

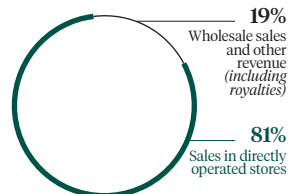
Breakdown of revenue by region



Breakdown of revenue by product category



Breakdown of revenue by distribution channel



(1) Per building, based on occupancy under the same roof.

Business concept

Founded in 1966 in the Veneto region of Italy, Bottega Veneta began its journey as a leather goods House. The brand quickly rose to fame with its signature *Intrecciato* code and unparalleled artisanship.

In July 2018, Bottega Veneta embarked on a new chapter in its history with the arrival of British Creative Director Daniel Lee. Providing a fresh perspective and a new sense of modernity, while remaining respectful of the brand's heritage, Lee has transformed a single iconic code into a full iconic silhouette, transporting Bottega Veneta's ready-to-wear offering into bold new realms.

Bottega Veneta has set a new standard for luxury since its creation. Inspired by Italian culture and adopting a global outlook, the House is defined by a distinctive and refined attitude. Creating carefully considered pieces made to wear every day, the brand embraces a core philosophy of style, innovation and luxury across ready-to-wear and accessories for men, women and the home.

Bottega Veneta's products are sold through a distribution network of directly operated stores, complemented by exclusive franchise stores and select department and specialty stores worldwide. In addition, Bottega Veneta's products are now available through the brand's online store in 51 countries, including Mainland China.

Competitive environment

Bottega Veneta draws on its Italian heritage to offer truly handcrafted products made with the expert know-how of its master artisans. Creating an inclusive world built on exclusive products, Bottega Veneta offers a unique and elevated experience. Never compromising on quality and providing an unsurpassed level of service to its clients, Bottega Veneta is placed at the top of the luxury scale with a limited number of competing brands.

Strategy

On September 1, 2019, Bartolomeo Rongone was appointed as CEO of Bottega Veneta. His mission is to unleash the full potential of the House's new creative force. Under his leadership and the creative direction of Daniel Lee, Bottega Veneta's strategy aims to take the brand further into elegant and confident new realms by engaging with a broader, younger audience. The business and creative sides are working hand in hand to increase brand awareness.

Historically, the brand's core business has been leather goods – which accounted for 83% of sales in 2019 – characterized by the use of the highest quality materials and attention to detail. A wider range of products appealing to an international clientele of men and women has gradually been integrated, all featuring Bottega Veneta's sophisticated substance, craftsmanship, Italian glamour and eloquent discretion. The *Intrecciato* code remains an essential element of the brand's visual identity, imbued with a fresh, modern perspective.

2019 highlights and outlook for 2020

The first quarter of 2019, a transitional period before Daniel Lee's collection became available in-store, was accompanied by the immediately positive reception of the first new handbags introduced for the Spring 2019 collection (*Maxi Cabat* and *The Pouch*).

In February, Bottega Veneta released its Spring 2019 advertising campaign. The first to be executed under the Creative Direction of Daniel Lee and photographed by Tyrone LeBon, the out-of-home campaign began in Milan and continued through the year in major international cities during fashion weeks and other key events.

On February 22, the first fashion show by Daniel Lee, Fall 2019 at the *Arco Della Pace* in Milan, marked a bold new approach for the brand. The collection, a celebration of freedom, self-expression and sensuality, brought modernity together with traditional craftsmanship.

The second quarter reflected the investments made in the House's new transformation. Daniel Lee's first collection, Pre-Fall 2019, began hitting shelves in mid-May, receiving an extraordinary response from both new and existing clients, with particular excitement around the handbags and shoes.

Between May and June, Bottega Veneta hosted "Together", a new event concept drawing inspiration from the brand's illustrious heritage and the innate warmth and spirit of Italy. Guests were invited to discover the Pre-Fall 2019 collection in key international cities such as Shanghai, Hong Kong, Seoul, Tokyo and New York.

The second half of the year saw a positive performance. The brand integrated new skills and capabilities, while accelerating its marketing and communication investments. Action plans were put in place to speed up production and ensure sufficient new product inventory levels.

The Spring 2020 fashion show held at Palazzo del Senato in Milan on September 19 served to cement the new modern era for the brand. A compelling response from international press and buyers was further echoed in social media conversations, with a rapid increase in posts demonstrating the House's momentum.

The product mix continued to evolve with significant efforts to expand shoes and ready-to-wear in addition to the leather goods category, which has been revitalized through new shapes, functionalities and variations of the *Intrecciato*. The House opened a dedicated ready-to-wear atelier in its Milan headquarters in order to fulfil the creative needs driving the category's business development.

An outstanding response was received in the women's categories thanks to new iconic styles. *The Pouch*, for instance, became the fastest-selling bag in Bottega Veneta's history, followed by the resounding success of *Arco* and *Cassette*. Meanwhile, shoes steadily posted very strong performances, with key families such as *Stretch* and *Bloc* garnering icon status.

In terms of distribution, Bottega Veneta focused on reinforcing its existing retail network throughout 2019. Continuing to enhance its boutiques, through both refurbishments and expansions, the brand aims to offer an unparalleled and elevated customer experience. Pursuing selective store openings, Bottega Veneta had increased its total network to 268 at the end of the year.

In July, Bottega Veneta opened its first regular store in Kuwait at The Avenues Mall – 401 square meters showcasing an extensive range of pieces for both men and women, including ready-to-wear, bags, small leather goods, shoes, jewelry, fragrances, eyewear and accessories.

In September, the first Bottega Veneta café opened in Osaka in Hankyu Men's department store. Directly accessible from the brand's newly opened boutique, the café offers a curated menu, inspired by traditional Italian staples and including a noteworthy wine selection from the Veneto region.

In November, Bottega Veneta opened its first store designed by Daniel Lee, in the Miami Design District. A two-floor space inspired by process and purity, color and clarity, it contrasts materials to enhance light, elevate beauty, and showcase products with total transparency.

Lastly, in December, the House inaugurated a unique store in Beijing's SKP South. Continuing Bottega Veneta's journey of evolution, the boutique will be refreshed on a quarterly basis with new creative elements and exclusive pieces, echoing the visionary essence of the mall itself.

Bottega Veneta's new collections were enthusiastically received by third-party distributors: the wholesale channel performance was driven by new customers across all regions, special collaborations with wholesale partners such as Bergdorf Goodman, Dover Street Market, Matchesfashion.com and Ssense, and new online activations.

In the third quarter, Bottega Veneta entered the Lyst Index, ranking as the number 1 breakout brand of the year, with *The Pouch* and *Stretch* sandals featured in the 2019 most wanted products section.

Bottega Veneta and Daniel Lee were shortlisted among the nominees in four categories of the Fashion Awards 2019: Brand of the Year, Designer of the Year, British Womenswear Designer of the Year and Accessories Designer of the Year. Bottega Veneta won all four awards at the annual ceremony held in London on December 2, 2019.

In 2020, the brand is expected to sustain its positive performance, lifted by the House's creative renewal and an ongoing acceleration in marketing and communication investments also amplified by a social media halo, thus increasing brand awareness. In particular, Bottega Veneta aims to achieve sustainable growth by evolving from a classic luxury label to a global Lifestyle brand and undisputed leader in the luxury fashion segment. The Company will champion new client recruitment by increasing visibility in key cities around the globe leveraging Daniel Lee's vision, iconic key products, long-term equity and brand heritage.

In terms of products, the Company will increase its focus on a complete silhouette for both men and women.

Bottega Veneta will continue to build on its achievements and positioning, supported by further strategic retail openings worldwide, including a flagship store in Tokyo's Omotesando.

The newly established visual language and contemporary vision for the House will continuously enhance its reputation as one of the world's most renowned luxury lifestyle brands, increasing its global relevance within the luxury industry. The brand will continue to nurture its strategy based on innovation while refreshing the existing retail network under the new store concept conceived by Daniel Lee in key locations, as it works to build the world of Bottega Veneta.

OTHER LUXURY HOUSES

2019 key figures

€2,538 million

in revenue

€318 million

in recurring operating income

6,439

average number of employees
(full time equivalent)

404

directly operated stores

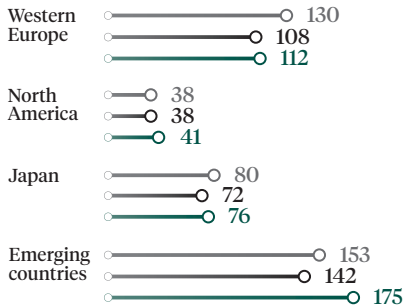
Revenue (in € millions)



Recurring operating income (in € millions)

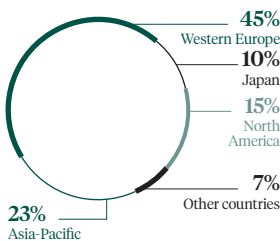


Number of directly operated stores by region



- Total Dec. 31, 2018: 401 (previous DOS count)
- Total Dec. 31, 2018: 360 (new DOS count⁽¹⁾)
- Total Dec. 31, 2019: 404 (new DOS count⁽¹⁾)

Breakdown of revenue by region



Breakdown of revenue by product category



Breakdown of revenue by distribution channel



(1) Per building, based on occupancy under the same roof.

Alexander McQUEEN

Founded in 1992 by Lee Alexander McQueen, the Alexander McQueen brand quickly gained a reputation for uncompromising creativity and forged a strong identity, which led to a partnership with Kering in 2001. Since 2010, the House has been fully owned by Kering.

Alexander McQueen is renowned for innovation grounded in craftsmanship and the House today has become synonymous with modern British couture. In December 2016, Alexander McQueen was awarded British Brand of the Year by the British Fashion Council (BFC).

Since her appointment as Creative Director in 2010, Sarah Burton has produced critically acclaimed collections with a focus on storytelling, experimentation and traditional artisanal techniques. Her ability to develop the design codes of the House with lightness and a distinctive, authentic touch has ushered in a new aesthetic that is being translated throughout the Company's culture, establishing a blueprint for the future.

The House's strength lies in the cohesive presence of a distinctive silhouette that informs designs across all product categories. Alexander McQueen has recently enjoyed strong growth in shoes and leather goods with collections built around iconic products that embody the brand's codes, while consolidating its worldwide authority in ready-to-wear.

After the successful launch, in partnership with Coty Prestige, of the inaugural fragrance from Alexander McQueen in 2016, a fragrance for women, *Eau Blanche*, was launched in 2017, followed by an exclusive *McQueen* fragrance collection in 2018.

As of 2019, the Alexander McQueen brand was sold in over 50 countries worldwide, through a network of 66 directly operated boutiques, a limited number of franchises and selected department and specialty stores. The network was recently reinforced with several openings, culminating in the relocation of the London flagship store. With nearly 11,000 square feet, the Old Bond Street store unveils a new retail concept developed by Sarah Burton in collaboration with the architect Smiljan Radic, which translates the brand's powerful storytelling into a unique customer journey through a physical space.

At the same time, the House continues to enhance its visibility and reach with strategic openings of shop-in-shops in high traffic locations, direct entry in new, high potential markets (such as Malaysia and Thailand, where the brand has operated since 2018) and by further developing its online presence. The Alexander McQueen e-commerce store has been the brand's number one store in terms of revenue contribution since 2018. Directly operated concessions with Tmall Luxury Pavilion and Farfetch have extended the Company's footprint in the digital eco-system.

The Alexander McQueen brand has a strong social media presence, with over 9 million followers on Instagram and approximately 2 million followers on Twitter and Facebook as of the end of 2019. To increase honest and direct connections with its customers and build a true sense of community, Alexander McQueen continues to invest in digital communication, including through heightened engagement across Chinese social media such as Weibo and WeChat.

Alexander McQueen's social media channels are integrated into the larger brand communications strategy and fully aligned on key themes and stories.

The Company has also successfully developed McQ, which was re-launched as an in-house brand in 2011 and is today well established in the popular contemporary market. The McQ brand is currently distributed in many countries, primarily as an international wholesale business across a total of more than 500 doors. Franchises also represent an important part of McQ's business. In 2020, following the radical evolution of the contemporary market, McQ is transitioning toward a new aesthetic, distribution, and direct-to-consumer model. The new McQ is an innovative and collaborative platform, integrating fashion and technology. McQ is now a global creative collective, working with credited collaborators and using a unique blockchain that registers each item, allowing consumers to interact and engage with the platform via an NFC chip, located in each garment. MYMCQ is a peer-to-peer platform that combines social media and resale capabilities, bringing the brand into a circular economy model.

In 2019, Alexander McQueen pursued its growth strategy through increased investment in communications, further penetration in accessories with the launch of elevated new leather goods lines and strong developments in footwear, and an acceleration in the expansion of the network. The roll-out of the new store concept gained momentum during the year with the opening of key flagships in Dubai, Shanghai and Hong Kong. Creative Director Sarah Burton also achieved two standout accolades, winning the CFDA International Designer Award and the Trailblazer Award at The British Fashion Awards.

Sarah Burton has also introduced her vision of open access installations and collaborative education at Alexander McQueen. The opening of the new Bond Street store established the beginning of an extensive program devoted to sharing the history and skills of the House via guided tours, which are available to every visitor. The dedicated floor attracted an audience of students invited from across the United Kingdom.

Through the staging and curation of thematic installations, Sarah Burton's purpose is to open up in-depth perspectives on the thinking, research and expertise that bring alive the links between the archive and the unique working processes of the House, an idea that will be further nourished and developed in 2020. The roll-out of the new store concept continues in 2020 with another 15 projects in the pipeline.



BALENCIAGA

Founded in 1917 by Cristóbal Balenciaga, the House of Balenciaga was established in Paris in 1937, where it defined many of the greatest movements in fashion from the 1930s to the 1960s. Balenciaga's exquisite technique, masterful cut and constant innovation in its use of fabrics has helped it carve out a special place in the hearts and minds of its clients.

In the 1990s and early 2000s, after returning to the world of fashion, the brand experienced a re-birth, with an extension of its product universe beyond its core ready-to-wear segment to include handbags and the development of new lines of shoes and accessories. Balenciaga also significantly expanded its retail network, helping to bolster brand awareness around the globe.

Demna Gvasalia was appointed Artistic Director of Balenciaga in October 2015. His mastery of techniques and use of volumes, combined with his innovative approach, make him a powerful force in today's creative world. As Artistic Director, Demna Gvasalia has begun writing a new chapter in Balenciaga's history and consolidated the House's status as a fashion authority. Demna Gvasalia has embraced Balenciaga's values and is developing them in harmony with contemporary trends.

Balenciaga has been developing men and women's eyewear collections with Kering Eyewear, sold worldwide through its retail network and specialty third-party retailers, since 2018.

In recent years, Balenciaga has been consolidating its directly operated store network worldwide. As of end-2019, the House has a network of 155 stores in both mature markets (Western Europe, the United States and Japan) and Asia (Greater China and South Korea). Balenciaga has taken its stores in the Middle East back under direct management. It is also distributed through franchises and leading multi-brand stores.

In 2019, Balenciaga pursued its retail expansion strategy with the opening of several new stores in Asia and the United States, including a flagship store on New York's Madison Avenue. During the year, several stores were renovated in line with the new concept developed by Demna Gvasalia. The brand also extended its retail presence in upscale department stores, with the opening of new shop-in-shops in Europe, Canada, Japan and Asia.

The online store Balenciaga.com confirmed its position in 2019 as one of the brand's top-performing directly operated stores, and traffic continued to increase strongly. All regions are enjoying outstanding results and the web experience is perfectly in line with the brand's audience and their shopping preferences. Mobile continues to be the preferred method for both browsing and shopping. Today there are nine local versions of Balenciaga.com, in different languages, including Chinese, Korean and Russian, and the Balenciaga website is e-commerce enabled in nearly 100 markets.

On social media, as of December 2019, Balenciaga had more than 1.6 million fans on Facebook and is increasingly popular on Instagram with almost 11 million followers. This reflects growing interest for the collections and a significant gain in brand awareness and visibility.

In 2020, the brand will continue to benefit from the momentum generated by the new creative vision and new product launches, particularly the new lines of leather goods. While wholesale distribution will remain an important contributor to the brand's activity, retail and e-commerce development will continue to be the priority. To this end, new store openings are planned during the year in strategic locations both in mature markets and in Asia. In its roadmap for 2020, Balenciaga also plans to further develop its men's collection, with dedicated spaces in the new stores, and to continue to enlarge its online product and services offering, forming part of the overall omni-channel strategy.

BOUCHERON

PARIS

Founded in Paris in 1858 by Frédéric Boucheron, the eponymous House was built up by four generations of the founder's direct descendants and soon acquired fame for its expertise in precious stones and its *savoir-faire* in creating innovative jewelry. Thanks to its founder's natural instincts, Boucheron became the first major contemporary jeweler to open a boutique on Paris' prestigious Place Vendôme in 1893. Since its creation, the House has been closely associated with the idea of freedom, not only in terms of its aesthetic, creative and technical approach but also the freedom of women to wear jewelry according to their own sense of style, transcending traditional codes and conventions. For 160 years, Boucheron has been synonymous with creativity and style in jewelry and high jewelry.

The brand is focusing its expansion through its 43 directly operated stores (at the end of 2019) and 13 franchises in key locations worldwide.

2019 was a year of remarkable events for Boucheron.

The House made its return to the US market following several years away, with a corner in New York's Saks Fifth Avenue. In addition, 2019 saw the House transform four of its existing boutiques in line with the new concept.

A new global advertising campaign was launched in February to enhance brand development and awareness. The signature feel of the campaign captures the spirit guiding Boucheron's creations. Lensed by the talented Oliver Hadlee Pearch, Andreea Diaconu plays a woman who asserts her freedom to wear jewelry her own way. A series of seven images and four films, each presenting a different collection, was released in all markets.

Boucheron strengthened its product offering with the launch of a new jewelry icon in April. Turning a page in the history of the House, the playful and independent *Jack de Boucheron* collection gives free rein to the wearer's creativity.

In July, the House paid tribute to its Parisian roots through High Jewelry collection *Paris vu du 26*, in which Creative Director Claire Choïne shared her personal view of the city. The collection was designed at number 26 Place Vendôme, where it was also presented to clients and the media during Paris Fashion Week.

In 2020, to celebrate the launch of the new *Signature* High Jewelry collection, Boucheron trialed a new events concept in January. Rolled out across all markets, the event allowed participants to immerse themselves in the experience and discover the essence of Boucheron, living a journey through history, innovation, the French art of living, and most importantly style, which captured the House to perfection.

A new boutique will open its doors in late April 2020 in one of the world's largest shopping malls, SKP Beijing. Inspired by the *Jardin d'Hiver* at 26 Place Vendôme, the new boutique echoes the Parisian space to take clients on a journey through the French art of living. More than just a boutique, the space will also allow visitors to taste *pâtisseries* created by a French pastry chef, for immediate consumption or to take away.

In July 2020, the House will launch its new creative High Jewelry collection, which will stop time to capture the fleeting nature of the present.

In 2020, Boucheron is renewing its commitments to sustainability. Having reached its target of purchasing 95% ethically sourced gold (Kering Ethical Gold Framework), the House is committed to achieving 100% in 2020. For the launch of its new jewelry collections in 2020, Boucheron has focused on the traceability of its colored gemstones and will use fully traceable rhodolite garnets, as well as sustainable pearls produced by Paspaley in Australia.

The House will embrace its femininity through various personalities in 2020. Complementary profiles of all ages and nationalities will lead the campaign in each of Boucheron's key markets, in keeping with the House's ambition to develop its brand awareness on the international markets, especially in the Asia-Pacific region.



Brioni was founded in Rome in 1945 by Italian tailor Nazareno Fonticoli and entrepreneur Gaetano Savini. Revolutionary since the beginning, Brioni was in 1952 the first men's luxury House to stage a fashion show and to introduce bright colors and new fabrics to its tailoring collections, pushing the boundaries and interpretations of traditional menswear.

Over the years, Brioni strengthened its global reputation, obtaining notable recognition in the US, where it was named the most prestigious men's luxury fashion brand by the Luxury Institute of New York in 2007 and 2011.

Part of Kering since 2012, Brioni develops and manufactures men's apparel, leather goods and shoes. The Company's identity is founded on its bespoke service, which provides entirely custom-made garments with an unparalleled level of craftsmanship.

All the brand's products are meticulously handmade by expert artisans and the majority of the production is made in-house at Brioni's ateliers in Penne, a small town in the Abruzzo region with a rich, long-standing tailoring tradition.

Wholesale represents an important distribution channel and, in recent years, Brioni has focused on optimizing and consolidating its distribution and franchise network.

In retail, Brioni had 30 directly operated stores as of the end of 2019, mainly located in Western Europe, North America and, to a lesser extent, in Japan and Asia.

2020 will be a special year for Brioni. The brand celebrates its 75th anniversary and has a strong communication plan in place for both retail and wholesale channels. The celebrations started in early January with Brioni's presence at Pitti Immagine in Florence, where Brioni made history with the first men's runway show in 1952. During this event, Brioni unveiled its Fall/Winter 2020 collection. The celebrations continued with the launch, later in January, of the new campaign featuring Brad Pitt as new brand ambassador.

In 2020 and beyond, under the helm of its new CEO, Brioni aims to sustain like-for-like growth, supported by its strong retail network, whilst leveraging its long tradition of Italian tailoring to anchor the brand as a leading player in the world of luxury menswear.

GIRARD-PERREGAUX



Girard-Perregaux traces its origins back to 1791, spanning over 225 years of watchmaking history. The brand is one of the oldest Swiss watch Manufactures, marked by legendary watches that bridge technical mastery and iconic design, such as the renowned *Tourbillon with Three Gold Bridges*. The complication won a gold medal at the Paris Universal Exhibition and has featured in the brand's catalogue ever since.

Girard-Perregaux has been part of Kering since 2011.

True to its roots, the Girard-Perregaux Manufacture has remained in La Chaux-de-Fonds, in Western Switzerland, a UNESCO World Heritage site. The brand has proudly retained its Manufacture status by mastering all the required horological skills in-house. From design and development to production, finishing and assembling, the brand's comprehensive expertise reflects generations of relentless effort in the pursuit of technical mastery and iconic artistry. In the second half of 2019, following the completion of important building works, the Girard-Perregaux Manufacture re-opened its doors to external visitors who will once again be able to discover the brand's history and its watchmaking workshops.

Today, Girard-Perregaux is a brand with unique appeal to true watch connoisseurs. Innovation remains a hallmark

of the Swiss Manufacture, as Girard-Perregaux continuously reinvents its icons, as underpinned by the numerous launches throughout 2019. At the start of the year, the brand presented a new collection of exceptional timepieces – both classic and contemporary – under the theme Earth to Sky including models such as the *Laureato Absolute*, the *Laureato Absolute Rock*, the *Cosmos*, the *Quasar* and the *Neo-Bridges Earth to Sky Edition*. In 2019, Girard-Perregaux also introduced a new brand identity in order to inject more meaning and iconicity into the components of its brand.

Girard-Perregaux revealed the brand's new face in China, Chen Xiao – a young and acclaimed television and film actor – through a campaign illustrating their shared values: engagement, precision, innovation, as well as adding emotion and elegance to our everyday lives. The partnership with Chen Xiao has also involved an outdoor media campaign in targeted cities as well as a presence at key points of sale and on social media channels.

Girard-Perregaux timepieces are distributed through an exclusive but global distribution network. In December 2019, Girard-Perregaux opened a point of sale in the exclusive K11 Musea mall in Hong Kong, introducing a new retail concept in which visitors are fully immersed in the Girard-Perregaux brand.



Pomellato

Known to the international jewelry scene for its creativity and distinctive character, Pomellato, established in 1967, was the first to introduce the *prêt-à-porter* philosophy to the world of jewelry.

Pomellato's voluminous creations are unique in their blend of colorful stones, Milanese craftsmanship, stone-cutting techniques and jewel-setting know-how. The brand's designs are immediately recognizable for their consistent, iconic style. Jewels are handcrafted by expert goldsmiths on site at Casa Pomellato, the brand's Milan headquarters, where the artisans transform the spirit of the brand into extraordinary designs.

The *Iconica*, *Nudo*, *Tango* and *Sabbia* collections are Pomellato's product pillars. Each fully embodies the message of the brand: "The first global luxury Italian fashion fine jeweler, unconventional and colorful, The New Precious". *Nudo*, launched in 2001, continues to be a Pomellato signature collection, and is constantly expanding with new designs. The golden *Iconica* collection, launched in 2017 for the brand's fiftieth anniversary, is confirming its ongoing success by crossing over into daywear jewelry, while including more precious pieces.

In 2019, Pomellato boosted its brand recognition with the expansion of both its digital and product activities. As part of its digital approach, the brand sought greater visibility with its fashion-oriented core target market as well as with millennials. This was achieved by increasing its social media presence and thanks to its #PomellatoForWomen global advertising campaign, launched as a celebration of the brand's fiftieth anniversary. #PomellatoForWomen features real-world, strong-willed, independent women of all ages and walks of life. Its 360° communication platform encompasses digital, social media, public relations and events, and celebrates the diversity and authenticity of womanhood.

Regarding product initiatives in 2019, Pomellato launched the *Brera* collection and an extension of the *Nudo* line.

Pomellato consolidated the architecture of its products by upscaling its pillar collections, investing in the gold segment and increasing the stackability of its entry-level products.

With an eye toward the future, Pomellato has further invested in sustainability and social responsibility. Since 2018, the brand has achieved 100% responsible gold sourcing. Pomellato also continued its partnership with the Galdus Goldsmith Academy, established in 2018. Known as *Pomellato Virtuosi*, it provides programs, seminars and apprenticeships to promising young local artisans in Milan with the aim of safeguarding craftsmanship.

In 2020, Pomellato plans to increase its presence in China and other Asian markets. In addition, the House will further invest in brand communications, especially by developing greater digital media prominence, to enhance visibility and build on existing market opportunities. As for products, the brand will continue to roll out its pillar strategy and will affirm its legitimacy in the gold segment with the launch of *Fantina*, a new gold and diamonds collection that explores the very origins of the Pomellato brand name, expressing Pomellato's passion for design, in a tribute to the modern Amazon, a free-spirited woman.

Following its international expansion, at the end of 2019, Pomellato had a distribution network spanning 48 directly operated stores, 12 franchise boutiques and approximately 510 wholesale points of sale.



DoDo is an Italian fine jewelry House founded in 1994 by renowned Milan-based goldsmith Pomellato. The House takes its name from the legendary bird of Mauritius. A symbol of precious moments, DoDo loves Mother Nature, promotes inclusivity and celebrates self-expression.

DoDo is the jeweler for the modern girl, offering charming collections of delicate and small handmade creations that match her cool chic style. Its composable jewelry is designed to be mixed and matched, multiplied and played with.

In 2019, DoDo concentrated on communicating its core values and on strengthening its presence in Western Europe. The beginning of the year was dedicated to love and emotions in honor of Valentine's Day, and was followed by the successful restyling of its luckiest charm, the *Ladybug*. Spring started with a celebration of craftsmanship following the launch of the very first jewelry line, *Nodo*, which is inspired by cotton rope knots.

In May, in line with its commitment to the environment, DoDo launched the "A Tree for a Tree" campaign in partnership with charitable organization Treedom. The goal of the campaign is to raise awareness around the role of trees in the world, by allowing every customer of a *Cherry Tree Charm* to plant their own tree remotely and watch it grow.

In the fall, DoDo kicked off the celebrations for its 25th anniversary, which will continue for a full year. The brand successfully relaunched its key icons in new sizes and materials, and a new egg charm and egg packaging were also released for the occasion.

At the end of 2019, the DoDo distribution network included 27 directly operated stores, 24 franchisees and 530 authorized dealers.

In 2020, DoDo will continue to enhance brand awareness and distribution in Western Europe while maintaining its leadership position in Italy. The brand will leverage its pillar lines to reach new audiences with new, modern, ready-to-wear and personalizable jewelry (*Granelli*, *Everyday*, *Nodo* and *Pepita*). The charms' novelty will sustain the brand's storytelling, focusing on key DoDo themes, sales events and limited edition pieces.

qeelin

Qeelin fine jewelry is a playful fusion of Chinese symbolism and modernity. Since the brand's creation in 2004, every piece of jewelry has carried rich cultural connotations, reinterpreting traditional symbols with stylish designs that infuse new life and contemporary meaning into Chinese heritage.

Named after the *Qilin*, an auspicious Chinese mythical animal and icon of love, Qeelin fuses unbridled creativity with excellence in craftsmanship, bringing a touch of playfulness and surprise into the world of fine jewelry.

The brand's iconic *Wulu* collection revisits the legendary Chinese gourd, an auspicious symbol of good fortune and positive energy in the country's traditional culture. Its contemporary lines echo the curves of the cherished number 8.

Qeelin's other two pillar collections are *Yu Yi* and *Bo Bo*. *Yu Yi* is inspired by the *ruyi* lock, or lock of good wishes, a traditional Chinese symbol of protection and spiritual potency representing a modern fulfiller of dreams. Inspired by the panda, China's national treasure, Qeelin's *Bo Bo* has many endearing expressions. Named after the Chinese word *bao* meaning "precious", *Bo Bo* conveys the priceless value of childhood innocence and curiosity.

Perpetuating Chinese culture is Qeelin's most distinctive ambition, through exquisite jewelry intended for daily wear, embracing the fashion trends of new generations and shining a light on Chinese culture in the world of luxury.

In 2019, Qeelin marked its 15th anniversary with a milestone as the first Chinese jeweler to open a boutique on Place Vendôme in Paris, the world's most prestigious showcase for fine jewelry. At the end of the year, Qeelin had over 28 boutiques and store-in-store points of sale globally, with a focus on expansion in Greater China (25 points of sale at year-end). The 17 boutiques in Mainland China include the opening in 2019 of directly operated stores at Dalian Time Square, Chongqing Time Square, Kunming Spring 66 and Beijing SKP South. Wholesale expansion included Shengyang Center and Ningbo HeYi, as well as the travel retail points of sale Haikou Downtown Duty Free and Shanghai Pudong Airport.

Marketing and communications milestones included the appearance of Qeelin's founder and Creative Director Dennis Chan on season 2 of CCTV2's *Fashion Master*, which aired on November 9, 2019. The Qeelin brand origins story, linked to the Dunhuang region of China, was thus told to a wide audience, generating over 17 million views on online video platforms and over 220 million mentions on social media. Brand ambassador Sandra Ma, an award-winning Chinese actress, increased brand visibility by appearing at the Qeelin 15th anniversary event at SKP Mall in Beijing, for which she scored Weibo hot search #1. Chinese actor and singer Sean Xiao also helped recruit millennials, with many of his Weibo hashtags achieving over 150 million views.

Key product launches included the limited edition *Wulu Jade Place Vendôme* necklace, showcasing exquisite jade carving craftsmanship, and the *Wulu Bamboo Lace* pendant, breathing new life into Qeelin's iconic collection. Also new in 2019 were the very successful red agate *Wulu* and jade *Wulu* collections, which brought a pop of color. The launch of the unisex *Wulu* interchangeable bracelet collection expanded the range of products available to male consumers, while *Hip Bo Bo*, the newest member of the *Bo Bo Gang*, who dances in a cool hip hop style, is not simply a fashion statement but a milestone in jewelry making. For the first time, a fine jewelry piece is presented with a switch mechanism that allows the wearer to change *Hip Bo Bo*'s hand gesture.

In 2020, Qeelin will focus on further developing its footprint in Greater China, as well as upgrading the brand's e-commerce operations. Key product launches will include expansion of the *Wulu* rings category, animation of the *Double Wulu* collection, launch of the new *Cannes Couture* collection and a number of exciting collaborations.



Ulysse Nardin is the pioneering Swiss watch manufacturer inspired by the sea, delivering innovative timepieces to free spirits.

Founded by Ulysse Nardin in 1846 and part of Kering since November 2014, Ulysse Nardin has written some of the finest chapters in the history of Haute Horlogerie. The Company achieved early renown due to its ties to the nautical world: its marine chronometers are among the most reliable ever made, still sought by collectors around the world.

A pioneer of cutting-edge technologies and the innovative use of materials like silicon, Ulysse Nardin is one of the few Swiss watchmakers with the in-house expertise to produce its own high-precision components and movements. This exceptional level of watchmaking excellence has earned Ulysse Nardin membership of the most exclusive circle of Swiss watchmakers, the *Fondation de la Haute Horlogerie*. Today, from its sites in Le Locle and La Chaux-de-Fonds in Switzerland, the brand's continuing quest for horological perfection is anchored around five collections: the *Marine*, the *Diver*, the *Classic*, the *Executive* and the *Freak*.

In 2019, Ulysse Nardin introduced the X factor to the watchmaking industry with the launch of *Freak X* and *Skeleton X* in January. The X collections reveal the inner design and mechanics of the watches, with a price positioning accessible to a younger client base, especially in China. The X factor stands for disruption and addresses those who dare to be different. New X models within the *Diver* collection will be launched in early 2020 to continue to Xplore the X saga.

During the year, Ulysse Nardin also opened three new stand-alone boutiques in Geneva, Shanghai and Beijing, and inaugurated a new architectural concept. The bright and airy design is based on a non-literal representation of the sea, playing on raw materials and transparency. In addition to these flagships, Ulysse Nardin continued the transformation of its visual merchandising with the renovation of 59 additional corners and 10 shop-in-shops. By the end of 2019, Ulysse Nardin's new face had been displayed in more than 100 key locations around the world.

The evolution of physical distribution in the year was matched with digital transformation. Ulysse Nardin revamped its website to offer a mobile first, lightning speed experience, designed to enhance products. E-commerce was launched in the UK as well as in the US and will be further deployed in 2020.

New releases for 2020 were unveiled in style in late 2019, as part of a unique event at Kering's headquarters, gathering key media players and retailers. During the gala dinner, Ulysse Nardin announced its partnership with the Vendée Globe sailing race. As the official timekeeper of the event, Ulysse Nardin will gain visibility and offer exclusive content throughout 2020. Dedicated timepieces will celebrate the round-the-world journey of 35 free spirits following in the footsteps of Ulysses.



Launched in 2014 by Kering and a group of managers led by Roberto Vedovotto, Kering Eyewear was created to develop in-house eyewear expertise for the Group's brands.

Eyewear is a strategic product category and the rationale behind the creation of Kering Eyewear was to help the Houses reach their growth potential in this business segment while leveraging each brand's unique appeal, through:

- the development of a product fully reflecting each brand's identity and trends;
- an unparalleled level of quality provided by a network of industry-leading suppliers recognized for their technical expertise and craftsmanship;
- a distribution in line with each brand's image and positioning, by serving only the best doors worldwide.

In order to establish eyewear as a core category, Kering decided to internalize the entire value chain, marking a significant change to the industry's standard processes. Thanks to a strong group of talented and skilled people, Kering Eyewear directly manages design and product development, supply chain, commercial and distribution strategies, as well as sales and marketing, thus allowing tight control over the whole value chain.

Kering Eyewear's first collection was unveiled on June 30, 2015, for 11 of Kering's Houses and, since then, more brands have been added to the portfolio, starting with Gucci, for which the first collection was presented in October 2016.

In March 2017, Kering and Richemont announced a partnership agreement for the development, manufacturing and worldwide distribution of the Maison Cartier and Alaïa eyewear categories, resulting in Richemont becoming a shareholder of Kering Eyewear.

In January 2019, the Company added to its portfolio Courrèges, Montblanc and Balenciaga – the last Kering brand at the time with an eyewear category not managed by Kering Eyewear. As of the end of 2019 and as a result of these additions, Kering Eyewear designs, develops and distributes a complete and well-balanced portfolio of 15 brands.

Since its creation, Kering Eyewear has been a telling example of disruption in a historically consolidated industry. It is now a fully established and recognized eyewear company with a unique approach, a strong reputation in the market and a commitment to creating long-lasting and valuable partnerships with brands, suppliers and clients.

As the leading luxury company in eyewear, Kering Eyewear has built an innovative business model that is able to anticipate and embrace all the challenges of this relevant and growing industry.

The Company relies on a fast and agile decision-making process as well as a close collaboration with the brands to create synergies and generate incremental business growth in "shared channels", such as brand boutiques, travel retail, department stores, multi-brand fashion specialists and e-tailers.

Kering Eyewear works together with the Creative Directors of the brands in order to preserve the DNA and aesthetic code of each individual House when developing its eyewear, while maintaining a focus on innovation in terms of design and materials. As a result, the eyewear collections are always fully in line with the Houses' calendars and needs.

Along with design, strong attention is also paid to sustainability and to material research and development. Since 2017, Kering Eyewear has been working with renewable materials to create its first 100% biodegradable frame and, in 2018, the Company published its first EP&L for 2017.

From a manufacturing standpoint, Kering Eyewear's strategy is based on the flexibility required to produce only through the best manufacturers in the world and to select production capabilities globally, guaranteeing product excellence and the highest quality standards in the industry. The Company has thus been able to establish strong relationships with a selected number of suppliers located mainly in Italy, France, Japan and the Far East.

Under the deal with Maison Cartier, the production plant Manufacture Kering Eyewear, previously known as Manufacture Cartier Lunettes, located in Sucy-en-Brie (France), was included in and contributed to Kering Eyewear. This one-of-a-kind plant is equipped with best-in-class technologies and machinery as well as undisputed expertise in solid gold, precious stones, horn and wood manufacturing.

In March 2019, Kering Eyewear acquired a minority stake in one of its most valuable partners, Trenti S.p.A., as part of its industrial strategy to increase control of its supply chain through strategic partnerships with key players in the industry.

Following a three-year collaboration, in October 2019, Kering Eyewear and Safilo announced the renewal of their agreement for the manufacturing and supply of Gucci-branded frames and sunglasses until December 2023.

Communications and marketing are coherent with the brands' strategies, generating synergies among advertising purchasing, event organization, celebrity seeding, public relations and media access.

Kering Eyewear has built an extensive distribution system serving over 20,000 customers and 30,000 doors worldwide in around 110 countries, directly operating in more than 25 markets through 15 subsidiaries (France, the UK, Germany, Spain, the US, Hong Kong, Japan, Singapore, Taiwan, China, Korea, Australia, India, Malaysia and the Middle East) and a network of carefully selected distributors.

In order to guarantee the highest level of service to its clients, in 2019 Kering Eyewear started to operate from its own logistics hub, a newly built, fully automated center allowing the Company to secure end-to-end control over the entire logistics process.

Widespread distribution, together with a highly qualitative commercial approach, provides the Houses with broad market coverage, in line with their positioning and desired visibility.

In the coming years, Kering Eyewear will be committed to fully exploiting the potential of all its brands, in both the sun and optical categories, as well as to expanding its presence in new channels, leveraging its expertise and unique positioning.

Thanks to its innovative business model and value-oriented approach, Kering Eyewear will continue to establish itself as the most relevant player in the luxury and high-end segment of the eyewear industry.

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CHAPTER 3

Sustainability

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This chapter – including references to other parts of the Universal Registration Document – constitutes the Kering group's Non-Financial Information Statement (NFIS) for 2019, and as such provides all of the information required by Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*) relating to the NFIS. The Group's duty of care plan is also part of the NFIS.

1. SUSTAINABILITY AT KERING

1.1 A long-standing commitment

For more than 20 years, Kering has pursued and expanded its Sustainability Strategy, with the following key milestones:

1996

- Group's first Ethics Charter.

2001

- Creation of the *SolidarCité* association, promoting education and integration initiatives among employees.
- First employee opinion survey.

2003

- Creation of a Group Sustainability Department.
- Establishment of an environmental reporting platform.

2004

- Signature of the Diversity Charter by PPR's Chairman and creation of the Diversity Committee and the *Mission Handicap* project.

2005

- Signature of a partnership agreement with Agefiph, a French association promoting job placement and vocational training for disabled people.
- Deployment of the Code of Business Practices and creation of the Ethics and Corporate Social Responsibility Committee (ECSRC).

2006

- Definition of the Group's Corporate Social Responsibility commitments.

2007

- Creation of a Group Corporate Social Responsibility Department, represented on the Executive Committee and reporting directly to the Chairman.
- Definition of seven strategic priorities for the Group with respect to CSR for 2008-2010.

2008

- Membership of the Global Compact.
- Creation of the PPR Corporate Foundation for Women's Dignity and Rights.

2009

- Worldwide release of Yann Arthus-Bertrand's documentary *Home*, co-produced by EuropaCorp and Elzévir Films, and financed primarily by PPR.

2010

- Launch of PPR's Innovation and Sustainability Awards.
- Sustainability criteria included in performance evaluations of PPR group leaders.
- Adoption of the Charter of Commitments on the quality of life at work and the prevention of work-related stress for employees of the Group in Europe.

2011

- Launch of PPR HOME, a new initiative and organization dedicated to sustainability.
- Publication of the very first Environmental Profit & Loss account (EP&L) by PUMA.
- Formalization of the strategic "Gender Equality in Leadership" program.

2012

- Formalization and publication of a set of ambitious and key sustainability targets to be achieved by the Group's brands by 2016.
- Creation of a Sustainability Committee within the Board of Directors.

2013

- Kering is listed on the Dow Jones Sustainability World and Europe Indices (DJSI World and Europe) and qualifies for the Climate Disclosure Leadership Index (CDLI) in France.
- Creation of the Materials Innovation Lab (MIL).
- PPR Corporate Foundation for Women's Dignity and Rights becomes the Kering Corporate Foundation, with the slogan "Stop violence. Improve women's lives".
- Kering joins The B Team.

2014

- Extension of the EP&L process to cover the entire Group.
- Signature by Kering of a five-year strategic partnership with the London College of Fashion's Centre for Sustainable Fashion to promote more sustainable and innovative design practices in the fashion industry and among its future practitioners.
- Kering named industry leader of the DJSI (Dow Jones Sustainability Indices) within the Textile, Apparel & Luxury Goods sector.

2015

- Kering for the first time publishes the results of its Environmental Profit & Loss account (EP&L) and shares its methodology.
- Over 300 million internet users potentially viewed the Kering Foundation's annual campaign to raise awareness about the fight to end violence against women.

2016

- Publication of the final report on Kering's 2012-2016 Sustainability targets.
- Preparation of the Sustainability Strategy for the next ten years: Kering is crafting tomorrow's Luxury.
- Kering is the first Luxury group to have its carbon objectives validated by the Science Based Targets initiative.
- Establishment of a global parental policy for all Group employees.

2017

- Publication of Kering's 2025 Sustainability Strategy, which is based on three pillars (environmental, social and innovation) and lays down targets to be achieved by all of the Group's Houses.
- Preparation of sourcing and production standards for publication in 2018, in line with the Group's open source policy.
- Promotion of high standards of integrity, responsibility and respect towards people through the Charter on the working relations with fashion models and their well-being.

2018

- Publication of the Kering Standards for sourcing and manufacturing processes, based on five pillars (social impact, environmental impact, animal welfare, traceability and chemicals).
- Release of the Group's first Integrated Report, for 2017.
- Launch of the first MOOC (Massive Open Online Course) on luxury fashion and sustainability, in partnership with the London College of Fashion.

2019

2019 was a year of milestones and progress made towards meeting the Group's 2025 Sustainability objectives. The year's stand-out achievement was the Fashion Pact, which grew from the approach long advocated and implemented by Kering in terms of responsible and sustainable business conduct: the only response to environmental challenges, and particularly climate change, can be to make sustainability the central pillar of the Group's strategy, to aim high and to encourage sharing beyond the traditional corporate boundaries and the confines of competition in order to build the coalitions needed to take the appropriate action. Also from an environmental perspective, with the reduction in Group-wide EP&L intensity on target, and Kering and its Houses achieving carbon neutrality across their operations, including the entirety of Scope 3, the Group demonstrated its capacity for action and mobilization this year. Kering also achieved a major breakthrough in the protection of animal welfare in 2019, with the release of new, dedicated Standards on the subject, hailed by many external stakeholders as an essential tool for the advancement of animal rights, which set clear and precise guidelines and benchmarks for the sector as a whole.

In terms of sustainable innovation, 2019 showed just how pivotal new technologies and disruptive innovations are in driving the transformation of the Luxury industry: Hack to Act, the first hackathon dedicated to fashion and sustainable luxury, highlighted the potential of new technologies to effect change and reduce the industry's environmental impact, while the first edition of the K Generation Talks & Award Ceremony, organized in partnership with Plug and Play in China during Shanghai Fashion Week, demonstrated how many bold and innovative start-ups are involved in key issues such as the production of waste, the acceleration of the circular economy, and the development of alternative raw materials and manufacturing processes.

Lastly, whether in terms of its policies for parents, including Baby Leave, which came into effect at the beginning of 2020, well-being at work or respect for diversity, the Group as a whole has been particularly active in the past year in demonstrating its commitment to fostering an inclusive and respectful working environment and promoting a progressive vision of these subjects. The role of women remains a constant concern for Kering and its Houses, with initiatives taken internally to achieve a balanced gender mix at all levels, but also with regard to civil society, through the Group's long-term commitment to combating violence against women, led with great determination by the Kering Foundation for more than 10 years.

1.2 2019 highlights and key figures

The Fashion Pact: as part of a global coalition, leading fashion and textile companies commit to achieving practical objectives for the environment

In preparation for the G7 meeting held in Biarritz, France, in August 2019, French president Emmanuel Macron tasked François-Henri Pinault, Chairman and Chief Executive Officer of Kering, with bringing together fashion and textile companies to set practical objectives for reducing their industry's environmental impact. In a historic move, given the scale and importance of the coalition that has been created, 63 companies representing more than 250 brands have now signed up to the Fashion Pact, thereby pledging to take action in three fundamental areas for safeguarding the planet: halting climate change, with the goal of achieving zero greenhouse gas emissions by 2050 in order to keep global warming below a 1.5°C pathway between now and 2100; restoring biodiversity, by achieving objectives that use Science Based Targets to restore natural ecosystems and protect species; and protecting the oceans, by reducing the fashion industry's negative impact through practical initiatives such as phasing out single-use plastics.

Further information on the Fashion Pact can be found at <https://thefashionpact.org/>

Kering prepares its first Sustainability Progress Report on its 2025 strategy, three years after its publication

On January 30, 2020, three years after announcing its 2025 Sustainability Strategy, Kering shared its first Sustainability Progress Report. The Group chose the backdrop of the ChangeNOW Summit – of which it has been a partner since 2018 – to hold an event presenting its environmental and social progress to the media and sharing its sustainable innovation projects. On stage, Marie-Claire Daveu, Chief Sustainability Officer and Head of International Institutional Affairs at Kering, accompanied by experts from her team, as well as partners and external organizations such as the Natural Capital Coalition, IPBES and Plug and Play, talked about some of the programs launched by the Group, based on the strategy's three pillars: Care, Collaborate and Create. The full report was also released via Kering's website.

Carbon neutral: in 2019, the Group decided to offset all remaining annual greenhouse gas (GHG) emissions from its operations and supply chains from 2018 onwards

On top of efforts already made by the Group in recent years to avoid and reduce its GHG emissions, Kering took a further step in 2019 by deciding to offset not only the GHG emissions falling into Scopes 1 and 2 of the GHG Protocol, as has been the case since 2011, but also all remaining annual emissions in Scope 3, within its own

operations and in its supply chains. For 2018, based on the emissions reported in the Group's EP&L results, Kering thus offset 2.4 million metric tons of GHG. Kering selected carbon offset programs through verified REDD+ projects, which not only conserve critical forests and biodiversity, but also support the livelihoods of local populations. Offsetting implemented for 2018 represents nearly 2 million hectares of vital forests around the world.

The Group's carbon offset initiatives and the projects its supports are described in this chapter of the Universal Registration Document, in the section entitled "Carbon offset projects".

Transparency, innovation and sustainability: Kering launches its digital EP&L and holds a hackathon to spark innovation

As part of its continued commitment to open-sourcing and transparency, Kering launched a digital EP&L platform in 2019, allowing users to interact with the Group's EP&L results online, from the overall Group impact to the specific details, such as particular materials, processing activities or sourcing locations. The platform also contains the underlying data sets, signifying that the various environmental key performance indicators (eKPIs), which show the environmental impacts of the Group's activities, and the related valuation coefficients can be accessed and downloaded by anyone. Going one step further, Kering organized Hack to Act, the first hackathon dedicated to fashion and sustainable luxury, using the EP&L data sets to develop new generations of applications and digital solutions to help close the gap in understanding the link between fashion and its impact on the environment. Hack to Act brought together more than 80 developers and experts selected from nearly 250 applicants over a weekend in October 2019. The top three initiatives were then selected by a jury chaired by Marie-Claire Daveu, Kering's Chief Sustainability Officer and Head of International Institutional Affairs, and also comprising senior executives from Kering Corporate, the Houses (Gucci, Girard-Perregaux, Ulysse Nardin), and external partners (WWF International, Google, Corporate Knights). The results of the Group's 2018 EP&L, published in 2019, showed that Kering is on track to meet the reduction target set for 2025, with EP&L intensity down 14% between 2015 and 2018.

Alongside *Camera Nazionale della Moda*, Kering launches the first major study on the role of women in the supply chain in Italy

As part of their pursuit of gender equality both in-house and throughout their supply chains, in 2019 Kering and its Italian Houses worked with the *Camera Nazionale della Moda* and three specialist associations (BSR, Wise Growth and *Valore D*) on a wide-reaching study into the role of

women in the supply chains of the Italian luxury industry. This study, the first of its kind, covered more than 180 suppliers, polling a total of 880 people (70% women) on the subject of gender equality via in-person interviews and questionnaires. The purpose was to highlight the challenges faced by women working in the luxury industry and issue practical recommendations on specific measures and programs that luxury brands could apply to improve gender equality. The study identified four priority focuses: working conditions and economic opportunities, leadership and career advancement, motherhood, and workplace conduct and harassment. The findings were presented by Gucci, Bottega Veneta, Pomellato and Kering Eyewear in December 2019 at the Including Diversity event run by the *Camera Nazionale della Moda* in Milan and are available online on the BSR website, www.bsr.org.

Kering publishes its Animal Welfare Standards for luxury and fashion

In May 2019, Kering published its Animal Welfare Standards, with the aim of ensuring the highest standards of animal welfare across the Group's supply chain and changing practices across the sector. The Standards include detailed requirements for the treatment of cattle, sheep and goats throughout their lives, as well as guidelines for slaughterhouses. Developed over three years with input from animal welfare experts, farmers and herders, scientists and NGOs, the Standards are based on the latest scientific research, as well as prevailing legislation and standards, best management practices and recommendations from a range of sectors. They are structured in Bronze, Silver and Gold levels to provide clear guidance on critical compliance and with the expectation that the Group's suppliers will make continuous improvements (prohibition of feedlots and intensive farming in favor of pasture-rearing, promotion of regenerative grazing and avoidance of "food competition" with sources of human nutrition, strict limitations on transportation, etc.).

The Animal Welfare Standards are available on the Kering website, under the Sustainability section.

Launch of the first K Generation Award in China

As part of Shanghai Fashion Week in October 2019, Kering and global innovation platform Plug and Play held their first K Generation Award Ceremony, recognizing Chinese start-ups with the potential to bring a positive environmental and social impact in alternative raw materials, the green supply chain, retail & use and the circular economy. Among the multitude of Chinese start-ups that entered the running between December 2018 and August 2019, three winners were selected by a jury of major

players from fashion, luxury, entrepreneurship, sustainability and innovation. Natural dyes made from organic waste in a circular, no-waste system, an innovative water treatment for printing and dyeing fabrics and the use of artificial intelligence to allow for small batch runs and thus avoid over-production are just some of the promising innovations singled out at the event's inaugural edition.

The Institut Français de la Mode (IFM) and Kering launch the "IFM – Kering Sustainability Chair"

Insofar as research and education play a crucial role in changing the practices and models of the fashion industry, Kering and the IFM have teamed up to create a new Sustainability Chair, giving students the opportunity to develop a 360° understanding of the challenges of sustainability so that they can participate as future professionals in the industry's transformation. Training modules dedicated to responsible fashion will be developed for all IFM courses, ranging from CAP to Bac+5 (French vocational qualifications through to Master's level), in creation, management and know-how, as well as for continuing professional development, and covering all aspects of sustainability (environmental, social and societal aspects, business models, supply processes, materials, manufacturing processes, etc.).

The Kering Foundation continues to form new partnerships to prevent and combat violence against women

In November 2019, OneInThreeWomen, the first European network of companies committed to ending violence against women, co-founded by the Kering Foundation and French organization *Fondation Agir Contre l'Exclusion* (FACE), released the results of its survey entitled "How does domestic violence impact the workplace?", showing that companies have a key role to play in developing and implementing concrete measures to support women victims of domestic violence. The full results of the study are available on the Kering Foundation's website: keringfoundation.org.

On International Day for the Elimination of Violence against Women, November 25, 2019, the Kering Foundation launched the "16 Days 16 Films" campaign in the United Kingdom, France and Italy, in partnership with Modern Films and with the participation of non-profit organizations *En Avant Toute(s)*, Chayn Italia and the UK SAYS NO MORE campaign. In line with UN Women's "16 Days of Activism Against Gender-Based Violence", 16 films directed by women were posted on social media between November 25 and December 10, 2019. The campaign reached more than a million people across the three countries, via social media.

Kering offers 14 weeks of paid leave for all new parents worldwide

Announced in 2019 and effective from January 2020, Kering's pioneering new Baby Leave initiative has expanded the Group's parental policy far beyond the first commitments made back in January 2017. From 2020, a minimum of 14 weeks' maternity, paternity, partner or adoption leave on full pay will be offered to all employees worldwide, irrespective of their professional situation or geographic location, during the six months following the birth or adoption of a new child. Baby Leave will give all parents, without exception and regardless of their personal circumstances, the chance to benefit from 14 weeks' leave on full pay. With this policy, Kering once again demonstrates its commitment to building an inclusive work environment, achieving professional equality, well-being at work and work-life balance, and becoming an employer of choice.

Kering accelerates its policy and commitments in favor of diversity and inclusion

The appointment of a Chief Diversity, Inclusion and Talent Officer at Kering from October 1, 2019 signals a new stage in the Group's determined action in support of diversity. Working with the Houses and global Group functions, she will align and execute Kering's global diversity and inclusion strategy, working to identify and prioritize initiatives to encourage diversity and to develop a talent strategy placing diversity and inclusion at the core of the Group's success in attracting, recruiting, developing and retaining talent. The appointment further highlights Kering's broad desire to both accelerate and expand its action in support of diversity and inclusion, driven by the Group's conviction that diversity in employee profiles (gender, culture, origin, sexual orientation, identity and disability) is of unlimited value and a source of collective intelligence. It is also a means of building on the culture of equal opportunity that prevails throughout the Group, giving every employee the chance to realize his or her potential.

2019 key figures

- 38,068 employees as of December 31, 2019, 62.9% of whom are women;
- 93.0% of employees on permanent contracts;
- 55.1% of Group managers are women;
- 7.0% of permanent employees work part time;
- 36.1 years is the average age of permanent employees;
- 5.3 years is the average length of service of permanent employees;
- 511 workers with disabilities;
- 516,605 hours of training (excluding safety training), or 31,410 employees trained;
- 12,240 permanent employees hired;
- 232,454 metric tons of CO₂ attributable to energy consumption (16.9%) and transportation (83.1%);
- 84.8% of electricity consumed is generated using renewable resources;
- Kering publishes its 2018 EP&L results showing a €514 million impact, with a 14% reduction in the intensity of environmental impacts across the Group (€EP&L/€k in revenue) between 2015 and 2018, in line with the reduction target set for the Group by 2025;
- 3,441 social audits carried out among the Group's suppliers;
- 1,332 Group employees, including the Group Executive Committee, trained by specialized associations since 2011 to understand, listen to and help women victims of domestic violence.

To facilitate data comparability and highlight the impact of the changes, these figures, given here solely for 2019 to reflect broad outcomes on each of the issues addressed, are provided in comparison with previous years throughout the rest of the chapter.

1.3 The Group's vision and business model

Kering's vision of creation in the service of a modern and bold Luxury is based on a multi-brand model that favors a long-term approach and creative autonomy of the Group's Houses and relies on agility, balance and responsibility. The strategy of capturing the full potential of Luxury to grow faster than our markets completes this three-fold approach, promoting organic growth and greater synergies within the Group. Kering's business model and strategy are set out and described in detail in Chapter 1 of this Universal Registration Document.

The Group's vision also draws on a resolute ambition – to be the world's most influential Luxury group in terms of creativity, sustainability and economic performance – and the deep conviction that Luxury and sustainability are one: performance will only endure if it applies across the board. Modern and bold Luxury must be synonymous with standards of creation and production that are respectful of the environment and committed to generating positive impacts for society. It is this commitment to sustainability, in its social and environmental dimensions, that drives the Group's strategy in this area and is a source of inspiration

and innovation. Sustainability creates value and competitive advantage in the medium and long term, for it enables Kering to lead with new business models and innovative practices, whilst often reducing costs. It is also a motivating factor for the Group's employees, helping to attract and retain the best talent.

Sustainability is an integral part of the strategy of the Group and its Houses. Kering serves as a catalyst, encouraging them to develop even more innovative, appealing and sustainable products, endeavoring in this way to craft tomorrow's Luxury.

Moreover, the Group's value chain, structured around five key stages, from creation to the customer experience, identifies the players involved and reflects Kering's work with all of its stakeholders.



- NGOs and civil society
- Financial community
- Competitors
- ==== Innovation players
- ==== Creative talent and excellence in craftsmanship
- ==== Local communities
- //// Suppliers and subcontractors
- Customers and consumers
- Shareholders

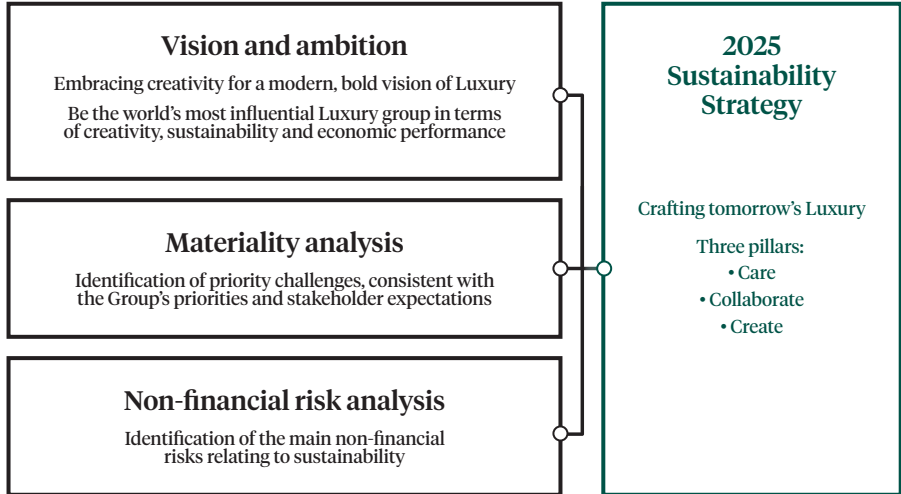


The details are presented step by step in the integrated report, available on the Group's website.

1.4 Materiality and main priorities, non-financial risks and Sustainability Strategy

Kering is rolling out an ambitious 2025 Sustainability Strategy reflecting three components: its vision and ambition carried at the highest level of the Group, the

materiality analysis, and the non-financial risk analysis, serving to accurately identify key challenges and risks throughout the value chain.



The materiality analysis, the non-financial risk analysis and Kering's 2025 Sustainability Strategy are described in detail below.

Materiality: targeting main priorities

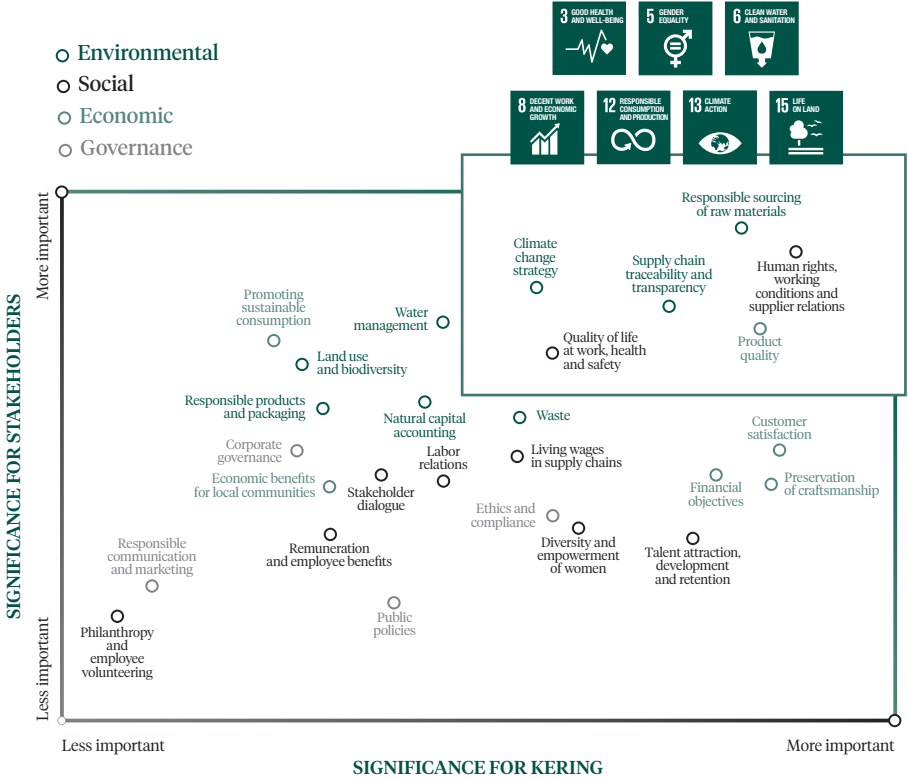
The materiality principle, which, like the EP&L, is at the heart of Kering's sustainability approach, allows the Group to focus on activities with the most significant impacts. This approach allows Kering to identify the key challenges matching its vision (based on their economic, environmental and social impacts), and also to grasp the related governance issues and the assessment made by the Company's key stakeholders.

Developed in 2013 and fine-tuned in 2014 through consultation with a wide range of internal and external stakeholders, the approach highlights six strategic challenges that were central to discussions on the development of Kering's 2025 strategy: responsible sourcing, product quality, traceability and transparency, respect for human rights, working conditions and supplier relations, quality of professional life, and climate change strategy. The non-financial risk and materiality analyses converge to identify priority areas for action.

These main priorities also align the Group with the United Nations' framework as defined in the 17 Sustainable Development Goals (SDGs), which are now a common reference in the structuring of sustainability approaches for the private sector, as well as for governments, civil society and citizens, thereby recognizing the indispensable involvement of stakeholders throughout society in the service of the common good. More specifically, while Kering can contribute directly or indirectly in variable proportions to each of the 17 SDGs, there are 7 SDGs for which it can have a more significant impact than elsewhere: SDG #3 (good health and well-being), #5 (gender equality), #6 (clean water and sanitation), #8 (decent work and economic growth), #12 (responsible consumption and production), #13 (climate action) and #15 (life on land).

The materiality analysis process will be updated in 2020, following a new consultation of a panel of internal and external stakeholders.

Materiality matrix



Non-financial risk analysis

Methodology

Kering carries out a detailed analysis of the risks that the Group may face, including non-financial risks liable to jeopardize its ability to maintain its overall performance. The approach as a whole and, in general, all aspects relating to risks, are presented in Chapter 6 of this Universal Registration Document.

Risks relating to the categories included in the Non-Financial Information Statement as defined in Article L.225-102-1 of the French Commercial Code – environment, social/societal, human rights, corruption and tax evasion – are accordingly an integral part of the Group's overall risk identification and management process, and as such are described in Chapter 6 of this Universal Registration Document. The Sustainability Department is involved in the process of identifying and classifying the risks that fall within its scope.

This risk analysis extends beyond the scope of Kering's operations and covers the entire value chain from the supply of raw materials to the use of products made by the Group's Houses, fully consistent with the materiality matrix and other analytical work conducted by Kering, including the EP&L.

As a result, nine principal risks out of the Non-Financial Information Statement categories have been identified, for which all policies and actions implemented within the Group, the outcomes obtained and the related performance indicators are detailed in this NFIS.

Risk	Policies and projects implemented, outcomes and performance indicators
Employment standards	See "Supporting our employees" See "Working conditions in our supply chains"
Talent management	See "Supporting our employees" See "Community impact and preservation of know-how"
Climate change, other natural or man-made risks	See "Environmental management", "Climate strategy" and "Carbon emissions" See "EP&L"
Raw materials scarcity, quality and biodiversity	See "Land use and protection of biodiversity", and "Sustainable use of raw materials" See "Stakeholder dialogue"
Product quality and safety/Consumer health	See "Risk management: product quality control, and consumer health and safety"
Ethics and global governance	See "Ethics, the cornerstone of our business" See "Animal welfare" See "Stakeholder dialogue"
Human rights and fundamental freedoms	See "Ethics, the cornerstone of our business" See "Protection of human rights at Kering" See "Supporting our employees" See "Working conditions in our supply chains"
Fraud and corruption	See "Ethics, the cornerstone of our business"
Compliance with national tax laws and international standards	See Chapter 6 of this Universal Registration Document

2025 Sustainability Strategy and targets

Having established a set of ambitious objectives that guided the Group in environmental and social matters over the 2012-2016 period, and whose results were made public in 2016, Kering laid down and published its 2025 Sustainability Strategy in January 2017. The strategy rests on three pillars:

CARE for the planet

- ✓ Use resources within the “planetary boundaries”, with a science-based approach in order to reduce carbon emissions from Kering’s business activities by 50% in Scopes 1, 2 and 3⁽¹⁾ of the Greenhouse Gas Protocol by 2025.

- ✓ Further address all supply chain environmental impacts with the goal of reducing Kering’s Environmental Profit and Loss (EP&L) account by at least 40%, including the remaining carbon emissions,⁽²⁾ and going beyond that to also include water use, water and air pollution, waste production and land use.

- ✓ Create a Supplier Sustainability Index and ensure Kering’s high standards for raw materials and processes are implemented by all suppliers by 2025, which also raises the bar on traceability, animal welfare, use of chemicals and working conditions.

- ✓ Promote sustainable design and minimize the environmental impact of products at every stage, from sourcing and manufacturing to transportation and consumer use, and create an open-sourced tool to assess products based on Kering’s standards.

- ✓ Establish a Materials Innovation Lab (MIL) focused on Watches and Jewelry, following on from the success of Kering’s MIL for fabrics and textiles in offering access to sustainable alternatives.







- ✓ Expand offsetting commitments to include a new “insetting” approach to ensure that actions across the supply chain contribute toward protecting biodiversity and developing local communities.




(1) Emissions from upstream transportation and distribution, business air travel and fuel and energy related emissions in Scope 3.

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

Dashboard for Kering's 2025 Sustainability Strategy – Progress at end-2019

NB: Definitions of the indicators presented and their method of calculation are provided in the social and environmental methodological notes, available on the Group's website.

2019 results	Performance ⁽¹⁾	Main achievements
Our carbon intensity reached 20.4 tCO ₂ /€m in gross margin 84.8% of our electricity is green , contributing to the decrease by 67.4% of our CO ₂ emissions linked to energy consumption since 2015		-49.9% carbon intensity, +59.4 pts of green electricity -100.2 kWh/sq.m (-24.2%) in stores since 2015 Fashion Pact : 63 leading global textile and fashion companies, representing 250+ brands, commit on climate, biodiversity and oceans
Our EP&L intensity ⁽²⁾ reached 37.64 €EP&L/€k in revenue		-14% since 2015 Launch of a global study on EP&L impact of consumer use and end-of-life phases of our products Kering signs the first private sector partnership with IPBES for biodiversity
68% of our key raw materials are aligned with our Kering Standards		+1 pt alignment with the Kering Standards since 2017
Traceability is achieved for 88% of our key raw materials ⁽³⁾ 4,400+ employees trained on the Kering Standards via e-learning		+3 pts in traceability since 2017 Kering Standards e-learning platform launched worldwide Publication of Kering Animal Welfare Standards Creation of the Green Fashion Shows guidelines
3,800 sustainable materials in our Materials Innovation Library		+83 projects implemented for our products since 2015 Sustainable Innovation Lab dedicated to Watches and Jewelry launched in February 2020
2.4 million tCO₂ offset in 2019 for 2018		Full carbon neutrality (Scopes 1, 2, 3 across all operations and supply chains)

-  Results above expected performance to date
-  Results at expected performance to date
-  Results below expected performance to date

(1) Evaluation of performance to date with respect to the objective defined for 2025.

(2) 2018 data.

(3) Based on our Kering Standards.

**COLLABORATE
with people**

✓ Support the continuation of craftsmanship traditions and the communities that support them.

✓ Extend focus across the supply chain and improve community livelihoods where raw materials are sourced.

✓ Develop an industry-leading performance metric that will measure achievement of the UN Sustainable Development Goals.

✓ Leverage current partnerships with leading universities and continue to develop collaborations to identify sustainability solutions.

✓ Amplify forward-thinking employment practices, including the global parental policy launched on January 1, 2017, a well-being at work policy in 2018, and an employee benefits policy by 2020.

✓ Promote an inclusive environment and achieve a balanced gender mix at all levels of the Group.

✓ Develop innovative career paths for all.

✓ Aim to be the preferred employer in the luxury sector.

2019 results	Performance ⁽¹⁾	Main achievements
More than 480 experts trained through our 20+ haute couture, Watches & Jewelry craftsmanship excellence programs	→	<i>Institut Saint Laurent Couture, École de l'Amour Gucci, Pomellato Virtuosi with Scuola Galdus, and more</i>
More than 10 active international programs focusing on our key raw materials	→	Reforestation of gold mining sites in French Guiana, The Golden Line in Ghana, Gobi Desert cashmere, Rare in China, and more
We performed 3,441 supplier audits , representing 56% of our suppliers	→	+42% audits since 2015 Materiality assessment and value chain mapping against the SDGs: 7 key SDGs identified as most material for the Group
Key partnerships with leading universities: IFM, Parsons, Tsinghua, LCF, etc. 17,844 participants in the Sustainability and Luxury Fashion MOOC	↗	Creation in 2019 of the IFM – Kering Sustainability Chair More than 33,500 total participants since the launch of the MOOC in 2018 – MOOC launched in China
Global parental policy launched in 2017, Baby Leave policy effective since January 1, 2020, global Health & Safety policy launched in 2019	↗	100% employee coverage worldwide by policies launched
63% female employees, 55% women managers, 60% women on the Board 94.4% of Group employees worldwide have completed the annual Ethics & Compliance training	↗	Board-level parity up from 10% to 64% in 10 years Appointment of Kering Chief Diversity, Inclusion and Talent Officer in 2019
82.5% of the employees benefited from training: 516,605 hours of training provided to 31,410 employees, an average of 16.4 hours per employee	→	Global internal digital platform Kering Campus launched in 2018
82% participation rate in the employee survey, with an 83% engagement rate in 2019	↗	In 2019, weekly updates on the Group's digital platform dedicated to open positions for internal mobility

- ↗ Results above expected performance to date
- Results at expected performance to date
- ↘ Results below expected performance to date

(1) Evaluation of performance to date with respect to the objective defined for 2025.

**CREATE
new business models**






- ✓ Invest in disruptive innovations that can transform conventional processes in Luxury, and influence the industry.




 - ✓ Develop new and sustainable solutions for sourcing raw materials, including exploring biotech and promoting a circular economy through turning recycled textiles into new clothing.

 - ✓ Scale up an internal purchasing platform to provide access to high quality, sustainable raw materials.

 - ✓ Stimulate and enable innovation to translate vision into action through strong internal governance.

 - ✓ Establish a Young Leaders Advisory Group for inspired ideas.
-

2019 results	Performance ⁽¹⁾ Main achievements
<p>24% of our purchased leather is metal-free We engaged with 72% of the top potential start-ups selected among the 2000+ identified</p>	<p> Plug and Play partnership extended to China First K Generation Award held in Shanghai First Hackathon for Sustainable Luxury</p>
<p>First assessment of the Kering Materials Circularity Index: 39% of our raw materials with potential for circularity are already circular</p>	<p> Kering is a member of the Ellen MacArthur Foundation's Make Fashion Circular and Circular Fibres initiatives</p>
<p>Dedicated internal sourcing platforms and coordinations for gold, cotton, cashmere, silk, and more 100% of Watches & Jewelry Houses' gold purchased through the Kering Ethical Gold Platform</p>	<p> +15pts of silk and +28pts of cotton purchased through the dedicated platforms since their creation</p>
<p>106 sustainability and business experts gathered for the Group's annual Sustainability Network Conference "Future of Luxury" in 2019</p>	<p> +73% participants since 2015 Dedicated Group-level Innovation Department led by an ExCom member since 2016, and creation of an Innovation Committee in 2018 Kering is a leading partner of the Plug and Play – Fashion For Good accelerator</p>
Information	<p> -</p>

-  Results above expected performance to date
-  Results at expected performance to date
-  Results below expected performance to date

(1) Evaluation of performance to date with respect to the objective defined for 2025.

In accordance with the management and monitoring method established when the 2025 strategy was drawn up and published, meetings and in-depth discussions were again held in 2019 within each of the Group's Houses on monitoring the implementation of the Sustainability Strategy and progress towards achieving the 2025 targets. Kering published its first-ever overall Progress Report in relation to the 2025 Sustainability objectives in early 2020, providing a detailed update on the progress made within each of the strategy's three pillars. The report is available on Kering's website. In addition, the Sustainability Department devoted its annual Sustainability Network Conference in 2019 to discussions and practical measures aimed at accelerating transformation and the achievement of the 2025 objectives. This two-day event brought together more than 100 experts from the Houses and Kering Corporate, not only from the sustainability teams but also from functions ranging from purchasing and production to sales and marketing.

Governance and organization

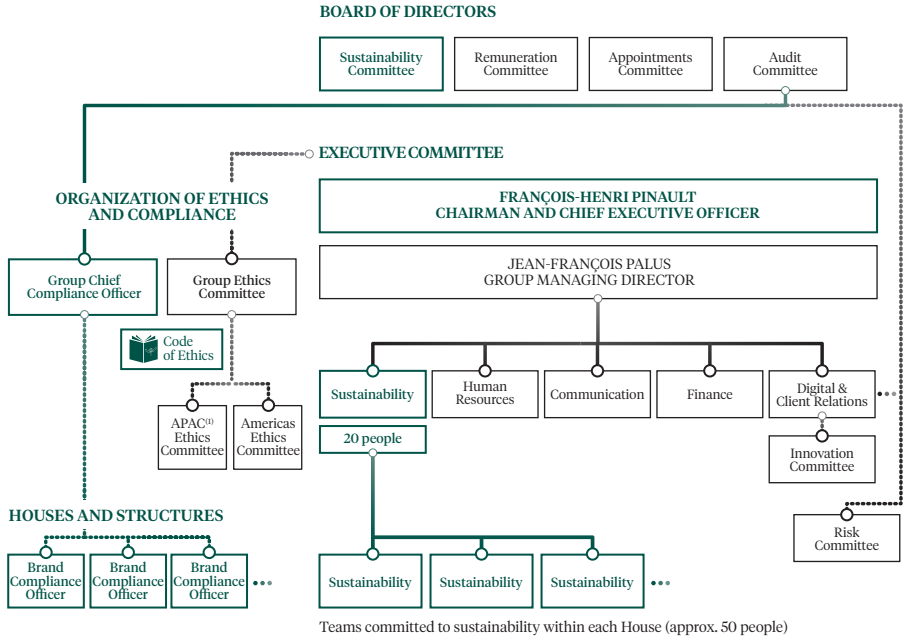
Kering's Sustainability Department defines the Group's Sustainability Strategy and policies, and supports the Houses by operating as a resource platform and sounding board, with a view to setting out and building on the initiatives taken individually by each brand. More than 20 specialists, who report to the Chief Sustainability Officer and Head of International Institutional Affairs, a member of the Executive Committee, assist the Houses with the implementation of the Group's Sustainability Strategy by systematically looking for potential synergies and continuous improvement. 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 Houses. In addition, each House has at least one Sustainability Lead and for the larger Houses, entire Sustainability teams. As a result, Kering's Sustainability team numbers more than 60 people.

From a governance standpoint, a Sustainability Committee was established at Board level in 2012. Comprising four Directors (François-Henri Pinault, Jean-François Palus, Daniela Riccardi and Sapna Sood), it provides advice on and guides the Group's Sustainability Strategy.

On February 11, 2019, the Board of Directors designated Sophie L'Hélias as Lead Independent Director. In coordination with the Chairman, Sophie L'Hélias represents the Board in its dealings with investors concerning environmental, social and governance (ESG) matters.

The Sustainability Committee met on November 13, 2019 to review progress on ongoing projects and initiatives, and the outcomes already achieved in relation to the 2025 objectives, with a particular focus on the Group's goals in terms of carbon offsetting and the activities of the Ethics Committees. The Committee's review of the objectives of the Group's managers in terms of non-financial performance was carried out jointly with the Chair of the Remuneration Committee. Kering's Code of Ethics, which was updated at the end of 2018 and circulated for the second time to all employees worldwide in 2019, was approved by the Board of Directors on March 14, 2019. Lastly, a meeting providing a broad overview of progress on the Sustainability Department's projects was held for non-executive members of the Board of Directors on February 11, 2020.

In 2019, in response to growing interest for non-financial issues in the financial sector, Kering held its first ESG roadshow for key investors to present the Group's approach. The event was organized with the assistance of Sophie L'Hélias, the Group's Lead Independent Director, who also attended.



(1) APAC: Asia-Pacific.

1.5 Recognition and inclusion in SRI ⁽¹⁾ indices

In 2019, Kering was once again recognized as a leader in its sector by the principal non-financial ratings agencies and rankings.

- **DJSI (Dow Jones Sustainability Indices):** Kering featured in the prestigious DJSI World and Europe indices for the seventh consecutive year. Created in 1999 by S&P Dow Jones Indices in conjunction with RobecoSAM, these indices distinguish, out of a panel of 3,500 companies representing the largest market capitalizations, 10% of companies in each industry with the best performance in terms of sustainability;
- **CDP (Carbon Disclosure Project):** In 2019, Kering was part of the CDP's A List for the third year in a row. Of nearly 8,500 companies assessed, only 2% were included on the prestigious A List after the CDP's rigorous analysis. Kering takes its place among the international companies deemed the most efficient in terms of reducing greenhouse gas emissions and climate risks, and contributing to low-carbon business models. Moreover, Kering achieved Leadership A- level in recognition of its efforts to limit deforestation risk associated with the use of leather and wood-derived fabrics, and Management B level for the management of its water footprint;

- **Global 100:** In 2020, Kering featured in the prestigious Global 100 for the fifth consecutive year. The Global 100 is an international ranking of the world's 100 most sustainable companies, created by *Corporate Knights* magazine in 2005 and unveiled each year at the World Economic Forum in Davos. Kering is the only Luxury company ever to have featured, leading the Apparel & Accessory Products category, for the third year running;
- **Other major non-financial ratings:** Kering again scored high in the non-financial rankings released by MSCI (AA rating obtained in the MSCI ESG Ratings 2019 assessment, second in the Textile, Apparel and Luxury Goods sector and first for Luxury), ISS-oekom (Prime status, with a C+ rating obtained in September 2019) and Sustainalytics (score of 79/100 obtained in September 2019, leader in the Textiles & Apparel sector). Kering's diversity performance also earned special recognition in 2019: the Group took twelfth place in the Equileap ranking and tenth position in the Thomson Reuters Diversity & Inclusion Index, and was again part of the Bloomberg Gender-Equality Index;
- **Other SRI indices:** Kering was included in the main benchmark indices: FTSE4Good, Euronext Vigeo Eurozone I20, Ethibel Sustainability Index Excellence, MSCI Global Sustainability Indexes, Oekom Prime, etc.

Index	2017 score	2018 score	2019 score
DJSI ⁽²⁾	DJSI World and Europe (Industry leader 82/100)	DJSI World and Europe (Silver class 80/100)	DJSI World and Europe (Silver class 81/100)
CDP Carbon	A	A	A
CDP Water	B	B	B
CDP Forest	A- (leather) A- (wood)	A- (leather) A- (wood)	A- (leather) A- (wood)
Global 100	47th/100 #1 Apparel	2nd/100 #1 Apparel	23rd/100 #1 Apparel

(1) Socially Responsible Investment.

(2) New methodology in 2018; 2017 rating on a pro forma basis.

2. ETHICS, THE CORNERSTONE OF OUR BUSINESS

2.1 How we see ethics

General framework, guiding principles and key commitments

The strong values embraced by Kering and its Houses are expressed through their products and form a solid basis for trust-based relationships with customers, employees and the Group's stakeholders in general. To ensure that these values permeate its operations and ceaselessly nurture a sustainable climate of trust and successful performance across the Group, Kering is firmly committed to ethical behavior in all its activities and business relationships. Kering is fully aware of its duty to adopt extensive ethical responsibilities and to act at Group and House level, and with its suppliers and other business partners, in such a way as to promote the highest ethical standards in all circumstances, and to resolutely identify and effectively handle any situation likely to involve risk in terms of ethics or respect for human rights.

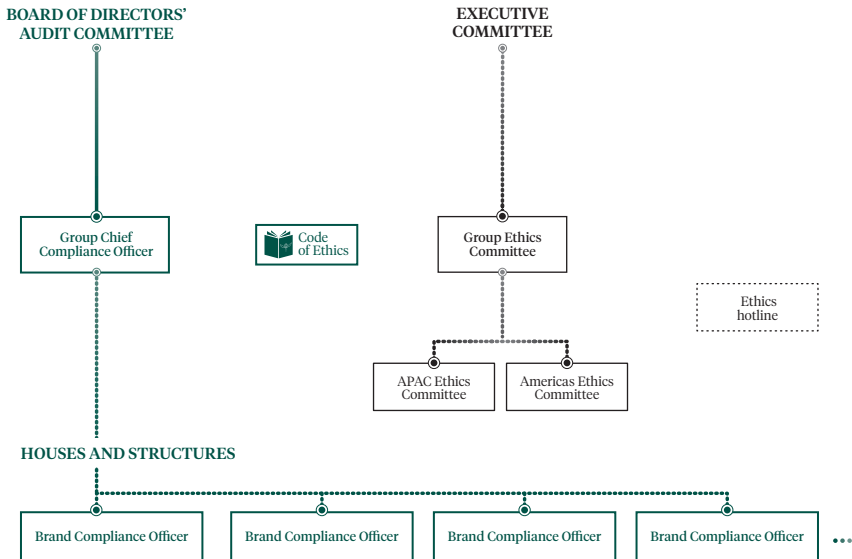
This firm commitment starts at the top, with Executive Management and the Sustainability Committee of the Board of Directors. To ensure this commitment is actively taken up throughout the Group and its Houses, Kering draws upon its Code of Ethics, the key document setting out the principles behind the Group's internal and external

actions, and upon a compliance program with a robust organization and system of management, promotion, transparency and metrics led by the Group Chief Compliance Officer, who reports directly to the Group Audit Committee.

This is tightly integrated into Kering's internal control system, ensuring effective propagation of a strong culture of integrity throughout the Group and its Houses, and providing all employees with a solid framework for action along with all necessary resources and support to clarify any ethics issue. It also enables employees to confidentially report any potential violations, and ensures prompt and fair treatment thereafter. It ensures that the Group complies with applicable regulatory requirements, including French laws no. 2016-1691, known as "Sapin II", and no. 2017-399 on the Duty of Care.

Organization of ethics and compliance within the Group

The Group's ethics organization is coordinated and overseen by the Kering Executive Committee, under the guidance of François-Henri Pinault, the Chairman and Chief Executive Officer.



Initially consisting of a single body (the Ethics and Corporate Social Responsibility Committee – ECSRC, set up in 2005), the ethics organization 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 Group's policy 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 the Group's Houses to ensure greater diversity. These Committees focus on three main areas:

- ensure that the Code of Ethics is up to date and that it effectively reaches and is known to all Group employees;
- generate proposals on appropriate updates to the Code and on the implementation of appropriate behaviors and practices;
- process ethics issues reported by Group employees and, since January 1, 2018, by external and temporary staff working for external partners or service providers under contract with the Group and/or its Houses. Issues may be reported directly or by means of an external ethics hotline. Kering's ethics whistleblowing system is described below in the section entitled "Whistleblowing procedure for reporting unethical conduct".

Employees can also call on the Ethics Committee of their choice to request clarification or ask questions on the interpretation of the Code, if they are unsure how to behave in a specific situation.

2.2 Implementation throughout the Group and beyond

Kering's Code of Ethics

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 responsible business practices. Kering's Code of Ethics was first introduced in 2005, and underwent major updates in 2009 and 2013. The latest update, in 2018, was issued to all employees in June 2019. To ensure the fullest possible employee understanding and take-up of Kering's values and ethical standards, the new version of the Code, reissued in 2019, is now available in 14 languages, compared to 9 up till 2018. The latest update focused chiefly on strengthening commitments with regard to personnel and the behavior expected of everyone, and on Group measures and policies brought in following the introduction of new legislation and regulations, such as France's "Sapin II" law. The Suppliers' Charter included in the Code of Ethics was updated at the same time, with particular regard to the question of human rights. In addition, the Code of Ethics now extends to the commitments of members of the

The Compliance structure, established in 2015, is coordinated by a Group Chief Compliance Officer (CCO), who supervises a network of Brand Compliance Officers at the individual Houses and entities, each appointed by their respective Chief Executive Officers, and a network of Local Compliance Officers.

At Group level, the Group Chief Compliance Officer is responsible for implementing the Group compliance program as approved by the Board of Directors. The Group Chief Compliance Officer, appointed in October 2015 by Kering's Chairman and Chief Executive Officer, reports to the Audit Committee, an important factor given the independence required of this function. The Group Chief Compliance Officer also has direct access to the Chairman and Chief Executive Officer. The Group Chief Compliance Officer does not hold any other position, and is thus fully dedicated to this function.

At the level of the Houses, the policies and procedures drawn up by the Group Chief Compliance Officer are implemented by a network of Brand Compliance Officers, each appointed by the House Chief Executive Officer. All the Brand Compliance Officers report to the Group Chief Compliance Officer.

Local Compliance Officers in the largest Houses take charge of implementing the compliance program at local level, reporting to their Brand Compliance Officers.

As a general rule, the positions held by the Compliance Officers in parallel with their compliance duties are sufficiently high-ranking to ensure they have the necessary authority and independence.

Executive Committee as well as the Chairman and Chief Executive Officer and, for the first time, was presented to and reviewed by the Kering Board of Directors.

The Code clearly sets out the ethical principles that should be applied everywhere and by everyone, as well as the Group's values, what it believes in and what it does not tolerate.

It aims to comply with the major international reference texts (United Nations Universal Declaration of Human Rights, European Convention on Human Rights, the main conventions of the International Labour Organization, OECD Guidelines for Multinational Enterprises, United Nations Convention on the Rights of the Child, United Nations Global Compact) and demonstrates how the Group continually strengthens its commitments and the systems in place to ensure compliance. Sustainability for Kering is not possible without the Code of Ethics, which is used as the sole set of standards implemented by all throughout the Group, regardless of their level of responsibility, position or location.

The Code of Ethics is available on the Group's intranet, and on Kering's website for readers outside the Group.

System for detecting and preventing corruption

Kering's Code of Ethics emphasizes the fact that employees must at all times act with integrity, loyalty and a sense of responsibility. It clearly sets out the Group's commitment to zero tolerance on corruption, and encourages employees to report any instance of corruption. It stipulates the absolute necessity of avoiding conflicts of interest, any risk of which must be promptly identified and resolved.

To apply these commitments in an effective way and ensure full compliance with the stipulations of France's "Sapin II" law, a map of corruption risks was drawn up in 2017 under the supervision of the Group Chief Compliance Officer. The Group Chief Compliance Officer submitted the risk map analysis and ensuing action plans to the Audit Committee of the Board of Directors at the session of June 7, 2017.

In 2019, the map of corruption risks underwent a comprehensive update following an analysis process running over several months. This required involvement from all the employees concerned at Group and House level (the Brand Compliance Officers in particular), a full document review, and more than 200 interviews with Kering and House personnel. Detailed action plans were drawn up on the basis of the findings of the risk map.

Steering

In 2016, Kering brought in an anti-corruption policy, standing side-by-side with the Code of Ethics to offer employees fuller guidance in their everyday practices and ensure tight control over risks of corruption and conflicts of interest. This policy, which was updated in October 2019 under an action plan drawn up as a result of the risk map plotted in 2019, identifies prohibited behaviors and sets out guidelines enabling employees to detect instances of corruption and report them to management. Kering's Chief Compliance Officer, who reports directly to the Ethics Committee, independently of the Houses and support functions, is responsible for implementing the anti-corruption policy under the Group's overall compliance program. Roll-out of the anti-corruption policy is monitored closely by the Audit Committee and Executive Management.

The policy extends to detailed procedures on the following subjects:

- **Procedure on gifts, hospitality and entertainment**

The procedure for gifts, hospitality and entertainment sets out rules on gifts, invitations, and travel and business entertainment expenses throughout the Group. It details which sorts of gifts and hospitality (such as invitations to sports or other events) are acceptable and which are not, thus helping Group employees determine appropriate behavior with regard to accepting or making offers. Employees are

advised to consult their Compliance Officer if in doubt.

Prior written authorization from the Compliance Officer is required whenever a gift or invitation involves a public official or is of significant value.

The procedure on gifts, hospitality and entertainment was updated in October 2019.

- **Procedure on third-party due diligence**

The procedure for third-party due diligence, introduced in October 2015 and updated in October 2019, specifies that relationships with third parties must be evaluated on the basis of the risks of corruption they could potentially pose. All of the Group's contractual relationships must be with a clearly identified third party, for a clearly specified service under clearly specified financial terms and conditions. If any warning signs appear, they must be reported to the Compliance Officer concerned, who will consult investigatory services and specialized databases in order to make a decision on the matter. Depending on the degree of risk identified, compliance questionnaires are sent to the third parties concerned requesting additional information for the purpose of closer diligence.

The third-party due diligence system is applicable throughout the Group. Kering has also called in an outside specialist in third-party due diligence to carry out verifications on the specialized databases used by the Group's Compliance Officers.

- **Prior verification procedure on the prevention of corruption in merger and acquisition operations**

The prior verification procedure on the prevention of corruption in merger and acquisition operations, introduced in October 2016, requires an evaluation of the third parties concerned by the transaction (generally the target). Based on the third-party due diligence procedure outlined above, it requires the employees concerned to collect information on the target from publicly accessible sources from the onset of negotiations. If any warning signs appear, the employee must fill in a specific questionnaire. During the acquisition process, more in-depth due diligence, covering corruption issues, must be conducted, with cooperation from the acquisition target. The findings are then submitted for analysis by the appropriate Compliance Officer.

- **Procedure on donations and sponsorship**

The Group applies a specific procedure specifying requirements on transparency and written documentation regarding donations and sponsorship. All beneficiaries are required to undergo due diligence. Before they can go ahead, donations and sponsorship operations require prior written approval from the Compliance Officer concerned, and must be recorded in a special register. Under the procedure, any donation or sponsorship request involving a public official must be reported to the relevant Compliance Officer. The procedure was updated in October 2019.

Kering's Code of Ethics and anti-corruption policies prohibit any political, trade union, cultural or charitable financing in exchange for any direct or indirect material, commercial or personal advantage. They also prohibit payment of contributions to a political party and donations to charity with undue intention or non-compliant with the donations and sponsorship procedure.

Since August 22, 2017, the Group has been listed on the register of the French government's *Haute Autorité pour la Transparence de la Vie Publique*, and complies with all ethics requirements stipulated by French law.

- **Procedure on conflicts of interest requiring annual signature by a target population**

In 2016, Kering brought in a specific procedure on conflicts of interest, which is available in French, English, Italian and Chinese. It requires employees to report any connections, relationships or other situations giving rise or that may potentially give rise to any conflict of interest by signing a specific declaration and discussing the situation with their managers.

Several procedures, including that on the involvement of suppliers in the production supplychain, refer to this procedure. Employees involved in decision-making processes with regard to third parties are invited to report any potential conflict of interest.

- **Guidelines on interactions with public officials**

To guide employees in their interactions with public officials in certain high-risk regions, country-specific sheets have been established and issued to the Compliance Officers concerned. In Italy, the Houses also apply the rules defined in Italian law no. 231/2001 on matters such as the identification of key employees in contact with the authorities and the documentation and tracking of relationships between Group employees and public officials.

A compliance manual was issued Group-wide in 2018, setting out practical examples on the main ethics risks, including corruption, conflicts of interest and human rights violations. The manual outlines the basic concepts and legal challenges involved, giving practical examples enabling employees to pinpoint areas requiring vigilance in their day-to-day work. It encourages effective adoption of the Group's anti-corruption policy and procedures across the workforce.

Whistleblowing procedure for reporting unethical conduct

Introduced in 2005, Kering's whistleblowing system was strengthened in 2018 to ensure full compliance with France's Sapin II law. It is accessible to all people working for the Group: employees and interns of the Group and its Houses, and external and temporary personnel working for external partners or service providers under contract with the Group and/or its Houses.

All employees may use the system to submit reports via their direct or indirect manager or employer, the Human Resources Department, the Group Chief Compliance Officer, the Compliance Officer network or the Ethics Committee. It may be used to report any of the following:

- criminal offense;
- serious violation of law or regulations;
- conduct or situation contrary to the Group's Code of Ethics;
- threat or serious harm to the general interest.

Reports are transferred for processing by the ethics or compliance organization via authorized contact persons who ensure the confidentiality and security of the information transferred. The contact persons are also responsible for verifying the facts reported.

When a report is submitted, one of the Ethics Committees or the Group Chief Compliance Officer will contact the person reporting the matter to request permission to contact the House concerned, specifying that the person's identity will remain confidential and that the issue will be investigated within three months at most. Kering is committed to protecting whistleblowers, and explicitly prohibits any form of reprisal in its ethics policies and procedures. This protection is clearly stated in the annual e-learning module on the Code of Ethics.

2.3 Promoting and respecting ethics within the Group and beyond

Propagation of a culture of integrity

A training program on ethics and the related Code was established for all Group employees worldwide and has been implemented throughout Kering since 2014.

Available since 2019 in 14 languages (as opposed to 9 previously), 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 is updated annually, and covers all the principles upheld by the Group's Code of Ethics. The topics covered in 2014 included corruption, fraud, conflicts of interest and the confidentiality of information on social media. In 2015, the program covered 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 were highlighted. In 2017, emphasis was once again put on corruption, respect for others, conduct in the workplace and the effect of climate change on the sourcing of raw materials. In 2018, the program included a specific focus on the need to combat all forms of harassment.

In July 2017, the Group launched a 45-minute e-learning module on anti-corruption, addressing all employees. To ensure the widest possible reach, the module is available in nine languages. It seeks to provide employees with a full view of the subject, from (i) typical corruption-prone situations, (ii) applicable anti-corruption regulations, and (iii) appropriate behavior with regard to gifts and hospitality, to (iv) appropriate reactions to facilitation payments, and (v) working with business partners.

For greater clarity and efficiency, it was decided in 2019 to merge the Ethics and Compliance e-learning programs to offer comprehensive one-stop training in these matters for all. In mid-November 2019, an annual Ethics & Compliance training program was launched, providing in-depth coverage on questions of corruption, harassment and sustainable development in the choices of materials and products, and highlighting, for all Group personnel, the existence and operation of Kering's ethics alert system.

Kering's Compliance Officers benefit from regular personalized training, and the Group's internal auditors have been trained on the key factors involved in assessing anti-corruption procedures. On-site training courses are also run to educate Group employees in general on corruption risks.

As well as providing training, Kering also runs an ongoing program of information and awareness-raising on ethics, addressing employees and managers. All new recruits are systematically issued with a copy of the Code of Ethics, and are required to follow the ethics training program for the current year. This sets a sound basis for a culture of ethics and integrity from each employee's earliest days with Kering.

The Group's intranet includes an Ethics & Compliance section in French and English, giving ready access to policies and procedures, along with a list of compliance managers at the Houses and structures.

Relationships with business partners

Since 2013, Kering's Code of Ethics has included the Group Suppliers' Charter, which sets out in detail Kering's specific expectations of its business partners on ethics, social and environmental issues.

For any contractor of Kering or one of its Houses, notwithstanding any contractual clauses, compliance with the Charter is a precondition of the business relationship. The Group requires its suppliers to commit formally to applying high ethical standards themselves and to ensuring the preservation of human rights.

The Group's supplier selection criteria include ethical, social and environmental aspects, the assessment of which must be documented. This assessment is part of the Hercules compliance management system applicable to Kering's suppliers of non-retail goods. Supplier qualification is conditional on positive findings in the audits on ethical, social and environmental aspects carried out by Kering supply chain audit and supply chain security teams. After qualification, suppliers' continued compliance with Kering requirements is verified by follow-up audits.

Audit findings are centralized in a dedicated database, to which all Houses have access.

See "Environmentally and socially responsible supply chains" for details of the Group Suppliers' Charter, the conditions for application of sustainability principles in supply chains, and the findings of audits and assessments carried out in 2019.

2.4 Impact of policies and initiatives

Claims addressed to Ethics Committees

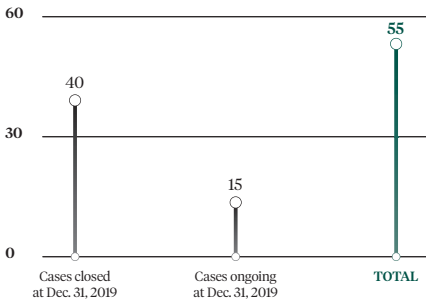
In 2019, Kering’s three Ethics Committees handled 55 complaints. Of these 55 complaints, 33 were submitted to Committees directly and 22 via the Group’s ethics hotline.

A total of 40 had been closed by December 31, 2019 and the remaining 15 were still under examination at the end of the year. All of the complaints that could be investigated in the light of the information available (32 out of the 40 received) gave rise to inquiries under the responsibility

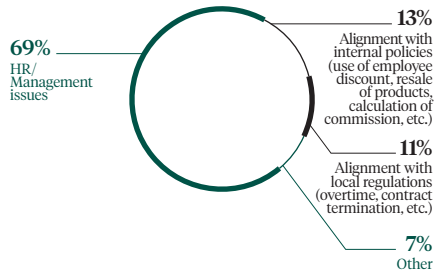
of the Committee in question. The eight remaining cases were not investigated, either because the reported facts could not be audited, or because the complainants wished to remain anonymous despite the fact that the reported allegations concerned their personal situations. Five infringements of the Code were detected, and appropriate corrective action taken in each case. The other inquiries did not show a failure to comply with the Code of Ethics, although some cases were indicative of management or communication issues.

Key figures on ethics complaints in 2019:

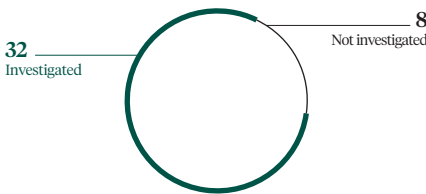
Complaints received in 2019



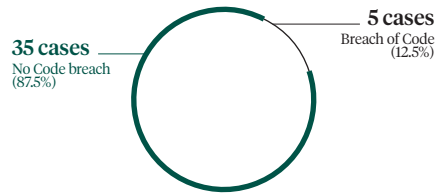
Reasons behind the allegations in the 55 complaints received in 2019



Investigations into the 40 cases closed in 2019



Code of Ethics breaches in the 40 cases closed in 2019



Performance monitoring

Kering closely monitors the roll-out of the e-learning module on the Code of Ethics, finding take-up of 94.4% in 2019 and 84.9% in 2018 for all Group employees worldwide.

2.5 Duty of care plan

Kering falls within the scope of France's Law no. 2017-399 of March 27, 2017 on the duty of care, which applies to French companies of a certain size. More specifically, the rules apply to (i) companies with a registered office in France that employ at least 5,000 employees either in the Company itself or in its direct or indirect affiliates; and (ii) companies with a registered office in France or abroad that employ at least 10,000 employees in the Company itself or in its direct or indirect affiliates. Pursuant to Article L. 225-102-4

of the French Commercial Code (*Code de commerce*), the duty of care plan sets out the measures brought in across the Group to identify risks and prevent severe impacts on human rights and fundamental freedoms, human health and safety, or the environment, resulting directly or indirectly from the operations of the Company or of companies under its control in the sense of paragraph II of Article L. 233-16, or from the operations of subcontractors or suppliers under an established business relationship.

2.5.1 Introduction

Kering has a long history of corporate responsibility in its approach to customers, employees, suppliers and other stakeholders, as well as the environment. Its first Ethics Charter was released in 1996. Kering considers the requirements of duty of care legislation as an integral part of its ethical commitments, and undertakes to ensure compliance with these requirements throughout its own operations and its value chain.

Kering's Code of Ethics is closely aligned with major international conventions on human rights and fundamental freedoms (see the section entitled "Kering's Code of Ethics").

2.5.2 Premise

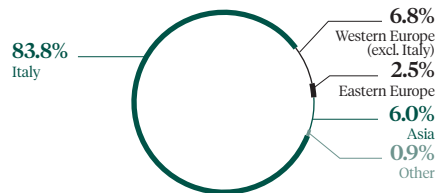
Kering's duty of care plan seeks to identify risks and prevent severe impacts on human rights and fundamental freedoms, human health and safety, or the environment.

Since 2018, Kering has refocused its operations on Luxury, around the Couture & Leather Goods and Watches & Jewelry Divisions, covering the operations of Kering SA and its 13 Luxury Houses: Gucci, Saint Laurent, Bottega Veneta, Balenciaga, Alexander McQueen, Brioni, Boucheron, Pomellato, DoDo, Qeelin, Ulysse Nardin, Girard-Perregaux and Kering Eyewear.

Kering works with several thousand different suppliers to produce its Houses' collections and products. On December 31, 2019, the Internal Audit Department and the Security Department, in charge of supply chain security

and social audits (using the Hercules system), managed a total of 4,243 Group suppliers in the centralized supplier database.

The chart below shows the geographical breakdown of supplier locations:



2.5.3 Scope and risk mapping

The risk map covering Kering and its value chain was carried out in 2017 across the Luxury business, under supervision by a Group coordination committee comprising members from departments including Compliance, Sustainable Development and Internal Audit, and following consultation with a panel of stakeholders. This map drew a distinction between:

- intrinsic risks (existing in the absence of checks or attenuating factors set up by the Company), whether generic or specific;

- residual risks (remaining after mitigating measures are applied).

A score was attributed to each of the risks, which were then ranked.

The inherent risks involved in producing and processing raw materials were determined by means of in-depth documentary, economic and statistical reviews.

A review of existing tools and processes was carried out to catalogue the means of control and mitigation used by the Company, thus producing a map of residual risks to human rights and fundamental freedoms, human health and safety, and the environment.

Concerning the value chain in particular, Kering collected information for all raw materials used in its luxury product manufacturing processes. These raw materials were grouped into various categories according to type. Kering deliberately took into account an extended list, including all agricultural, mining and extraction resources. The risk map differentiates between the different types of risks arising from raw material supplies, production and processing, and working conditions, factoring in the countries in which these operations take place.

This duty of care plan falls within the Group's ethics commitment, which involves a continuous improvement process taking into account feedback and good practices from implementation of the plan.

2.5.4 Reference framework

A reference framework of several internal systems is applied to ensure that the activities of Kering, its Houses and its suppliers uphold the Group's principles and values.

Code of Ethics

Kering's approach to responsibility with regard to stakeholders is shaped by the principles set out in its Code of Ethics, and by a strong determination to implement these principles internally and externally. The Code of Ethics, which includes the Suppliers' Charter, setting out what is expected of all Kering suppliers, forms the cornerstone of the commitment taken by Kering, its Houses and its suppliers, especially with regard to human rights, fundamental freedoms, human health and safety, and the environment. Suppliers are required to abide by these principles themselves and to extend these requirements to their own suppliers and subcontractors.

Following the 2018 update to the Code of Ethics, the document was reissued to all employees worldwide in 2019. This update reaffirmed Kering's commitment to apply all major international conventions in the pursuit of its activities, and to strengthen and clarify its requirements, especially with regard to human rights and fundamental freedoms, to health and safety and to the environment. For example, the Suppliers' Charter now includes a requirement to pay special attention to categories of workers, such as migrants, who are vulnerable to exploitation. The Code of Ethics and the Suppliers' Charter have been translated into the 14 most widely spoken languages within the Group.

A detailed description of the Code of Ethics is provided in the section "Kering's Code of Ethics".

In line with the undertakings set out in its Code of Ethics, Kering's duty of care plan targets risks of severe impacts on human rights and fundamental freedoms, human health and safety, and the environment, with particular regard to the following:

- human rights and fundamental freedoms: child labor, forced labor, wages, working hours, discrimination, freedom of association and collective bargaining, rights of local populations, working conditions, especially for vulnerable populations such as migrants, working conditions for fashion models, harassment, and sourcing conditions for certain stones and minerals;
- human health and safety: health and safety at work, consumers' health and safety;
- environment: climate change, air pollution, water consumption and pollution, animal well-being, damage to ecosystems and biodiversity.

Compliance manual

A compliance manual was issued Group-wide in 2018, setting out practical examples on the main ethics risks, including corruption, conflicts of interest and human rights violations. The manual outlines the basic concepts and legal challenges involved, giving practical examples enabling employees to pinpoint areas requiring vigilance in their day-to-day work.

Sustainability Principles

Sustainability Principles, applicable across all Houses, cover three areas: social aspects regarding human rights, environmental aspects, and aspects regarding the sourcing of raw materials and packaging. Suppliers are required to abide by these principles, and supplier compliance is evaluated on this basis.

The principles are outlined in the section "Implementation of the social audit system within the Group" and on the Group's website.

Kering Standards

In the pursuit of its commitment and approach to human and environmental concerns, Kering has drawn up and explicitly issued standards on raw materials supplies and manufacturing processes. The key factors covered by the Kering Standards include environmental impact, working conditions and human rights in production and extraction processes for the main raw materials it uses, be they mined, otherwise extracted or of plant or animal origin. Under its 2025 strategy, Kering is committed to seeing that all its suppliers apply these standards by 2025.

A detailed description of the Kering Standards is given in the section entitled "The Kering Standards".

Commitment to the environment and climate strategy

As part of its strategy for 2025, Kering has embarked upon a program to reduce greenhouse gas emissions throughout its value chain, in particular through measures outlined in the section “Climate strategy” of this NFIS.

In 2019, Kering became carbon-neutral, offsetting all remaining emissions in Scopes 1, 2 and 3 of the GHG Protocol from its operations and supply chains.

EP&L

The pioneering EP&L system developed by Kering means it is able to measure the environmental impacts of its activities throughout the value chain. These impacts are then monetized, helping Kering to focus its sustainable development strategy, improve its processes and sourcing circuits, and adapt its technology choices.

A detailed description of the Kering EP&L system is provided in the section “EP&L, Environmental Profit & Loss account”.

Policy on diversity and inclusion

Kering’s Diversity, Inclusion and Talent Department was formed in 2019, reporting directly to the Group Human Resources Director, who is a member of the Group Executive Committee. The department works with the Houses to orchestrate and implement Kering’s worldwide strategy on diversity and inclusion. This involves defining and prioritizing initiatives to help develop an environment that fosters and encourages diversity. The new department illustrates the Group’s conviction that diversity in employee profiles (gender, culture, origin, sexual orientation, identity or disability) is a rewarding source of collective intelligence.

2.5.5 Regular assessment procedure

Additional control measures and systems for assessing risks in the operations of the Group and its subsidiaries

The main risks for Group operations within the scope of the duty of care plan are consistent with the non-financial risks corresponding to the categories of this NFIS as listed under “Materiality and main priorities, non-financial risks and Sustainability Strategy” in this section. The policies addressing these risks are also set out in this section.

Internal control systems are outlined in the compliance manual issued across the Group in 2018. The manual clearly expresses the importance given to the protection of human rights among the Group’s ethical values. It

Worldwide “Baby Leave” policy

In 2016, the Group announced that from January 1, 2017, all employees worldwide would be eligible to a minimum 14-week paid maternity or five day paid paternity leave on full pay.

In 2019, Kering extended its parental policy to provide 14 weeks of paid leave to all parents of a new child, from January 1, 2020. The new Baby Leave initiative tops up any local legislation that is less favorable to employees.

A detailed description of the new measures is given in the section “Promoting equality and inclusion”.

Charter on working conditions and well-being for fashion models

The Charter on working conditions and well-being for fashion models was introduced in September 2017 to ensure that Kering and its Houses comply with various major principles, including requiring models to present valid medical certificates attesting to their good health, discontinuing the modeling of size 32 clothes for women and size 42 for men, and improving working conditions (e.g., providing a dedicated changing area, as well as food and drink).

In 2019, Kering and its Houses decided to take a step further, committing to only hire models aged 18 and over to represent adults at fashion shows and photo shoots as of 2020.

Health & Safety Policy

Kering’s Health & Safety Policy addresses its own employees as well as service providers, and visitors to Group sites, with a view to promoting best practices, asserting the Group’s commitment to an environment conducive to employee health and safety, and undertaking ambitious measures in this respect. This policy is founded on Group-wide best practices and aims to ensure that governance, processes and regular internal audits are in place to target zero accidents.

restates the definition of human rights and sets out the key principles that Kering undertakes to apply, along with case studies and recommendations for Group employees. The compliance manual also emphasizes Kering’s commitment to protecting the human rights of its suppliers’ employees and protecting local communities.

A description of the compliance manual can be found in the section entitled “Implementation throughout the Group and beyond”.

Control measures and systems for assessing risks in the Group’s supply chain

Hercules compliance management system

The Hercules compliance management system, introduced in 2015, aims to create and share best practices in risk assessment and provide supply chain analysis for Kering’s production processes:

- supplier management procedures: The Houses apply a set of consistent procedures for managing interactions with suppliers (qualification, relationship, assessment, contract termination). Kering has also introduced a contract template that incorporates its Code of Ethics (including the Suppliers’ Charter) and Sustainability Principles. Both documents are systematically issued to suppliers and form an integral part of their contractual relationship with Kering;
- social and safety audits: The Group has fine-tuned and clarified its standards on social audits, which are carried out by a specialist team. These standards are used in monitoring the Group’s supply chain, and provide support for the supply chain audit and security teams in carrying out their work. The team reports to the

Group’s Internal Audit Director, which ensures team member independence and impartiality. All new suppliers must be audited as a prerequisite for qualification;

- supplier database: All Kering’s Houses have access to a common supplier database. At the end of 2019, this database listed 4,243 suppliers; for 2019, the supply chain audit and security teams carried out a total of 3,441 audits.

See “Working conditions in our supply chains” for the findings of the social audits carried out by the Group in 2019.

Third-party audits – desktop due diligence

In addition to the Hercules process outlined above, Kering monitors its relationships with service providers through the third-party control system provided for in the Group’s anti-corruption policy. To identify and manage the financial, regulatory, and reputation risks liable to arise from current or future relationships with third parties, Kering uses databases such as WorldCheck, which collate information from various sources (legal, regulatory, and media).

2.5.6 Whistleblowing procedure

The whistleblowing procedure outlined above in the section entitled “Whistleblowing procedure for reporting unethical conduct” is open both to Kering employees and interns, and to external and temporary staff working for suppliers, partners or service providers under contract with the Group. It also enables suppliers to report potential breaches of the Group’s Code of Ethics. Full details on how to use the whistleblowing procedure are provided in

Kering’s Code of Ethics, a document available on Kering’s website.

In addition to the measures taken in 2019, an extensive communication plan targeting suppliers’ staff on this alert procedure was drawn up in 2019 for implementation in 2020.

2.5.7 Report on implementation

Monitoring and reporting systems

The Audit Committee approved Kering’s risk mapping and action plan, as outlined above, on June 6, 2018.

Regularly updated tracking and performance indicators have been set up for monitoring the action plan on the duty of care, including training on the Code of Ethics for

Kering employees and the findings from supplier audits. The table below lists some of the indicators and good practices applied. Details are provided in this Sustainability chapter.

	Kering group operations	Kering group supply chains
Human rights and fundamental freedoms	<p>Indicators</p> <p>Reach of training on the annual Ethics & Compliance program in 2019: 94.4%</p> <p>Number of complaints received by Ethics Committees in 2019, on all subjects covered by the Code of Ethics, including human rights and fundamental freedoms: 55 (including 15 still under investigation by December 31, 2019)</p> <p>Examples of implementation</p> <p>Gap analysis between Kering practices and the United Nations Guiding Principles on Business and Human Rights, to determine specific focuses for progress and action plan</p> <p>SA8000 certification for internal and outsourced production processes (e.g. Gucci and Bottega Veneta)</p> <p>Update and reissue of the Code of Ethics to all Group employees worldwide in 2019</p>	<p>Indicators</p> <p>Number of third-party due diligence procedures in 2019: more than 60,000⁽¹⁾</p> <p>Supplier compliance monitoring in 2019: 89% of suppliers audited wholly or partially compliant</p> <p>Examples of implementation</p> <p>Inclusion of Sustainability Principles and Group Suppliers' Charter in contractual relationship with suppliers</p> <p>Centralized supplier management and common audit methodology</p> <p>Roll-out of Kering Standards on raw materials, including requirements on human rights</p> <p>Update and reissue of the Code of Ethics to all Group employees worldwide in 2019</p>
Individual health and safety	<p>Indicators</p> <p>Frequency and severity of work-related accidents in 2019: 5.07% and 0.11%, respectively</p> <p>Examples of implementation</p> <p>Employee awareness-raising on good health and safety practices</p> <p>OHSAS 18001 and ISO 45001 certification for relevant sites (Gucci headquarters, LGI, logistics platforms, tanneries, etc.)</p> <p>Group Health & Safety Policy launched in 2019</p>	<p>Indicators</p> <p>Supplier compliance monitoring in 2019: 89% of suppliers audited wholly or partially compliant</p> <p>Examples of implementation</p> <p>Inclusion of a section on employee health and safety in supplier audit questionnaire (88 questions on 13 subjects in all)</p>
Environment	<p>Indicators</p> <p>Environmental Profit & Loss account (EP&L) – Tier 0 (Kering operations): €58.7 million (2018 results, published in 2019)</p> <p>24.6% reduction in EP&L intensity from 2015 to 2018 (Tier 0)</p> <p>Carbon intensity across Group operations down by 49.9% from 2015 to 2019 (tCO₂/€m gross margin)</p> <p>Proportion of renewable energy in 2019: 84.8%</p> <p>Examples of implementation</p> <p>LEED certification for real estate</p> <p>Roll-out of Kering Standards for stores</p>	<p>Indicators</p> <p>Environmental Profit & Loss account (EP&L) – Tiers 1 to 4: €455.6m</p> <p>11.7% reduction in EP&L intensity from 2015 to 2018 (Tiers 1 to 4)</p> <p>15.6% reduction in carbon intensity from 2015 to 2018 on Tiers 1 to 4 (greenhouse gas emissions/gross margin)</p> <p>Measurement and regulation of carbon footprint, EP&L 2018 results published in 2019: greenhouse gases account for 32% of supply chain impacts (Tiers 1 to 4)</p> <p>Examples of implementation</p> <p>Roll-out of Kering Standards – environment pillar</p> <p>Clean By Design program</p> <p>Action plans on leather, plant & animal textiles, skins & furs, metals & precious materials, plastics</p> <p>Carbon neutrality across all Group activities and supply chains (scopes 1, 2 and 3) announced in 2019 and 2018 emissions were offset</p>

(1) Third-party due diligence procedures undertaken under the procedure specified by the Group's anti-corruption policy and including suppliers, subcontractors and other current or potential business partners (retailers, service providers, customers, etc.), along with related parties.

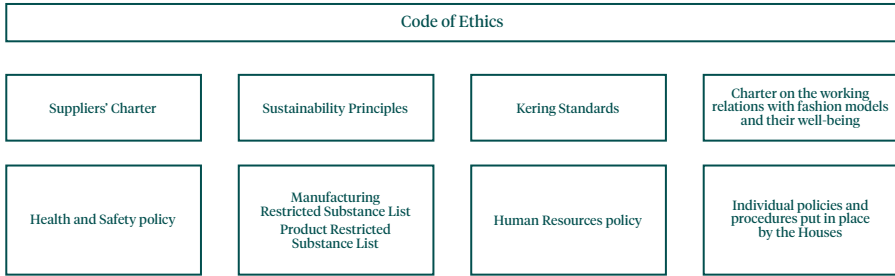
2.6 Protection of human rights at Kering

An approach rooted in Kering values: founding principles and general framework

The protection of human rights, for all Group employees as well as for all employees of the supply chains of its various Houses, is central to Kering's ethical commitments. In many respects, it outweighs all other concerns. The Group's ethical approach to business and overall behavior forms a consistent and central component of its identity and development. This approach fits in with the Group's global framework on ethics and with the requirements of French legislation on the duty of care and this NFIS.

More specifically, the Kering group is committed to observing the major international conventions on human rights and fundamental freedoms, as outlined in the section entitled "Kering's Code of Ethics".

This commitment is reflected in and rolled out through the Group's key reference documents on human rights:



These systems work together to shape the Group's human rights policy.

- the Code of Ethics, which includes the Suppliers' Charter, sets out the Group's principles on ethical business conduct and the behavior expected of its employees and business partners on this matter. Details on these two texts are provided in the section entitled "Kering's Code of Ethics";
- the Sustainability Principles, set out in 2015 for all Houses, span the three broad fields of human rights, labor rights, and health and safety: elimination of child labor, forced labor, and human trafficking in all its forms; prevention of discrimination; compliance with statutory working hours; respect for the freedom of association and the right to collective bargaining; etc. These principles are outlined in the section entitled "Implementation of the social audit system within the Group" and on the Group's website;
- the Kering Standards: standards of excellence on procurement and manufacturing processes, with the five main focus areas: (i) environmental impact, (ii) social impact, (iii) animal welfare, (iv) traceability and (v) use of chemicals. The Standards are aimed at the Group's Houses and all their suppliers with a view to achieving Kering's responsible supply chain targets by 2025. Kering has pledged that 100% of the key raw materials used by the Group, and the production processes using these materials, will comply with the Kering Standards by 2025. The Standards encourage the

adoption of socially responsible labor relations practices by specifying requirements on the take-up of international initiatives in each sector, such as GOTS certification for cotton, RJC or Fairmined for precious stones and metals, and the international Fairtrade framework. For reasons of transparency and open sourcing, the Standards have been accessible to all on the Group's website since 2018. The underlying principles are set out in the section "Managing impacts beyond our own operations";

- the Charter on working conditions for fashion models, applicable across all Houses, which promotes high standards of integrity, responsibility and respect towards people, and lays down four major commitments: brands of both groups commit (i) to work only with models holding a valid medical certificate attesting to their good health and their ability to work and issued within the previous six months; (ii) to ban size 32 for women and size 42 for men; (iii) not to recruit models below the age of 16 for shows or photo shoots representing an adult; and (iv) to adopt specific rules for models aged from 16 to 18 (working hours, chaperon, accommodation). The Charter came into force as soon as it was published, in September 2017.

In 2019, Kering decided to extend its initial commitment and discontinue recruitment of fashion models under 18 for fashion shows and photo shoots representing adults, from 2020 (Fall/Winter 2020-2021 shows);

- the Health and Safety policy, which is founded on best practices across the Group and aims to ensure that Group-wide governance, processes and internal audits are in place to target zero accidents;
- Kering's Manufacturing Restricted Substance List (MRSL) and Product Restricted Substance List (PRSL), specifying requirements on the use of chemical substances and the management of manufacturing processes with the aim of phasing out hazardous chemicals to safeguard the health of workers and consumers. These systems are outlined in the sections "Risk management: product quality control, and consumer health and safety" and "Projects, collaborations and initiatives geared towards reducing our suppliers' environmental impact";
- Human Resources policies: under Kering's sustainable development strategy through to 2025, the Human Resources Department has embarked upon a number of policies on matters including the promotion of well-being at work and home/work balance. These are outlined in the section "Promotion of employee well-being in a stimulating and inclusive work environment".

In addition to these policies and systems, Houses may run their own individual or sector-specific initiatives, as set out in the section below, entitled "Initiatives by the Houses".

On its website, Kering publishes its declarations with regard to the UK Modern Slavery Act 2015 and the California Transparency in Supply Chains Act of 2010, and will be undertaking the procedure required by Australia's Modern Slavery Act 2018.

Implementation within the Group: objectives and actions

A continuous improvement approach

Human rights extend to all human beings, regardless of nationality, sexual orientation, place of residence, gender, origin, etc.

To identify the main human rights challenges, against a backdrop of increasing stakeholder attention on respect for human rights in the supply chains of major international groups, in 2017 Kering analyzed its practices by comparing them to the United Nations Guiding Principles on Business and Human Rights. This survey enabled Kering to identify specific points for progress in areas including public commitment and policy, scope of internal control procedures, grievance and remediation mechanisms, and external

communications. The findings from this analysis proved instrumental in deciding to update the Code of Ethics and Suppliers' Charter and step up communications to suppliers. In 2020, these communications will seek to ensure that suppliers and their employees have a good grasp of the whistleblowing alert procedure provided by Kering.

A detailed description of the Code of Ethics and its update is provided in the section "Kering's Code of Ethics".

In 2017, Kering took steps to meet the requirements of French duty of care legislation, identifying and assessing the risks of severe impacts to human rights and fundamental freedoms at all stages in its product manufacturing processes. Risk categories include child labor, forced labor, wages, working hours, discrimination, freedom of association and collective bargaining, rights of local populations, working conditions, especially for vulnerable populations such as migrants, working conditions for models, harassment, and sourcing conditions for certain stones and minerals.

Details on the duty of care plan and its implementation are provided in the section "Duty of care plan".

In 2020, Kering will be carrying out a Group-wide human rights impact study and will update the risk map of its duty of care plan accordingly.

The materiality analysis carried out by the Group identified respect for human rights as one of the six strategic challenges central to discussions on preparation of its 2025 strategy, consistent with the United Nations Sustainable Development Goals, in particular the seven goals most relevant to the Kering group's operations. A further materiality analysis will be carried out in 2020, as set out in the section "Materiality and main priorities, non-financial risks and Sustainability Strategy".

The non-financial risk "Human rights and fundamental freedoms" was identified in the Group's overall risk analysis, as set out in Chapter 6 of this Universal Registration Document and in this NFIS. In addition, during the process of drawing up the Kering Standards and the risk map for the duty of care plan, an analysis of human rights conditions in countries from which materials are sourced was undertaken.

The following sections detail how Kering monitors progress on these major challenges and effectively implements the principles set out above, for its own operations and in its supply chains.

Ambitions incorporated into the Group's 2025 Sustainability Strategy

In January 2017, Kering defined and published its 2025 Sustainability Strategy. Human rights objectives feature in two of the three pillars of this strategy.

The Care pillar commits Kering to achieving 100% implementation by suppliers of the strict requirements set in the Kering Standards on raw materials and production processes by 2025. These include standards on traceability, animal welfare, use of chemicals, environmental impact and social impact.

Though the Collaborate pillar on Kering's strategic social commitment is not exclusively about human rights, it does include these six points:

- support the continuation of craftsmanship traditions and the communities that support them;
- extend focus across the supply chain and improve community livelihoods where raw materials are sourced;
- amplify forward-thinking employment practices, including the global parental policy, a well-being at work policy, and an employee benefits policy;
- promote an inclusive work environment and achieve gender parity at all levels throughout the Group;
- develop innovative career paths for all;
- aim to be the preferred employer in the luxury sector.

Shared governance and central systems rolled out at Group level

Kering takes a cross-functional approach to governance over human rights challenges, integrated into its overall sustainable development governance, as set out in the section "Governance and organization". Specifically, human rights governance spans various departments, starting with the Human Resources Department and its Diversity, Inclusion and Talent Unit, the Internal Audit Department and the Security Department. It also extends to personnel representative bodies.

For many years now, Kering's commitments on human rights have also been expressed through the Kering Foundation. The Foundation, formed in 2008, combats violence against women. It commits Kering to a key issue that ties in with its Houses' activities and customers, and an area where the Group has a vital role to play alongside governments and NGOs. In 2019, the Foundation took part in the first Grenelle summit on the prevention of domestic violence, organized by the French Secretary of State for Gender Equality and the Combat against Discriminations.

Human rights considerations are also included in the annual performance evaluations of Group executives. Thirty percent of the variable remuneration of the Chairman and Chief Executive Officer and of the Group Managing

Director is linked to fulfillment of non-financial goals and the operational roll-out of the 2025 Sustainability Strategy. Variable remuneration for the Leadership Group, comprising the 250 Group executives, is also linked to fulfillment of non-financial goals.

Personnel training and education

Conscious of the importance of raising awareness within its workforce, Kering put in place multiple training activities, some of which included various aspects of human rights.

All Group employees take a compulsory annual Ethics and Compliance course based on the principles set out in Kering's Code of Ethics. The course is available in the 14 most widely spoken languages within the Group. The situations and subjects covered vary from year to year, under the common objective of ensuring that employees will adopt an appropriate behavior when faced with the ethics dilemmas they might come across in their everyday working experience. A detailed description of this program is provided in the section "Promoting and respecting ethics within the Group and beyond".

Training on the Kering Standards, for employees of Kering and its Houses, and their suppliers, was developed and published via the Group's internal website in 2018. This program, which will be continuing in the years to come, takes an informative and educational approach to explaining Kering's minimum requirements on sourcing and processes. It provides illustrations and details, notably social, that provide context for why the standards are necessary. Detailed descriptions of the Kering Standards and the training program are provided in the sections "The Kering Standards" and "Issue of the Kering Standards".

Several times each year, the Kering Foundation also runs training courses for employees of Kering and its Houses on the issue of domestic violence. These courses cover the complexity and impact of domestic violence, and provide insights into ways to develop a safe work environment. A detailed description of the Foundation's work is given in the section "Initiatives carried out by the Kering Foundation and sponsorship programs".

Stakeholder involvement

Human rights initiatives figure among the many cross-cutting programs in Kering's committed stakeholder approach (see the section entitled "Stakeholder dialogue"):

- Sustainable Apparel Coalition: 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. SAC is rolling out the HIGG Index for measuring environmental and social impacts of the Textile, Footwear and Accessories industry, with a particular focus on supply chain;

- **Textile Exchange:** Kering is a member of Textile Exchange Europe, and sits on the Board of Directors of this body committed to promoting the production and use of more sustainable textiles throughout the clothing industry. Kering is actively involved in a number of sub-groups, including the Responsible Cashmere Roundtable, Responsible Leather Roundtable, Responsible Wool Standard, Organic Cotton Roundtable and Responsible Down Standard;
- **BSR (Business for Social Responsibility):** as a member of this international network of more than 300 companies, Kering takes part in three joint initiatives: Business Action for Women, which includes 18 consumer goods companies alongside the Win-Win Strategies NGO working to improve conditions for women in society; the Global Business Coalition Against Human Trafficking (GBCAT), formed by major private groups and NGOs to combat modern slavery, primarily by detecting and eradicating it from companies' complex supply chains; and the Responsible Luxury Initiative (ReLi), which promotes transparency and cooperation among luxury businesses, especially on supply chain matters. In 2019, Kering was highly active in sharing its practices and results with the other members of the group, especially on gender equality and living wage concerns;
- **Zero Discharge of Hazardous Chemicals (ZDHC) group:** Kering joined this group in 2016, working to eliminate the most dangerous chemicals from textile, leather and footwear industry supply chains;
- the **Mekong Club**, which tackles problems of modern slavery;
- the network set up by UNICEF and Norges Bank Investment Management on children's rights in the textile and footwear sector;
- **Pledge Against Forced Child Labour in Uzbekistan Cotton:** Kering is a signatory to this pledge;
- the **OECD consultative group on due diligence for the garment and footwear sectors** as part of the sector-by-sector roll-out of the OECD's guidelines for multinational enterprises;
- the **Social & Labor Convergence Project**, a joint initiative from the Sustainable Apparel Coalition and the Social & Labor Convergence on a common social evaluation framework for supply chains;
- the discussion platform formed by the International Labour Organization (ILO) and the *École Nationale Supérieure de Sécurité Sociale Française* (French National School of Social Security, or EN3S): Kering helped draw up an initial guide (published in November 2017) to best practices, outlining the steps involved in developing and implementing a program for social coverage on an international scale. This was followed by work on a

second guide, on approaches to the mapping of international social security coverages. This was published in 2019 and submitted to the ILO;

- the **Platform Living Wage Financials**, a coalition of a dozen financial institutions working to encourage and oversee companies' initiatives on ensuring living wages throughout their supply chains. Under a collaborative effort on improving interchange on these matters, Kering shared its experience at a conference of this coalition in Rotterdam in October 2019;
- in 2019, Kering continued to collaborate with BSR and the Fair Wage Network on expanding one of the main global databases on decent wages, for use as an operational decision-making tool in the industry.

Under its ambitious strategy on the sustainable use of resources, Kering also initiates or is involved in many projects that seek not only a positive environmental impact but also a strong social impact and enhanced human rights in the Group's key raw materials supply chains. Such initiatives include Rare (see "Plant textile fibers"), and the Kering Gold Fund (see "Metals, stones and other precious materials").

In December 2018, Kering shared its experiences by contributing to discussions on the assessment of human rights in the textile sector through the Human Rights Benchmarking in the Apparel Sector webinar run by the Corporate Human Rights Benchmark (CHRB) and Know The Chain. At a personal level, François-Henri Pinault, Chairman and Chief Executive Officer of Kering, is involved in B Team, whose Tactical Guide to CEOs on Modern Slavery was released in 2018.

Initiatives by the Houses

The reference framework and the implementation thereof at Group level applies without exception to all of Kering's Houses, wherever they operate. The Houses are free to expand on the framework or to integrate it into their own procedures and materials.

This is, for example, the case at Gucci and Bottega Veneta, which in 2007 and 2009 respectively embarked on the process of obtaining SA8000 (Social Accountability 8000) certification. 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 labor, forced labor, health and safety, freedom of association and collective bargaining, discrimination, disciplinary practices, working hours, remuneration and management systems – and to continuously improve working conditions by setting up a specific management system for this purpose. Gucci and Bottega Veneta have held SA8000 certification for all their activities since 2009 and 2013, respectively.

Gucci's certification was renewed in 2017 and Bottega Veneta's in 2018. Kering's international logistics platform for its Luxury Houses (Luxury Goods International – LGI) also has SA8000 certification. Gucci is also actively involved with Social Accountability International (SAI), which developed the SA8000 standard, and is a member of SAI's Advisory Board.

In addition to meeting these certification requirements, the Houses also develop many of their own programs on respect for human rights. Gucci, for example, has developed specific initiatives for refugees in Italy and women in India.

Indeed, in 2019, Gucci continued to support the project for the social inclusion of refugees in Italy in collaboration with the Fondazione *Adecco per le Pari Opportunità* and decided to go further by extending the integration of refugees in its stores through the program called #forRefugees. Therefore, by end-2019, 22 refugees were working in the House, in its corporate, production sites and stores.

Furthermore, to celebrate World Refugee Day on 2019, Gucci announced its collaboration with Tent Partnership for Refugees, a worldwide network of companies engaged in the support of refugees. In the context of this collaboration, Gucci connected with the charitable organizations Breaking Barriers in UK and Jobs 4 Refugees in Germany.

For its actions on inclusion and integration of refugees in Italy, Gucci was awarded the UNHCR's Welcome prize in 2019.

In 2018, Gucci also entered a three-year partnership with I was a Sari, a social enterprise working to offer underprivileged Indian women the prospect of financial independence through training in embroidery and sari recycling. This program reached 78 women in its first year, and 95 in 2019. I was a Sari earned the 2019 Circular Design Challenge Award and presented its collection at the Lakmé Fashion Week Winter 2019 event.

In 2019, Gucci appointed a Global Head of Diversity, Equality and Inclusion to lead these initiatives. The aim here is to develop and implement a worldwide strategy on inclusion and equality throughout the Company.

Gucci is a signatory to the UN's Standards of Conduct for Business Tackling Discrimination against Lesbian, Gay, Bi, Trans & Intersex People.

Working from sound historical roots and its strong stakeholder dialogue profile in Italy, Gucci partners with many organizations and industry initiatives working for a positive impact on human rights. Examples include *Sodalitas*, on questions including community and life at work, *Valore D*, on women's leadership in the Italian private sector (as with its study on gender diversity in companies that are part of the *Valore D* network), and PARKS – Free and Equals, an NGO working on value creation through strategies and best practices on inclusion and diversity.

As part of their pursuit of gender equality both in-house and throughout their supply chains, in 2019 Kering and its Italian Houses worked with the *Camera Nazionale della Moda* and three specialist associations (BSR, Wise Growth and *Valore D*) on a wide-reaching study into the role of women in the supply chains of the Italian luxury industry. This study, the first of its kind, covered more than 180 suppliers, polling a total of 880 people (70% women) on the subject of gender equality via in-person interviews and questionnaires. The purpose was to highlight the challenges faced by women working in the luxury industry and issue practical recommendations on specific measures and programs that luxury brands could apply to improve gender equality. The study identified four priority focuses: working conditions and economic opportunities, leadership and career advancement, motherhood, and workplace conduct and harassment. The findings were presented by Gucci, Bottega Veneta, Pomellato and Kering Eyewear in December 2019 at the Including Diversity event run by the *Camera Nazionale della Moda* in Milan and are available online on the BSR website, www.bsr.org.

In 2019, Alexander McQueen ran a training course on the risks of modern slavery in the clothing and footwear sector, raising awareness among 60 product development and production employees and giving advice on identifying potential risks during site visits.

Saint Laurent renewed its support to NGO charity: water, which works with local associations worldwide to bring safe drinking water supplies to people in need. In 2019, Kering too entered into a multi-annual partnership with charity: water to help improve access to water for populations in emerging and developing countries. Starting from the observation that 25% of water pumps in Africa are out of order, this partnership seeks to develop and implement technological innovations for detecting then repairing defective pumps. Access to water is a major health and socio-economic challenge, with implications especially important in maternal and infant health, and also in education and women's independence.

The Group's main Jewelry Houses have gone a step further by joining the Responsible Jewellery Council (RJC), an international organization promoting responsible and transparent business practices in the precious metals trade. RJC certification attests to compliance with requirements on ethics, environment and working conditions in the jewelry and watchmaking sector. It ensures supply chain transparency for diamonds, gold and platinum, from the mine to the point of sale. It is rooted in ILO principles, Global Compact principles and OECD recommendations on due diligence. The following Houses are RJC-certified: Boucheron and Gucci since 2011, Girard-Perregaux since 2012, Pomellato and DoDo since 2017, and Qeelin since 2018. Ulysse Nardin is set for certification in 2020. Gucci has held RJC CoC (Chain of Custody) certification since 2011.

Performance and transparency of the measures taken by the Group to protect human rights

Performance of Kering's human rights policy

The section entitled "Supporting our employees" sets out the findings and key performance indicators concerning the protection of human rights within the Group's operations

in terms of human resources, occupational health and safety, and labor relations. The section entitled "Impact of policies and initiatives" describes performance monitoring for the Group's ethics and compliance procedures. The findings of the social audits carried out within the Group's supply chains in 2019 are presented in the section entitled "Findings obtained in 2019 and key indicators".

Correspondence between Kering's human rights approach and the United Nations Guiding Principles Reporting Framework

Chapter of the Framework		Corresponding section in the Universal Registration Document
Part A: Governance of respect for human rights		
A1	Policy commitment	
	A1.1	2.1, 2.2, 2.6
	A1.2	2.2, 2.6
	A1.3	2.2, 2.3, 2.6
A2	Embedding respect for human rights	
	A2.1	2.5, 2.6, 5.4.1
	A2.2	2.6
	A2.3	2.3, 2.6
	A2.4	2.3, 4.2.1
	A2.5	2.6, 4.3.1
Part B: Defining the focus of reporting		
B1	Statement of salient issues	2.5, 2.6, 5.4.1
B2	Determination of salient issues	2.5, 2.6, 5.4.1
B3	Choice of focal geographies	2.5, 2.6, 5.4.1
B4	Additional severe impacts	2.4, 2.5, 4.3.3
Part C: Management of salient human rights issues		
C1	Specific policies	
	C1.1	2.2, 2.3, 2.5, 2.6, 5.4.1
C2	Stakeholder engagement	
	C2.1	2.6, 5.2, 5.4.1
	C2.2	2.6, 5.4.1
	C2.3	2.6, 5.4.1
C3	Assessing impacts	
	C3.1	2.4, 2.5, 4.3.3
	C3.2	2.4, 2.5, 4.3.3
C4	Integrating findings and taking action	
	C4.1	2.1, 2.6, 4.3.1
	C4.2	2.1, 2.6, 4.3.1
	C4.3	2.4, 2.5, 4.3.3
C5	Performance monitoring	
	C5.1	2.4, 2.5, 2.6, 4.3.3
C6	Remediation	
	C6.1	2.2, 4.3.1
	C6.2	2.2, 2.3, 4.3.1
	C6.3	2.4, 4.3.3
	C6.4	2.4, 4.3.3
	C6.5	2.4, 4.3.3

3. SUSTAINABILITY AT THE HEART OF THE GROUP AND ITS HOUSES

3.1 Supporting our employees

The employees of the Kering group and its Houses are central to our vision, business and inspiration.

Kering's mission is to help its employees reach their potential and express their creativity by developing their skills and performance in the most imaginative way possible. The Group provides its Houses with the support necessary for their growth, promoting the sharing of and access to best practices, and encouraging the development of talent for the benefit of all the Houses. Kering encourages internal mobility, the pooling of expertise and the creation of synergies.

In today's world of fast-changing markets, competition and customer needs, identifying and retaining the best talent is a strategic priority.

Kering's goal is to be the preferred employer in the luxury industry, with empowered, motivated employees who want to make a difference in a diverse and open-minded environment.

The aim is to build a respected group that brings together strong Houses united by a shared culture and sense of motivation and in which every employee feels committed.

Highlights in 2019 included the roll-out of Group platforms introduced in 2018, the #NoFilter employee engagement and opinion survey sent to nearly 30,000 employees, sustained social dialogue with European employee representatives, an acceleration in Kering's talent development programs, thanks notably to the introduction of a Group management training offering, a mentoring program sponsored by the Executive Committee, and the appointment of a Chief Diversity, Inclusion and Talent Officer. Lastly, after the introduction in 2017 of a comprehensive parental policy that provides for 14 weeks' maternity or adoption leave for all mothers worldwide, Kering demonstrated its leadership in gender equality during the year by offering all fathers or partners 14 weeks' paid leave, effective from January 1, 2020 for all employees, regardless of their geographic location.

Kering therefore continued in 2019 to pursue the HR priorities identified in its 2025 Sustainability Strategy: to develop talent, preserve craftsmanship, and promote well-being at work and employee commitment.

3.1.1 The Group's human resources profile⁽¹⁾

3.1.1.1 Breakdown of the workforce⁽²⁾

The total workforce as of December 31, 2019 was 38,068, an increase of 9.4% at constant scope of consolidation or 3,273 employees.

Changes stemmed primarily from internal growth in the Group's Houses.

Breakdown of the workforce as of December 31, 2019 (men/women managers & men/women non-managers) by region⁽³⁾

2019	Managers		Non-managers	
	Women	Men	Women	Men
Africa/Middle East	39	58	365	370
Asia	1,182	747	7,439	3,078
Eastern Europe	24	19	831	270
France	354	291	1,749	1,056
North America	381	238	1,809	1,413
Oceania	35	18	308	109
South America	53	27	241	269
Western Europe (excluding France)	1,095	1,181	8,053	4,966
TOTAL	3,163	2,579	20,795	11,531

All figures are presented *pro forma* and at constant scope of consolidation.

- (1) For each social indicator presented, 2017 data has been restated in accordance with the *pro forma* scope to take into account the change in the Group's scope of consolidation in 2018 and 2019. Furthermore, the rate of coverage calculated as a percentage of the Group's workforce as of December 31, 2018 is 100% for all indicators, with the exception of the number of workers with disabilities, which is 82.4% (excluding the United Kingdom and the United States). Data for the Middle East is now presented with data for Africa, rather than Asia.
- (2) The table showing the breakdown by region includes the following countries and territories: **Africa/Middle East:** South Africa, United Arab Emirates, Kuwait, Qatar, Turkey, Bahrain; **Asia:** Bangladesh, China, Guam, Hong Kong, Japan, India, Macao, Malaysia, Pakistan, Singapore, Thailand, Taiwan, Vietnam; **Eastern Europe:** Hungary, Czech Republic, Romania, Russia, Serbia; **France:** **North America:** Canada, United States; **Oceania:** Australia, New Zealand; **South America:** Aruba, Brazil, Chile, Mexico, Panama; **Western Europe:** Germany, Austria, Belgium, Spain, United Kingdom, Greece, Ireland, Italy, Luxembourg, Monaco, Netherlands, Switzerland.
- (3) The definition of a manager was modified in 2019 to refer only to employees who manage a team. This change in methodology had an impact on the breakdown of managers and non-managers in all of the Group's Houses.

Breakdown of the workforce as of December 31, 2018 (men/women managers, men/women non-managers) by region⁽¹⁾

2018	Managers		Non-managers	
	Women	Men	Women	Men
Africa/Middle East	16	20	344	305
Asia	448	336	7,328	3,058
Eastern Europe	7	6	696	281
France	264	233	1,726	1,018
North America	182	134	1,916	1,438
Oceania	11	4	278	88
South America	11	9	248	250
Western Europe (excluding France)	546	714	7,858	5,022
TOTAL	1,485	1,456	20,394	11,460

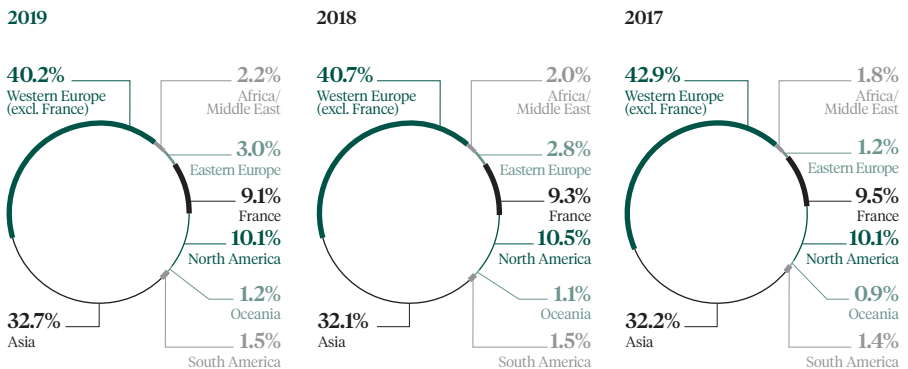
All figures are presented *pro forma* and at constant scope of consolidation.

(1) The method for counting managers was modified in March 2018, impacting the breakdown of managers and non-managers in all of the Group's Houses.

Breakdown of the workforce as of December 31, 2017 (men/women managers, men/women non-managers) by region

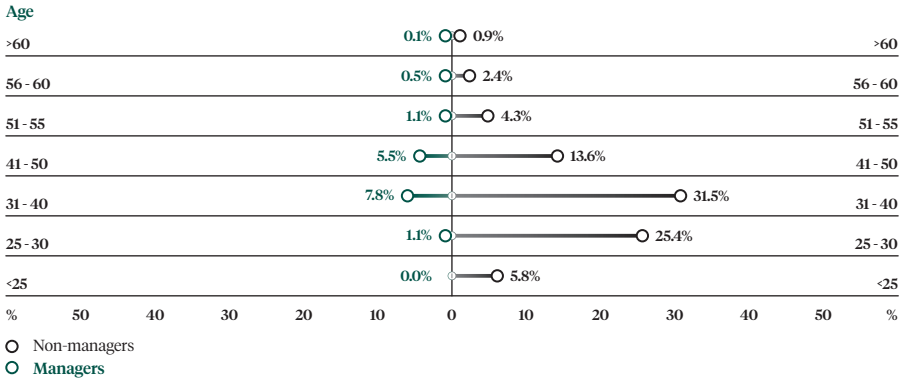
2017	Managers		Non-managers	
	Women	Men	Women	Men
Africa/Middle East	41	51	238	198
Asia	911	578	5,585	2,245
Eastern Europe	25	14	135	181
France	505	351	1,220	656
North America	504	326	1,161	914
Oceania	26	9	168	50
South America	54	35	161	166
Western Europe (excluding France)	761	902	6,596	4,130
TOTAL	2,827	2,266	15,264	8,540

Change in the regional breakdown of the workforce as of December 31, 2019, December 31, 2018 and December 31, 2017



Data for the Middle East is now presented with data for Africa, rather than Asia.

Age structure of the permanent workforce: managers & non-managers, 2019



3.1.1.2 Establishing a long-term hiring policy through international partnerships and with the help of staff ambassadors

Recruiting the best talent by encouraging diversity, training young people in craft skills, and integrating and developing talent are central to Kering’s HR strategy.

Forging strategic partnerships

Kering continues its policy of forging international partnerships with prestigious business and design schools worldwide.

In 2019, Kering continued its five-year strategic partnership launched in 2014 with the Centre for Sustainable Fashion (CSF) at the London College of Fashion. A specific curriculum has been developed, combining theory and practice. Open to students from a range of disciplines at the London College of Fashion, the four-month Empowering Imagination program enables students to obtain an in-depth understanding of the issues relating to sustainability in the fashion industry with the help of experts from Kering, CSF and the wider fashion industry. In 2018, Kering and the London College of Fashion, UAL (University of Arts London) also launched the first Massive Open Online Course (MOOC) on luxury fashion and sustainability. Entitled “Fashion & Sustainability: Understanding Luxury Fashion in a Changing World”, the course spans a six-week period and uses a mix of films, podcasts, activities and discussions. The two sessions held during 2018 attracted more than 17,500 participants from 151 countries. Given its popularity, new sessions of the course opened in 2019, attracting a total of 15,000 participants from 148 countries.

Kering and CSF also organize a competition, open to all third-year and master’s students of the London College of Fashion, in which students are invited to propose creative and viable solutions to a problem put forward by a Kering House. The competition provides a unique opportunity to recognize and reward the most remarkable student projects in the field of sustainable innovation. In 2019, four winners were selected out of 127 projects entered for the Kering Award for Sustainable Fashion. The winning

students each received a €10,000 grant to support their project and/or the offer of an internship at Gucci.

Given the success of this first partnership, Kering has decided to sign a new partnership agreement with the London College of Fashion, the details of which will be announced in early 2020.

In 2019, Kering strengthened the partnership created in 2010 with HEC Paris School of Management’s Luxury Chair. The Luxury Certificate is a unique program that aims to help future leaders learn how best to handle the management challenges of a luxury brand. It includes basic courses, more in-depth, theme-based teaching, and a series of practical seminars led by leaders or members of the Executive Committees of Kering and its Houses. Students also have the opportunity to visit stores and workshops, and participate in a team consulting project on a topic set by Kering, culminating in a presentation before a panel consisting of the Chair’s academic co-directors and Kering managers.

This partnership allows Kering to play a role in the training of future high-level talent from diverse backgrounds, and to identify any talent with the potential to join the Group and its Houses. In 2019, 45 students of 21 different nationalities took part in the program, which was organized in partnership with Bottega Veneta for the first time.

In 2019, Kering inaugurated the “IFM-Kering Sustainability Chair” at the Institut Français de la Mode (IFM). The Chair will focus its scientific research on a wide range of topics related to sustainability, from traceability and impact assessment to eco-responsible business models. Aspects of creative ecology will also be studied in order to identify ways in which creative teams can develop ecological fashion and propose new, sustainable creative offerings that are highly attractive, while developing tools for measuring and appropriating environmental and social issues.

The Group and its Houses support numerous institutions, building on the close relationships developed by Kering's entire HR community worldwide, including the *Institut Français de la Mode* (IFM), *Istituto Marangoni*, *Politecnico di Milano*, *Bocconi University*, *Istituto Polimoda*, *Istituto Europeo di Design*, *Accademia Costume & Moda of Rome*, *Tsinghua University* and *Hong Kong Polytechnic University*.

Finally, many of the Group's Houses support craft guilds and offer training programs. They have established a number of professional organizations that help to ensure the survival of some very demanding and unique skills, and support long-term employment in the regions where these crafts originated.

For instance, Brioni-backed Scuola di Alta Sartoria provides a challenging three-year course followed by a one-year apprenticeship at its workshops to teach the Brioni method. More than a hundred tailors have graduated from this school and are now working for Brioni, either in its workshops or boutiques.

In 2006, Bottega Veneta created the *Scuola dei Maestri Pelletieri* with the aim of training a new generation of craftspeople to guarantee the continuity of its cultural heritage and excellent craftsmanship. Located in the *Montebello Vicentino* workshop, the school serves as a permanent training center for Bottega Veneta employees and apprentices alike, allowing them to immerse themselves in the craftsmanship and values of the brand. In 2019, 211 people attended courses at the school to perfect their techniques in the field of leatherwork (tanning, cutting, sewing, finishing, etc.).

In 2018, Gucci unveiled its *École de l'Amour* education program, created as part of the brand's ArtLab opened earlier in the year. The *École de l'Amour* includes a craftsmanship school (*scuola dei mestieri*), offering a six-month program to train students to professional standards; a factory school (*scuola di fabbrica*), training technical production operators; and a technical academy, designed to provide all employees with product knowledge training in a flexible way that is aligned with their needs.

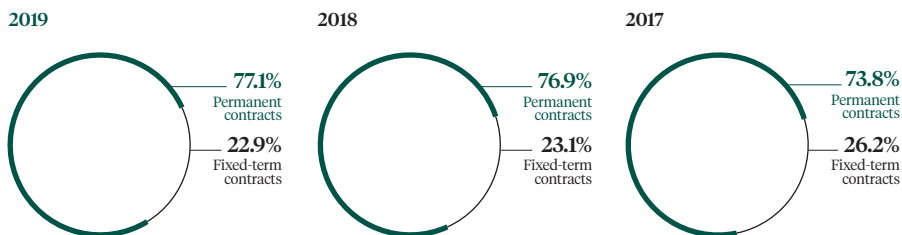
Recruiting the best professionals

In addition to partnerships with schools, Kering uses highly effective social media and other tools to recruit the best profiles available. A new digital platform introduced in 2018 facilitates interaction between the line manager, the HR manager and the applicant throughout the recruitment process, increasing the visibility of vacancies and enhancing the applicant's experience. A series of recruitment-related workshop and training sessions were also introduced in 2019, for the benefit of recruiters and the broader HR community.

Kering also encourages its employees to recommend fresh talent to the Group and its Houses through a referral program set up in May 2017.

The aim is to recruit new talent and enable employees to participate in the Group's development, through a "refer a friend" function set up on the employment vacancies section of the Group's intranet. To ensure that all employees are able to participate, including those who work in production or in the Group's stores, the function is accessible via both desktop and mobile phone.

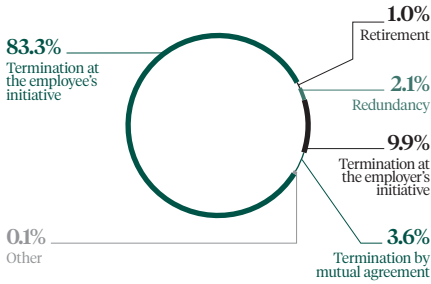
Breakdown of fixed-term and permanent contracts among new hires in 2019, 2018 and 2017



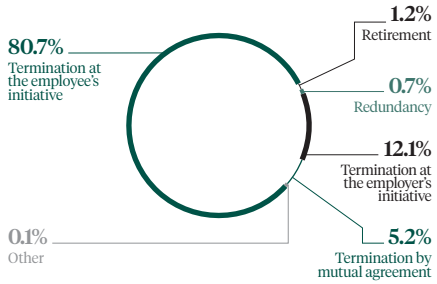
In 2019, 12,240 people were hired on permanent contracts, of which 63.4% were women and 92.9% were non-managers. The Kering group also had a monthly average of 2,143 temporary employees across all its Houses in 2019.

Breakdown of permanent employee departures by category in 2019, 2018 and 2017

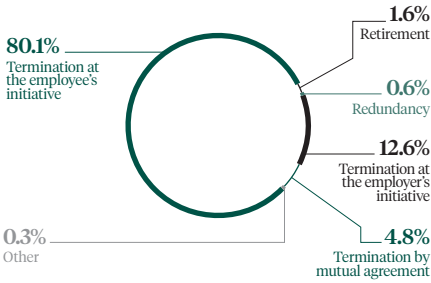
2019



2018



2017



Departures of permanent employees, on all grounds, totaled 8,982 in 2019, of which 7,479 at the employee's initiative (83.3% of departures) and 892 dismissals (9.9% of departures).

3.1.1.3 Supporting organizational changes in a responsible manner

In 2019, Kering continued its policy of supporting and redeploying employees, striving to help employees find other positions within the Group.

In France, this policy has led to monthly meetings of the Social Development Coordination, a body of HR managers from the Houses led by Kering's Human Resources Department, which is tasked with discussing organizational projects and their HR consequences and proposing individual redeployment solutions. It aims to assist employees when an organizational change (such as a store transfer or closure) is liable to have an impact on jobs. An official redeployment guide has been drawn up for employees of all the Houses, outlining recent legal developments, describing the various steps to be taken for internal redeployment and providing the relevant forms to be completed.

In all countries and for all Houses, when departures are being considered following reorganizations, the efforts made to find employees another position go beyond what is required by law, and priority is given to voluntary mobility measures.

Kering also introduced a digital HR platform in 2018, which enables vacancies in all the Group's Houses to be posted online. In 2019, a selection of job openings was posted each week to encourage internal mobility. By providing direct access to vacancies, the system enables the Group to inform all employees, line managers and HR managers about internal mobility opportunities with the utmost transparency.

The European Works Council is also apprised of the Group's plans and the associated organizational changes during its two annual plenary meetings and the meetings of its Select Committee.

3.1.2 Furthering employee development in a stimulating and inclusive work environment

3.1.2.1 Promotion of diversity and inclusion

It is a commitment that goes beyond social responsibility, rooted in the Group's belief that diversity and inclusion is a source of creativity and innovation, and as such of economic performance. This is why Kering makes every effort to establish a culture of equality at all levels of the organization and provides its teams with an open-minded, diverse, inclusive and stimulating work environment, thereby contributing to the Group's success.

As part of its 2025 Sustainability Strategy, Kering is promoting diversity and gender equality through a series of concrete commitments, which include achieving gender parity in all the Group's functions and introducing a mentoring program for women at the international level.

Kering has long been committed to diversity, and was among the first signatories of the French Corporate Diversity Charter in 2004. An equivalent Charter was also signed by Gucci in Italy in 2011.

In early 2015, the Executive Management of Kering and the European Works Council signed their first European Empowering Talent agreement. It provides a forceful and comprehensive reassertion of Kering's commitment to equal opportunities.

The appointment on October 1, 2019 of a new Chief Diversity, Inclusion and Talent Officer, reporting to the Chief People Officer, signals a new stage in the Group's determined action in support of diversity. The appointment highlights Kering's desire to accelerate and expand its action in support of diversity, equality and inclusion. This is driven, on the one hand, by the Group's belief that diversity – whether in terms of people's gender, culture, origin, sexual orientation, identity or disability – is both of unlimited value and a source of collective intelligence. It also reflects the Group's desire to build on its foundation of equal opportunity, giving every employee the chance to realize their potential. Ranked tenth among 7000 companies from around the world in Refinitiv's most recent Diversity & Inclusion Index (2019), Kering intends to build on these results to form an increasingly representative and high-performing team.

In June 2019, Kering announced its support for the Standards of Conduct published by the UN to help businesses tackle discrimination against the LGBTI community. In September 2019, Kering joined the "Open To All" coalition, which brings together 200 non-profit organizations and close to 4,000 large and medium-sized businesses in the United States to combat all forms of discrimination against employees, visitors and customers, including discrimination based on ethnicity, nationality, sex, gender identity, sexual orientation, religion and disability.

Gucci also created the position of Global Head of Diversity, Equity and Inclusion during 2019. The House is deploying a comprehensive plan to promote diversity and inclusion, which are central to its values. The plan comprises an

inclusion and diversity development program for all employees, a global design scholarship for talented young people in all regions of the world, and an in-house international exchange program. Gucci has also signed the UN's LGBTI Standards of Conduct for Business and organizes events for its employees in Italy to raise awareness about hurtful language and discrimination on the basis of sexual orientation ("Words that exclude, beyond the mirror what is there?"). Lastly, in January 2019, Gucci launched its Gucci Changemakers volunteering program, which is designed to encourage all Gucci employees worldwide to support their local communities. The program allows employees to spend some of their working time helping non-profit organizations in four key areas: equality, refugees and the homeless, education and the environment.

Establishing a culture of gender equality within the Group

While Kering addresses the issue of diversity in all its aspects, particular emphasis is placed on equal opportunities. In 2010, the Group was one of the first companies in France to sign the Women's Empowerment Principles, drafted by UN Women and the United Nations Global Compact. These principles offer guidance on how to promote the presence and progression of women in business and, more generally, in society.

The Group's program for promoting diversity and inclusion focuses on four key priorities:

- 1/ Instilling a culture of equality and inclusion across the Group via awareness initiatives undertaken throughout the year and via its HR and management processes (recruitment, talent review, remuneration, etc.).

This is why Kering launched an internal campaign in 2017, dubbed "Every Day is Diversity Day". Through concrete examples highlighting the benefits of diversity in the workplace, the campaign aims to extend the impact of its equality at work initiatives over the long term and to maximize the value of all the initiatives put in place by the Group and its Houses by promoting them to the entire workforce.

To coincide with International Women's Day, Kering and its Houses organized a large number of initiatives aimed at raising awareness among employees. In Paris, Chief People Officer Béatrice Lazat organized a discussion panel with various Kering employees and executives, including Pomellato CEO Sabina Belli and Chief Client and Digital Officer Gregory Boutté, to talk about the challenges faced by women, in the workplace and beyond. Participants shared their vision of gender equality and their practical suggestions for driving progress in this area;

- 2/ Developing women’s skills through specific programs, such as mentoring sessions, to help talented women gain access to senior management positions. More than a hundred employees worldwide participated in the mentoring program in 2019, as mentors or mentees, and a mentoring program for women, sponsored by the Executive Committee, was set up during the year. The Group also participates in the EVE women’s leadership program in Europe and in Asia;
- 3/ Fostering work-life balance via a Group-wide policy for all employees that promotes well-being at work and equality for all. Many other initiatives have also been adopted by Kering’s various Houses and entities, including telework, flexitime and childcare solutions in France, Italy and the United States, as well as daycare centers for employees based in France and nursing rooms for employees in Hong Kong;
- 4/ Developing an inclusive and exemplary parental policy. Kering’s commitment to supporting parents dates back to 2017 and is based on its desire to promote professional equality, improve work-life balance and create a caring work environment for all employees. In 2017, the Group introduced a parental policy that provides for a minimum of 14 weeks’ maternity or adoption leave on full pay and a minimum of five days’ paternity or partner leave on full pay for all Group employees worldwide. Since then, Kering has decided to go a step further by aligning the duration of paternity or partner leave with that of its maternity or adoption leave, starting on January 1, 2020. Known as Baby Leave, the new policy has been effective at Kering since January 1, 2020. As a result, all fathers or partners are now able to benefit from 14 weeks’ leave on full pay for the birth or adoption of a child. Baby Leave therefore represents an ambitious initiative in favor of equality.

By implementing these measures, Kering is supporting parents and helping to instill a culture of equality across the organization. The introduction of Baby Leave contributes to gender equality by guaranteeing the same parental leave rights to both men and women, ensuring equality for all Kering employees.

By offering men and women the same parental leave rights and introducing new, more flexible organizational methods, Kering has taken effective action to combat the prejudices women face whenever they apply for a job, seek a promotion or attempt to advance their careers.

Promoting the advancement of talented women in the Group through special development programs

As part of its 2025 Sustainability Strategy, Kering has undertaken to promote diversity and gender equality through a series of concrete commitments, which include achieving gender parity at all levels of the organization and introducing a mentoring program for women on a global scale.

In 2013, Kering launched a pilot session of inter-brand and inter-business mentoring in France for talented women. The idea was based on a structured process lasting a year, building on a one-on-one relationship in which an experienced female manager (mentor) would share her expertise with a more junior female manager (mentee) in order to foster her professional and personal development.

Mentees and mentors alike have acclaimed this program, which is now part of the Group’s full catalogue of talent development offerings and has been rolled out internationally. This year, around sixty talented women from the Group’s various Houses in Hong Kong, China, South Korea, France, Italy and the United Kingdom enjoyed a year’s individual support from the Group leaders. The mentors are primarily women who have benefited from a talent development program and now wish to share their experience with others.

For the fourth year, Kering also partnered with the EVE program, sending 15 employees from various Group Houses and countries to two seminars in Europe and Asia. Founded in 2010 by Danone, this unique management program, aimed at those who aspire to “enlightened” leadership, works on two levers: the individual and the organization. It aims to nurture strong and inspiring individuals, in sufficient numbers to enable them to bring about corporate change. In 2019, EVE program graduates from the past four years also integrated Kering’s mentoring program as mentors, to support change and share the lessons learned with other talented employees within the Group.

Lastly, Kering has published its France 2018 Gender Equality Index for its Corporate entities and Houses in France, with a score of 89 points out of 100 for Kering Corporate, marking it as one of the leaders in this area.

Recognizing and assessing the impact of gender equality initiatives

In 2019, women accounted for 55.1% of the Group’s managers, 62.9% of the total workforce (62.9% in 2018, 62.6% in 2017), 33% of its Executive Committee members and 60% of its Directors, making Kering one of the CAC 40 companies with the highest proportion of women in senior management positions. The Group has set a target of achieving a balanced gender mix and equal pay at all levels of the organization by 2025.

To assess the effectiveness of its action in favor of gender equality over recent years, as well as to identify new avenues of thinking for the future, the Group has chosen to engage in the GEEIS (Gender Equality European & International Standard) certification process. This label, created by Arborus, the leading support fund for gender equality at work in Europe and worldwide, is based on rigorous evaluation methodology audited by Bureau Veritas, the world leader in certification.

The Group received the GEEIS label for its Corporate entities in Europe in 2016, confirming Kering's exemplary approach to gender equality. The impact of the Group's initiatives in favor of gender equality are therefore assessed regularly. An interim audit was carried out by Bureau Veritas in June 2018 among the Kering group, Corporate France, Corporate Italy and Corporate United Kingdom teams, and another audit is scheduled for 2020.

In 2019, Kering ranked tenth out of 7,000 international companies in the Thomson Reuters Diversity & Inclusion Index and twelfth in the 2019 Equileap ranking, which recognizes companies that lead the way in achieving gender equality.

It was also included for the third year in the Bloomberg Gender Equality Index, the world's first international cross-industry index for companies with the best performance in gender diversity and equality.

Efforts made to promote female talent provide an overall reflection of how committed the Group is to women, both inside and outside the Group:

- through the Kering Foundation, which combats violence against women by supporting projects led by NGOs and social entrepreneurs and by raising awareness and promoting involvement among the Group's employees. The Kering Foundation, which celebrated its tenth anniversary in 2018, also works to raise awareness among employees by involving them in many of its projects. On International Day for the Elimination of Violence against Women, November 25, 2019, the Kering Foundation launched the "16 Days 16 Films" campaign in the United Kingdom, France and Italy, in partnership with Modern Films and with the participation of non-profit organizations *En Avant Toute(s)*, Chayn Italia and the UK SAYS NO MORE campaign. In line with UN Women's "16 Days of Activism Against Gender-Based Violence", 16 films directed by women were posted on social media between November 25 and December 10, 2019. The campaign reached more than a million people across the three countries, via social media;
- in the film industry, as an Official Partner of the Cannes Film Festival, Kering showcases and supports the contribution of women to the film industry, both behind and in front of the camera, through its Women in Motion initiative;
- in its supply chains, notably via the wide-reaching study on women's role in the supply chain in Italy's luxury segment, which was conducted by Kering and its Italian Houses in 2019, in collaboration with the *Camera Nazionale della Moda Italiana* (CNMI) and three non-profits specialized in this area (BSR, Wise Growth and *Valore D*). The first of its kind, the study involved more than 180 suppliers and gathered feedback on gender equality via questionnaires and interviews from 880 people, of which 70% were women. The aim was to highlight the challenges faced by women working in the luxury segment and to issue practical recommendations on real-world programs and initiatives that luxury brands

could implement to improve gender equality. The study identified four priority areas: working conditions and business opportunities, career management and leadership, maternity, and harassment and other toxic workplace behaviors. The findings were presented by Gucci, Bottega Veneta, Pomellato and Kering Eyewear at the "Including Diversity" event organized by the *Camera Nazionale della Moda Italiana* in Milan in December 2019. They are also available online, from BSR's website: www.bsr.org.

Promoting the integration of people with disabilities

As of December 31, 2019, the Kering group employed 511 workers with disabilities (coverage rate of 82.4% excluding the United Kingdom and the United States).

For over ten years, Kering has promoted the integration of people with disabilities through Mission Handicap, reaffirming its commitment in the European Empowering Talent agreement signed in February 2015. This agreement reiterates and reinforces the commitments made to employee representatives in 2008 with regard to promoting the employment of people with disabilities.

Each year, management presents a progress report to the European Works Council on the agreement's three pillars, which include promoting diversity in general, and on the initiatives undertaken by the Houses in the areas of gender equality and equal opportunity.

The Group's Houses in France and Italy also continue to outsource to the sheltered sector to promote the employment of people with disabilities. Special service providers employing workers with disabilities are called on for such services as printing, data entry, archiving, replying to unsolicited applications, catering, preparing mailshots, gift packaging during the holiday season, and landscaping.

Kering Corporate and the Group's Houses also deploy awareness campaigns and forge partnerships to ensure that employees are onboard. In November 2019, for example, during European Disability Employment Week, employees at Kering's headquarters were encouraged to challenge their perception of disabilities and stereotypes through the narration of stories.

Gucci works with a specialized NGO to help people with Down syndrome integrate its production site in Florence, and Ulysse Nardin and Girard-Perregaux have initiated a project with Fondation Alfaset and are currently discussing various options for integrating people with disabilities into their workshops, as interns or on contracts relating to specific projects.

Forging partnerships to facilitate the employment of young or disadvantaged people

To preserve and pass on their expertise, several of the Group's Houses, namely Gucci, Bottega Veneta and Brioni, have created vocational schools and training programs, with the support of trade associations. The aim is to give

young people the opportunity to learn a trade that will ultimately enable them to join one of the Group's Houses or find employment elsewhere in the luxury or fashion industries.

In France, to support the government's urban equality efforts, Kering signed partnership agreements in 2018 to enable young people from priority neighborhoods to join the Group's Houses as interns, apprentices or employees. These agreements were put into practice in 2019. The aim of the first partnership, signed with non-profit organizations

that specialize in promoting youth employment, is to offer one-week internships to 14- and 15-year-olds from schools in priority education areas. The second partnership focuses on the recruitment of young people from disadvantaged neighborhoods, either on work-study programs or permanent contracts.

In Italy, Gucci won a "Welcome. Working for Refugee Integration" award from UNHCR, the UN Refugee Agency, for its efforts to integrate around ten refugees into the working world, primarily at its workshops in Florence.

3.1.2.2 Development of talent and skills

Developing skills and talents is at the heart of Kering's HR policy.

The policy focuses on two main areas:

- setting up Talent Committees at Group level with all the Houses to share the knowledge of talented individuals and enhance mobility;
- establishing Group programs and tools for the Houses, especially in terms of training, with the accelerated launch of the Kering Campus in 2019.

Managing and supporting talent, and fostering mobility and professional development within the Group

Kering has set itself the priority of better identifying and developing talent, and has for this purpose established processes and tools geared towards helping employees constantly expand their career prospects and strengthen their skills through mobility and career opportunities.

- **Identifying and developing talent, supporting future leaders and organizing succession plans**

Talent and leadership potential are identified through the performance appraisal process and talent reviews.

In January 2019, the Group adopted a new approach to performance management by introducing regular "check-in conversations". The new system enables employees to establish ongoing dialogue with their managers throughout the year, covering both performance and development.

Kering intends to develop a feedback culture to support this new process and has therefore deployed a training program on this topic for managers and employees.

Once talented individuals have been identified, the aim is to gain a clearer picture of talent and to draw up succession plans and support initiatives needed in terms of the organization and its development. Group Talent Committees, which bring together all the Houses' Human Resources Directors, were created in 2017. They meet every year, providing a venue for sharing the pool of talent existing within the Group, using a common vocabulary. They serve to lay down development plans and build

succession plans to ensure the effectiveness of the organization.

- **Promoting mobility and careers within the Group and its Houses**

Professional mobility is a pivotal means to help develop skills, offer career prospects and give everyone the opportunity to grow within the Group.

The internal mobility platform launched on the Group's 360° intranet in 2013 was replaced in October 2018 by a more robust and more modern digital tool, which remains central to the Group's mobility system. Its aim is to allow employees to view job opportunities, published by each entity within the Group. All the Houses are present on the platform and post job offers to provide greater visibility for their organization and possibilities for career development. The introduction of the new platform enables the Group to strengthen its communications about the internal mobility program and improve the digital experience of internal candidates. In 2019, the Group provided teaching materials to explain the mobility procedure, continued to post new vacancies and ran regular communication campaigns targeting all employees, including weekly job postings by region or country under "Jobs on the Move" on the corporate social network. These measures will continue in 2020.

To facilitate dialogue about career development and mobility, a specific training program has been created on the topic of career discussions. The program was offered to all members of the Group's HR community in 2019 and will be rolled out to managers and employees from 2020.

Developing a structured training policy for all employees

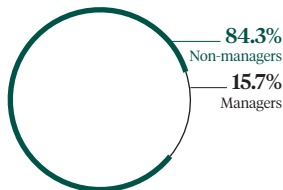
In 2019, the Kering group devoted a budget of €40.1 million to employee training, corresponding to 2% of the total Group payroll. On this basis, 516,605 hours of training (excluding safety training) were provided across Kering's Houses in 2019, and 31,410 employees took at least one training course. In 2019, 82.5% of employees received training, representing a sharp increase on 2018.

Women accounted for 62.5% of the workforce trained in 2019 (excluding safety training). Furthermore, 84.3% of employees trained in 2019 were non-managers.

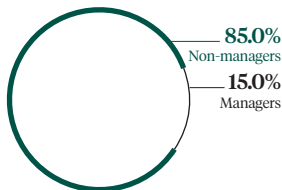
In light of the Houses' new operations and Kering's new projects, the significant increase in the number of people trained and the number of training hours illustrates the Group's desire to give employees the means to develop and to assist new staff members.

Breakdown of employees who received training by manager/non-manager and by gender for 2019, 2018 and 2017

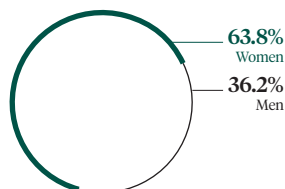
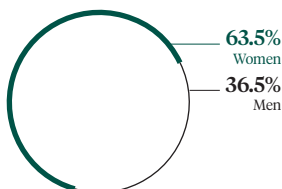
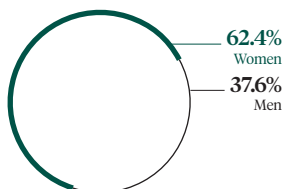
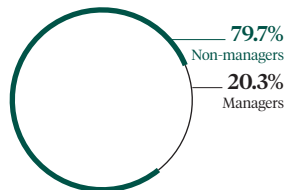
2019



2018



2017



In 2019, 31,410 people received training, or 82.5% of the workforce

In 2018, 20,197 people received training, or 58.1% of the workforce

In 2017, 16,235 people received training, or 56.2% of the workforce

- **The Kering Learning Community, the Group's steering body for training**

The Kering Learning Community brings together various executives and Learning & Development managers from the Houses, regions and Kering Corporate to develop and share a common framework for the co-development by the Houses of a training offer that is both decentralized and consistent. It met several times in 2019.

The regions contribute to adapting this offer to the local needs of each geographical area.

Within this common framework, four key priorities have been developed for the Group:

1. Kering Campus

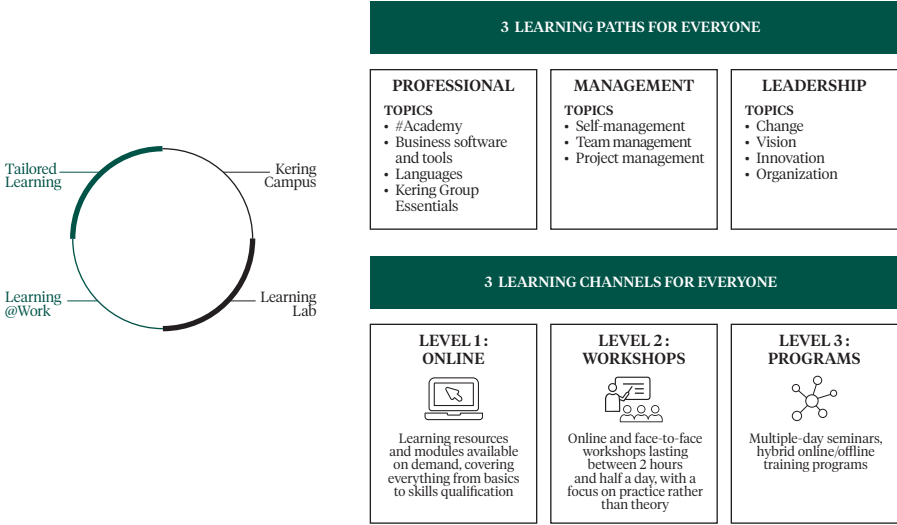
The Group favors a hybrid approach to course delivery, combining online learning with face-to-face instruction.

Kering Campus encompasses the entire training offering for all employees of Kering and its Houses worldwide.

Digital learning

In 2019, Kering expanded and enhanced its portfolio of digital training solutions. Under the "Kering Campus" label, Kering offers a very diverse range of resources that are open to all Group employees. The topics covered by the various resources and e-learning modules on offer include languages, management and leadership, digital tools and Group fundamentals, like the Code of Ethics. The content is developed internally or in partnership with external service providers. The Houses, such as Saint Laurent, Bottega Veneta, Gucci, Pomellato, Qeelin and Brioni, have been able to personalize the platform by adding content that corresponds to their particular image, collections and expertise.

The Kering Campus training offer



Within the Kering Campus, there are three training paths:

- the Professional path: This training path covers languages and business software and tools, as well as the dissemination and transmission of professional skills and know-how or functional expertise. These professional “academies” are organized by the entities specialized in each area, such as Merchandising or Human Resources.
- In 2019, the Group furthered the creation of two such academies: the Merchandising Academy and the HR Academy. Both are designed to offer training paths adapted to young merchandisers, managers and senior managers in these professions;
- the Management path: The aim is to offer training that accompanies the different stages in managers’ individual development. This might include training on skills development management, team management and project management;
- the Leadership path: The Leadership training path is open to employees singled out during Talent Reviews and centers around the topics of vision, change and innovation. This training path offers opportunities for sharing the culture and strategy of the Houses and the Kering group as a whole. The nomination process makes it possible to ensure a high level of diversity within each training group, in terms of culture, function, geography, gender, brand, etc. This is important, because it enables participants to share their knowledge among all of the various Houses, functions and regions, thereby fostering a strong sense of belonging to the Group.

Training is provided via e-learning modules, brief workshops and applied learning programs.

Kering Leadership

Composed of three four-day modules held over 12 months, the Kering Leadership program brings together approximately 25 leaders in a multicultural context each year. The aim is to nurture talented employees and develop their leadership capacities. The program also provides an opportunity to share a common vision of the Group and its ambitions, challenges and values.

The class of 2019 consisted of participants from ten countries and ten different Houses and Group entities.

The first module, Exploring Kering, which gets the program rolling, is an important moment of understanding and exchange about the Group’s vision, challenges and transformation projects through dialogue sessions with members of Kering’s Executive Committee and the heads of the various Houses.

The second module, Leading Kering, is organized in partnership with the Columbia Business School in New York. It seeks to foster improved leadership practice through teaching by renowned professors, talks by entrepreneurs from the digital economy and the organization of co-development workshops drawing on each participant’s experience. It also features a significant individual dimension with each participant completing a 360° feedback course before embarking on the leadership development program.

The third module, Transforming Kering, wrapped up in Shanghai in 2019. This module involved organizing visits to incubators and major Chinese companies and joint development sessions between Kering talent and entrepreneurs, as well as managing a major innovation project using design thinking methods.

Kering Influence

The Group has implemented an international program known as Kering Influence, targeting young leaders in the Group. This training, which precedes the Kering Leadership program, is a first step in the development of leadership. Each participant takes away a personal understanding of his or her own style of leadership. Peer coaching and role play are used to foster communication and leadership influence practice.

2. Tailored Learning

A system of 360° feedback and coaching “on demand”

The 360° feedback system is designed above all for executives facing a new professional challenge, such as taking up a new strategic function. Using information on the perception of participants’ skills obtained from several sources (supervisors, colleagues, employees, clients, etc.), the approach serves to enhance development potential. Each leader has a one-on-one coaching session to analyze the results and define an action plan for personal and professional development.

This type of individual development mechanism is often also backed up by collective development programs as described in the Kering Leadership program. The objective is both to customize as far as possible what each participant takes away from the course, but also to foster a culture of development feedback between experienced participants.

3. Learning@Work

Eager to instill a learning culture across the organization and beyond the training room, Kering wants to make learning part of its employees’ day-to-day routine. Learning@Work is a long-term initiative aimed at promoting a culture in which employees themselves become trainers for their colleagues, and encouraging managers and staff to make on-the-job learning part of their daily routine.

4. Learning Lab

Lastly, training and learning increasingly take place outside the traditional classroom setting. Research shows that companies can speed up the acquisition of new skills and work methods by enabling employees to practice them intensively. Kering therefore launched Learning Lab, which focuses on Action Learning, hackathons and events that bring employees into contact with trends and thought leaders outside the luxury industry. In 2019, the Group launched a new type of program for talented young employees called Kering Vision, in which participants collaborate on a strategic Group project over a three-day period. In preparation for their work on these projects, participants meet members of the Kering Executive Committee and business leaders from other luxury companies and adjacent industries and learn new work methods. At the end of the three-day period, they present their projects to a jury of senior executives from Kering and its Houses.

The Houses develop programs to address their own specific challenges, but synergies can also help them with their development. One example is the Hard Luxury Retail Academy, which helps the Watches and Jewelry Houses develop a culture of excellence to enhance customer loyalty and improve their results. In 2019, the Academy trained 80 employees.

3.1.2.3 Employee commitment: putting employees at the center of all initiatives

The Kering group has identified the development of employee commitment as one of its strategic priorities. Over the years, Kering fosters employee commitment through shared experiences, helps to create a common culture, and strengthens the feeling of belonging to an integrated luxury group.

Kering has therefore provided all its employees worldwide with access to a global, shared communication tool. The launch of a next-generation corporate social network in June 2018 radically changed the style and scale of the communication campaigns conducted within the Group and with its Houses. In October 2019, the network had already achieved a record employee take-up rate of 89%, demonstrating the effectiveness of this new internal communication tool for all Houses and regions, including China since April 2019. This new era of increased

transparency gives unprecedented visibility to the Group’s global communication campaigns about its values and policies. Over 2,000 active working groups have been set up via the platform since its creation – including 600 new groups in 2019 – and more than 90% of employees use it at least once a month.

The quality of Group information and its accessibility for employees worldwide have therefore been strengthened considerably throughout the year. Everyone at Kering now has a voice and can access Group information at any time, via any device (computer, smartphone or tablet). The proximity between employees and Group leaders has also been greatly enhanced, thanks to live broadcasts of major events on the corporate social network, with Q&A sessions that enable frank discussions, speeding up the creation of a common culture.

The 2019 #No Filter employee opinion survey

Every two years since 2001, Kering has conducted a worldwide in-house social climate survey to measure the perceptions of employees of all the Houses across the Group on topics related to their work and their work environment. Kering decided to remodel its global employee survey to better meet the Group's specific needs and make it easier for employees to have their say by using a concise questionnaire available in several languages and accessible worldwide from any device (smartphone, tablet or computer). The Kering People Survey, conducted in January 2019, replaces the previous opinion survey. It is intended for all employees at Kering and all of its Houses. An open-ended question about quality of life at work allows employees to identify their priorities and make suggestions in this area.

The response rate was particularly high, at 82%, and the survey showed a very strong level of employee engagement, with 91% of employees indicating that they are proud to work for Kering or one of its Houses.

A large number of employees also responded to the open-ended question about improving quality of life at work.

Three priorities were identified for the resulting action plan and the key actions have been presented to the Executive Committee and shared with all the Group's Houses. Progress on these actions is reported to employee representative organizations, both at the national level and during European Works Council meetings.

Global communication campaigns about the Group's values and policies

The major internal communication campaigns conducted by Kering strengthen the Group's shared history and vocabulary and enable the deployment of new HR resources and policies centered around the Group's shared values:

- a culture of integrity: for the fourth consecutive year, a four-week communication campaign was conducted via the corporate social network to inform all employees about Kering's culture of integrity and the ethical principles applicable across the Group. The campaign backed up the messages conveyed by the "Do the Right Thing" online training course, which is mandatory for all employees in all Houses. In 2019, the campaign focused on three topics: anti-corruption, ethical and environmentally responsible products, and workplace behavior;
- the key HR policies deployed worldwide, such as the internal mobility policy, the "Refer a friend" referral program and the parental policy, enjoy greater visibility thanks to a monthly testimonial from an employee who

has benefited from one of these policies and a weekly spotlight on job vacancies on the corporate social network. The introduction of the new Baby Leave parental policy was supported by a dedicated global communication campaign, with messages targeted to the different parties involved – HR, line managers and employees;

- given the nature of its businesses and the client base of its Houses, combating violence against women is a key issue for the Group, which has been committed to this cause since 2008 through the Kering Foundation. Since 2011, 1,332 employees, including Group Executive Committee members, have been trained through efforts to ensure Kering provides a supportive work environment for women who are victims of domestic violence.

Shared experiences

Team-building events based on the Group's values give employees the opportunity to make new acquaintances and create internal networks, thereby fostering employee commitment. The Group regularly organizes such events, either for fun or for a good cause.

- a picnic was organized in the gardens of Kering's headquarters in Paris for the third year in a row, bringing together more than 800 Paris region-based staff from all Houses for a unique evening of fun and enjoyment;
- every year, the Group organizes "Solidarity Day", a day of corporate volunteering for the benefit of non-profit organizations involved in women's causes, to supplement the initiatives undertaken by the Kering Foundation. The aim is to foster employee commitment to the values of sharing and solidarity and forge long-lasting ties and a shared culture within the Group. In 2019, Solidarity Day was held in six cities in Italy (Florence, Milan, Rome, Padua, Novara and Vicenza), as well as in Secaucus, New Jersey, in the United States, and in Hong Kong;
- the Kering Foundation encourages employees to use their personal or professional skills to support NGOs or social enterprises. Since 2014, employees who take two weeks' solidarity leave to volunteer in a foreign country have received two to four days' paid leave. In 2019, Kering provided 54 days' paid leave for volunteer work and pre-departure training, and 15 employees went on assignments in the field, accompanied by the Group's partners MovingWorlds and Nest;
- lastly, the corporate social network facilitates the promotion of local events around the world, whether they are initiated by the Group or its Houses. Among the many initiatives carried out during the year, a Gucci team took part in the New York City Marathon, for example, and Kering Eyewear participated in the Pink Run in Padua, where the brand's headquarters are located.

3.1.2.4 Quality of life at work

Providing its employees with a quality of life ensuring the health and safety of all is a fundamental duty performed by all of Kering's Houses. In 2010, the European Works Council and Kering group's management signed a "Charter framework of commitments on quality of life at work and prevention of work-related stress". Since 2015, health, safety and the quality of working life have been the key thrusts of Kering's commitments under the European agreement signed with the European Works Council on February 19, 2015.

Within this framework, the Houses are adopting procedures and taking action to identify, assess, reduce and prevent the key risks associated with their activities. They are also taking initiatives designed to achieve continuous improvements in the quality of work life. Kering has in turn undertaken to develop a working environment and working relationships that ensure well-being at work, in

order to promote the development of all employees and contribute to the Group's performance.

To strengthen its commitment to health and safety at work, Kering published a comprehensive policy in 2019, providing a clearer picture of best practices, reaffirming the Group's commitment to ensuring a safe and healthy working environment and introducing more ambitious measures in this area.

Promotion of workplace safety and management of psychosocial risks

In 2019, 325 lost-time accidents were recorded across all of the Group's Houses, compared with 278 in 2018.

The total number of accidents remained relatively stable compared with 2018, notably reflecting the awareness campaigns run by the Group's Houses.

Frequency and severity rate of accidents in 2019, 2018 and 2017

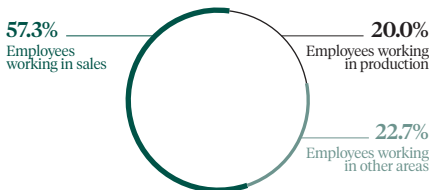
	2019	2018	2017 (pro forma)
Frequency of work-related accidents (Number of accidents per million hours worked)	5.07	5.05	5.21
Severity rate of work-related accidents ⁽¹⁾ (Number of days lost per thousand hours worked)	0.11	0.11	0.09

(1) The number of days lost due to work-related accidents is measured in calendar days from 2019 (historical data, reported in business days, has not been adjusted).

Across all of the Group's Houses, 21 employees were recognized as suffering from a work-related illness in 2019.

The Group's new comprehensive health and safety policy is based on best practices from across the organization. It aims to ensure that a clear governance structure is in place and regular internal audits and other processes are implemented Group-wide, with a view to achieving the ultimate goal of zero accidents. It also requires the Houses to take specific measures to improve quality of life at work for retail employees and to conduct regular health and safety audits.

Employee profiles as of December 31, 2019 by area of activity⁽¹⁾



(1) Sales: employees working in wholesale, stores and e-commerce.
Production: employees working in production (workshops, tanneries, etc.).
Other areas: employees working in support or logistics functions.

Health and safety is a priority for the Group. The Houses are committed to the principle of risk prevention and work with multiple stakeholders to preserve occupational health and safety, including the Health, Safety and Working Conditions Committee, ergonomists, occupational physicians and external prevention specialists. In terms of risk prevention, 42,127 hours of safety training were provided to 5,903 Group employees in 2019, representing an increase from the previous year.

2019 was also characterized by continued efforts towards achieving certification and formalizing employee health and safety rules and procedures (SA8000 certification for social accountability and decent working conditions). Audits were conducted during the year as part of the certification process, particularly in the area of workplace risk prevention (Gucci and Kering Corporate, in France and Italy).

Overall lost time and sick leave in 2019, 2018 and 2017

	2019	2018	2017 (pro forma)
Overall absenteeism rate	4.9%	4.7%	4.5%
Rate of absenteeism due to illness	2.5%	2.3%	2.3%

The total figure for absenteeism due to illness includes sick leave, work-related illness, work-related accidents and commute-related accidents. The overall absenteeism rate includes absenteeism due to illness and every other kind of absence (maternity leave, paternity leave, unjustified absences, etc.), calculated from the first day of absence.

Kering also works to prevent psychosocial risks and offers its employees psychological support. In France, a toll-free number is available to all employees who feel that they require psychological support, regardless of the reason. Support is also provided when employees are collectively affected by a particular event or situation.

In addition to these initiatives, the Houses explore various other avenues, including:

- identifying psychosocial risk factors at work (e.g., Kering Corporate, Bottega Veneta and Gucci through SA8000 and OHSAS 18001 certification);
- preventing psychosocial risks and stress by bringing in healthcare professionals, such as physiotherapists, osteopaths, sophrologists and yoga/pilates/meditation teachers (at the Kering and Saint Laurent headquarters), and providing social assistance services for employees. Audits were conducted in 2019, for Kering Italia and Gucci, to identify strengths in this area and avenues for improvement;
- promoting work-life balance (smart-working, extension of the telework program, flexitime, etc.) and introducing the right and duty to disconnect in France as a result of legislative changes. These changes notably relate to the right of all employees to disconnect from work during non-working hours and their duty to regulate their use of digital devices during working hours.

Organization of work

Kering strives to implement an organized and collective structure, as well as methods and know-how that allow employees to work together in the interest of the Group and based on set objectives.

The average working time of the Group's full-time employees is 40 hours per week. In 2019, 57,310 overtime hours were recorded in France, a decrease versus 2018.

In 2019, 2,473 employees had contractual weekly working hours below the standard number in effect within their company. Staff working part time accounted for 7% of permanent employees, down from the previous year, and were located mainly in the United States and Western Europe. Contractual working hours are spread out on the basis of the specific business and organization of each House, either over certain days of the week, or over reduced time slots on all working days.

The organization of working time in the Group's Houses varies according to the countries, sites and employees concerned. In France, work is most commonly organized on the basis of a fixed number of hours or days, with annualized working time and the possibility of flexitime.

Beyond these legal aspects, the Houses try to find and offer more flexible ways to organize working time in order to meet their own needs as well as those of their employees as part of their policy on quality of life at work: flexitime for several Houses, the introduction of a smart working pilot plan at the Bottega Veneta and Gucci headquarters in Italy, continued telework at the Kering headquarters in Paris, leave to care for sick children at Boucheron and part-time work at Pomellato.

Promoting a better work-life balance and fostering workplace well-being

The Group and its Houses are implementing actions in favor of a better organization of professional and personal lives, benefiting both men and women.

1/ The first avenue in this regard is a strong parental policy.

The finest testimony to Kering's commitment to work-life balance and its respect for working parents is its comprehensive parental policy, deployed in 60 host countries on January 1, 2017 and further enhanced by the introduction of Baby Leave on January 1, 2020.

The policy aims to promote a better balance between employees' professional and personal lives and to achieve equality between female and male employees, regardless of their personal circumstances, guaranteeing all Group employees worldwide the same minimum benefits on the arrival of a child.

Since 2017, mothers receive 14 weeks' paid maternity leave, in line with the ILO's Maternity Protection Convention (No. 183), and employees who adopt a child also benefit from 14 weeks' paid leave.

Starting on January 1, 2020, fathers and partners are also eligible for 14 weeks' paid leave for the birth or adoption of a child. Giving the same leave rights to all parents represents a significant step forward in improving work-life balance for employees. The parental policy contributes in a comprehensive and inclusive way, for all the men and women of the Group, to promoting a well-being policy by setting a standard duration and payment for maternity, paternity and adoption leave. This policy helps to ensure that the Group's employees enjoy more rights to the various forms of leave than is required under national legislation and is applicable across all host countries, in line with ILO recommendations.

The Group's Houses and Kering Corporate are also implementing initiatives in this regard: to facilitate their return to work, Kering Corporate France allows new parents to opt for part-time work at 80% of standard working hours without any loss of pay during the month following their return from maternity, paternity or adoption leave; Bottega Veneta has introduced its "Master for U" program; and Gucci, Pomellato, Kering UK and Kering Italia all offer specific employee benefits.

- 2/ The second avenue is the introduction, where possible, of more flexible work methods that enable employees to better organize their lives, such as telework in France and smart working in Italy (Gucci, Bottega Veneta, Saint Laurent and Kering Italia). At Balenciaga, the right to disconnect policy implemented in France has been extended to include all employees worldwide.

Flexible work was suggested by Kering employees as a way of improving quality of life at work and enhancing work-life balance, in response to the open-ended question included in the employee opinion survey conducted in 2019 in all host countries. This desire for more flexible work methods is consistent with the measures deployed by the Group and its Houses as part of their action plans.

The deployment of the HR platform has also contributed to improving quality of life at work by creating a shared language for information, communication, learning and listening. All Group employees now have access to the same platform, regardless of their location, profession or position, representing a key factor in employee well-being.

The Houses also implement programs to improve quality of life at work. For example, in 2019, Pomellato/DoDo continued to develop its "Well-being program" initiated in 2017, which aims to promote physical, mental and emotional well-being in the workplace, as well as a healthy work-life balance for all employees. The Houses regularly organize special events that strengthen social ties between employees. Examples include *Kering Chouette family time* at Kering's headquarters in Paris, which allowed employees to share precious moments with their children in their work environment.

Other initiatives designed to enhance well-being at work have also been implemented, such as team sports organized by Ulysse Nardin or the osteopathy and yoga sessions held at Kering's corporate headquarters in Paris. Kering Asia-Pacific has participated for several years in the Stanley Dragon Boat Championships organized annually in Hong Kong. Made up of employees from the various Houses present in Asia, including Saint Laurent, Balenciaga and Bottega Veneta, the Kering crew came first in 2019, out of the 200 teams competing in the race.

Quality of life at work is a major theme of the Empowering Talent agreement in Europe. Kering uses this agreement to promote the continuous improvement of quality of life at work and is rolling out a concrete action plan for well-being at work at the French headquarters. Topics relating to the work environment and organization, work-life balance and the promotion of the parental policy were therefore addressed during the plenary meeting of the European Works Council on December 4, 2019.

In this way, Kering continues to create a work environment in which work-life balance is both an objective and a reality.

Kering receives recognition for these initiatives, and the Group's participation in external networks serves to promote its developments in this area and help it continue to come up with innovative actions.

Rewarded for putting talent and creativity at the heart of its strategy, Gucci received Great Place to Work certification for 2019 for its entities in the United States and Italy. The House was also awarded Top Employer certification for Italy once again, after receiving this recognition for 2018.

Bottega Veneta also earned Top Employer certification for 2019.

Kering was preselected, nominated and rewarded for its initiatives to improve quality of life at work at the sixth session of the *Victoires des Leaders du Capital Humain* awards held in Paris on November 21, 2019. The event brought together more than 700 human resources directors. Among the 80 competing companies, the winners were selected by 17 panels made up of 150 HR professionals.

Kering has also been a member, since 2016, of a discussion platform initiated by the International Labour Organization (ILO), known as the Global Business Network. It is also a member of the network's French-speaking branch, which brings together French-speaking companies that are committed to developing joint international social security programs.

Working with the *École Nationale Supérieure de Sécurité Sociale Française* (French National School of Social Security, or EN3S), Kering helped develop an initial guide to best practice that outlines the different steps in the process of developing and implementing an international social security program. Since this first guide was published, in November 2017, Kering has helped write a second guide, on mapping social security coverage worldwide, which was published in 2019 and presented to the ILO.

On November 28, 2019, for the ILO's 100th anniversary, Kering was invited to talk about the progress made on its parental policy at the fifth annual meeting of the Global Business Network. The ILO applauded Kering's contribution to extending social protection, which benefits thousands of people worldwide.

3.1.3 Remuneration and employee benefits

- Total Group payroll in 2019: €1.98 billion;
- €117.54 million in employer contributions from the Houses in mainland France in 2019.

Kering's remuneration policy

Remuneration is a key component that managers can use to reward the commitment, as well as the individual and collective performances of their teams.

The various components of the pay structure and their management are based on guidelines set by the Group. Accordingly, 90% of the Group's employees receive a fixed salary and a variable pay component that is subject to the achievement of individual and/or collective objectives.

Efforts are made to ensure that the amount of fixed salary received by each employee is both fair internally and competitive within the market. Salaries are reviewed annually on the proposal of line managers.

Pay raises are granted in accordance with the level of the salary already achieved in comparison with peers and/or the external market, factoring in performance over a sufficiently long period of time and the potential for development. They are determined independently of any consideration whatsoever of gender or age.

The individual share of variable pay is determined and managed as part of performance appraisals. Objectives are set and discussed on a regular basis with the line manager, as is the assessment of the employee's level of achievement and overall contribution to the team's results.

Kering recently introduced a shared framework for job classification (known as the "Job Catalogue"), which enables the accurate definition of all Group jobs based on both area of expertise and level of responsibility. The new system is particularly helpful during the internal and external competitiveness analyses, which are regularly conducted by the Group, and for the fair allocation of variable pay and certain benefits in kind.

Executive pay

The remuneration of the Leadership Group comprising the Group's 250 senior executives is monitored by the Group's Human Resources Department, with the aim of ensuring internal consistency and competitiveness in light of industry practice.

The remuneration structure for senior executives (portions allocated as base pay and as short- and long-term variable remuneration) is defined by the Group. It varies in accordance with the level of responsibility assigned to the role.

The short-term variable remuneration (annual bonus) policy aims to reward senior executives for meeting objectives – in part financial and in part individual – set in line with the strategy of the Group and the Houses. Financial performance is assessed on the basis of two indicators, dedicated to measuring profitability (EBIT) and assessing the quality of the free cash flow of the Group and the Houses. Moreover, individual objectives set for senior executives are also related to the achievement of team management and Group Sustainability objectives.

The long-term profit-sharing policy meets two objectives, rewarding executive teams for their performance over time and for their loyalty.

Since 2017, the long-term profit-sharing plan is based on Kering Monetary Units (KMUs) and monetary units linked to the Houses (BMUs). KMUs are linked to changes in the Kering share price (in absolute terms and in comparison to a basket of industry stocks), while BMUs reflect the increase in the House's value over time. The two types of monetary unit (Kering and brand) are equally weighted in the long-term profit-sharing components of each executive's remuneration. The amounts granted are linked to the beneficiary's level of responsibility within the Group.

At the end of a three-year vesting period starting from the year that the monetary units were granted, executives have the opportunity to exchange their monetary units during two cash-in-windows per year over each of the subsequent two years.

As regards the remuneration of Directors and executive corporate officers, the Board of Directors complied with the say-on-pay requirements set out in the revised AFEF-MEDEF Code in its proposals to the Annual General Meeting of April 24, 2019.

Employee benefits within the Group

In addition to monetary remuneration, the Kering group has always placed much importance on offering its employees healthcare, disability/life and pension benefits. In addition to the coverage provided by law, virtually all employees therefore enjoy supplementary insurance through the various schemes put in place by the Group's Houses.

For some years, various Houses have offered more comprehensive benefit plans in line with best practices in each country. Such plans often include benefits relating to well-being, sports, education, recreation, transportation or family support. These popular plans are constantly changing to better meet employees' expectations.

Kering has developed a comprehensive parental policy that provides all parents in the Group, regardless of their personal circumstances or geographical location, with 14 weeks' leave on full pay for the birth or adoption of a child.

3.1.4 Labor relations

The Kering group strives to ensure ongoing social dialogue specific to each of its bodies. 2017 was marked by renewed social dialogue in Europe, which led to the signing of a new European Works Council agreement and the renewal of its membership. The main events in 2018 included the reorganization of the European Works Council to take into account changes in the Group's scope of consolidation in Europe (notably following the deconsolidation of PUMA), the presentation on Group strategy given by François-Henri Pinault, the Group's Chairman and Chief Executive Officer, to members of the Council and a visit by Council members to the *École de l'Amour* at the Gucci ArtLab.

Highlights in 2019 included three days of training on social and economic fundamentals for new Council members and a tour of the Kering Eyewear plant in Sucy-en-Brie, France.

Listening to and engaging with employees: Kering's first European agreement signed on February 19, 2015

By promoting free expression within the Group and ongoing social dialogue with employee representatives, Kering has long made clear its determination to forge sustainable and constructive relationships with all its employees and their representatives.

In late 2014, the Human Resources Department and the Select Committee of the European Works Council (EWC) decided to negotiate a new European agreement to further the commitments already undertaken to promote diversity and quality of life at work by including them in a broader framework. Management and representatives from the EWC met for four two-day sessions between September and December 2014 to discuss and sign Kering's European agreement on behalf of the EWC.

The goal of the Empowering Talent agreement signed on February 19, 2015 is to underscore the priorities of Kering's HR policy for all employees. The agreement sets out the Group's commitments in three key areas, namely to develop a working environment and working relationships that improve quality of life at work, to promote diversity and foster the emergence of a culture of diversity and inclusion, and, lastly, to expand opportunities for all employees to boost their professional development.

The agreement is monitored on an annual basis and the initiatives taken thereunder were reviewed this year at the EWC meeting in Paris on December 4, 2019.

The commitments have also been adopted by each House. In 2019, 141 collective agreements were concluded within the Group. They mainly covered pay and benefits (salary, variable remuneration, profit-sharing and incentives, etc.), working hours and the organization of working time (telework, flexitime, generational agreements, temporary

work, donating leave, the right to disconnect, etc.), but also included psychosocial risk prevention and video surveillance in the workplace.

In 2018, the Houses in France negotiated with the unions the terms governing the implementation of work on Sundays with a view to allowing more stores to open taking into consideration the wishes of employees and their ability to organize their time.

Meanwhile, the number of working hours of industrial action totaled 632 in 2019, compared with 6,601 in 2018 and 747 in 2017.

The Group's forums for 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.

The EWC is a cross-border institution and operates alongside existing national employee representative bodies in accordance with specific prerogatives. The discussions that take place within the EWC enable the employee representatives to acquire a better knowledge and understanding of the Group's organization, strategy and main challenges.

In 2017, a new agreement was signed for an indefinite period. Membership of the Kering EWC was renewed and reorganized in 2018, following the distribution of the majority of the Group's shares in PUMA. Prior to taking office, all members received three days of training on economic fundamentals. The members of the Select Committee also received a day of training on social dialogue in Europe. This training offered members an opportunity to better grasp legal and cultural differences existing in Europe, but also to see Kering's EWC agreement in light of legal requirements.

The EWC holds two three-day plenary sessions per year with Group Management, at which it is informed of and, where applicable, consulted on cross-border issues affecting the Group's employees in a manner defined in precise terms by the new agreement signed for an indefinite period.

The EWC also has a Select Committee composed of five members, elected by their peers, who meet at least four times a year to prepare and analyze the two annual plenary sessions and to discuss various issues with Group Management.

In September 2019, a three-day training program was developed for EWC members. In addition to giving them greater insight into social and economic fundamentals, the program was designed to foster team cohesion, facilitate discussion and enhance members' listening and communication skills. Thanks to a partnership with ESCP Business School in Paris, Council members learned more about the role of European works councils from an expert in workplace relations and social policies, and about financial performance analysis and the indicators used in financial communications from a professor of management science. The training program for EWC members also included a session on social dialogue and corporate social responsibility. In addition, Council members were given a presentation on the results of the Kering People Survey and the answers provided to the open-ended question on quality of life, which fostered a discussion about initiatives to enhance workplace well-being.

The Kering group Works Council

Within all of its Houses in France, the Group engages in social dialogue with employee representative bodies and as part of negotiations with unions.

Created in 1993 and renewed most recently in 2015, the Kering group Works Council represents workers in France and operates under French law. Its members, who meet in plenary sessions once a year, are kept informed of and exchange views on the Group's strategies, economic and financial imperatives, and HR management policy. The plenary session is preceded by a preparatory meeting of members, held the day before.

In 2018, the plenary session was held on June 8 and included presentations on the Group's 2017 results, the findings of the Group's new employee survey and the roll-out of the new, integrated digital HR platform.

The agreement on which the French Works Council is based and the terms of office of its members were extended via an agreement signed on February 6, 2019. The underlying agreement and terms of office have been extended until March 30, 2020. Before that date, the French Works Council agreement will be renegotiated to reflect the results of the elections conducted in the Group's Houses in 2019 for the purpose of renewing membership of employee representative organizations.

3.2 Environmental footprint of Kering's operations

3.2.1 Strategy and management

As the Care pillar of the Group's Sustainability Strategy, Kering's environmental approach is based on five key goals:

- aim for the highest level of environmental responsibility through innovation;
- make environmental concerns central to the activity of the brands by involving all stakeholders along the entire value chain;
- go beyond mere compliance with legal environmental obligations, through a macro-environment approach such as that of the Environmental Profit & Loss account (EP&L);
- drive the Group's sustainability leadership, through a collaborative approach that favors the sharing of best practices, progress and results with competitors and stakeholders;
- bring a culture of innovation to both the business model and the supply chain in order to integrate new technologies that significantly reduce environmental impacts.

Environmental management

Strategy and objectives

The environmental pillar of Kering's 2025 Sustainability Strategy defines both the goals set by the Group in terms of improving its environmental footprint and the main levers of improvement, namely sourcing and design:

- Kering has set a target of reducing the intensity of its overall EP&L by 40% by 2025;
- this target is reinforced by an approach founded on data from the Science Based Targets initiative, relating to the Group's greenhouse gas emissions spanning both operations and supply chain:
 - 50% reduction by 2025 of the intensity of its Greenhouse Gas Protocol Scope 1 and Scope 2 emissions, and its Scope 3 emissions from the upstream transportation and distribution of goods, business air travel and fuel and energy consumption,
 - 40% reduction in the intensity of Scope 3 emissions corresponding to bought-in products and services, consistent with the EP&L target;

- sourcing practices are key to fulfilling these commitments. These are also subject to specific targets:
 - 100% of key raw materials to be traceable back to their country of origin by 2025,
 - 100% of raw materials to be compliant with the Kering Standards by 2025;
- lastly, innovation is central to Kering's environmental approach, and is geared above all towards integrating more sustainable materials from the creation stage. This relies on tools derived from the EP&L that provide insight into the environmental impact of a future collection, but also structures such as the Materials Innovation Lab (MIL), which offers brand design teams a pool of sustainable and innovative materials.

Climate strategy

Given the consensus among scientists about the urgency and criticality of climate change on the one hand and the link between climate protection and the long-term viability of its business on the other, Kering firmly believes that businesses have a decisive role to play in the fight against climate change and has therefore made it a key component of its corporate strategy. The nature of its products and the quality standards required of a luxury goods company mean that the Group is heavily dependent on raw materials from natural sources (such as wool, cashmere, leather, cotton and silk) and thus on the associated ecosystems, whose protection is essential to the production of quality raw materials. Some of these ecosystems are already being impacted by climate change. It is therefore essential to strengthen their resilience: Kering helps address the impacts of climate change in multiple ways:

- by directly reducing the carbon footprint associated with its energy consumption and the transportation of people and goods, as described later in this chapter;
- from a longer-term perspective, by evaluating and reducing emissions of greenhouse gases in its supply chain, especially by using the EP&L analysis implemented by the Group for all its Houses. This approach is also a key tool in Kering's strategy for adapting to climate change, as demonstrated in the report analyzing the consequences of climate change for the luxury industry, published jointly with BSR in 2015. The report, entitled "Climate Change: Implications and Strategies for the Luxury Fashion Sector", aims to help industry players see where their specific vulnerabilities lie, and makes recommendations promoting the development of more resilient business models;
- by offsetting the emissions generated by all of the Group's activities (Scopes 1 and 2) and its supply chain (Scope 3) via REDD+ projects that help protect critical forests and safeguard biodiversity. In 2019, Kering continued to fulfill its commitments in this area, building on the program launched in 2011, which initially focused on Scopes 1 and 2 of the GHG Protocol.

Evaluation of climate risk is today an integral part of Group risk management (see Chapter 6 of this Universal Registration Document). The Group's climate strategy is also described extensively in Kering's Climate Change 2019 CDP response, which is publicly accessible via the website www.cdp.net. In line with the recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD), which the CDP uses for its assessments, Kering's response includes information on:

- the governance of climate-related risks and opportunities for the Group, which is fully integrated into the Group's governance of sustainability, described in detail in the section entitled "Governance and organization";
- the analysis of impacts on the Group's businesses and the climate-related scenarios used for the analysis, based on the RCP 2.6 scenario from the Fifth Assessment Report of the UN Intergovernmental Panel on Climate Change (IPCC) or the 2°C scenario, which states the need to achieve an absolute reduction in greenhouse gas emissions of between 41% and 72% by 2050;
- the Group's management of climate-related risks;
- the Group's climate-related targets and performance metrics.

By going beyond simply measuring the greenhouse gas emissions from its operations, the Group is already well ahead of the regulations. Its upstream emissions are calculated and valued each year, as presented in the section entitled "EP&L: Environmental Profit & Loss account". It is important to note that:

- greenhouse gas (GHG) emissions from supply chains (Tiers 1 to 4) greatly outweigh those from Kering operations (Tier 0): 84% versus 16%. In fact, Kering's activities are not subject to carbon emissions quota regulations;
- within the supply chains, GHG emissions are most pronounced at the raw material production and initial transformation stages (Tiers 4 and 3), especially with leather and textile fibers and particularly those of animal origin;
- to set a relevant carbon footprint reduction target covering its main GHG emission sources, Kering opted to take up the framework defined by the Science Based Targets Initiative. Specific 2025 goals here are:
 - 50% reduction in greenhouse gas emissions from Kering operations (whole of Greenhouse Gas Protocol Scopes 1 and 2, plus emissions arising from transportation and distribution of goods, energy and fuel production, and business air travel),
 - 40% reduction in supply chain greenhouse gas emissions (bought-in products and services under Greenhouse Gas Protocol Scope 3), consistent with the EP&L objectives.

These commitments were aligned with the 2°C scenario used at the time, in accordance with the Science Based Targets initiative. Kering is now working to update these commitments to reflect the recent work carried out by the IPCC, which recommends aligning measures with a 1.5°C scenario.

Aware that the response from the luxury industry and the broader fashion industry must be collective and global, the Group also helps address the issue of climate change alongside its peers, in addition to its own initiatives.

This is why the Group signed the Fashion Industry Charter for Climate Action in December 2018. An initiative coordinated by UN Climate Change, the Charter unites the world's leading fashion houses, retailers, suppliers and professional associations around the common goal of drastically reducing the industry's carbon footprint, in line with the objectives of the Paris Agreement.

In preparation for the G7 meeting held in Biarritz, France in August 2019, French president Emmanuel Macron tasked François-Henri Pinault, Chairman and Chief Executive Officer of Kering, with bringing together fashion and textile companies to set practical objectives for reducing their industry's environmental impact. In an historic move, given the scale and importance of the coalition that has been created, 63 companies representing more than 250 brands have now signed the resulting Fashion Pact. The participating companies have notably pledged to take action to achieve the objective of zero greenhouse gas emissions by 2050, in order to keep global warming below 1.5°C between now and 2100.

Energy footprint

Kering has set the ambitious target of reducing the intensity of its Scope 1 and Scope 2 emissions, and its emissions from the transportation and distribution of goods, business air travel and fuel and energy consumption, by 50% between 2015 and 2025. For Kering, this means:

- minimizing energy use by taking measures to improve energy efficiency at Kering's facilities and in its transportation methods (see "Measures to improve the energy efficiency of Kering's operations" and "Optimizing logistics flows and switching to alternative transportation methods");
- preferring renewable energy, by producing renewable energy on its sites, notably through the use of rooftop solar panels, and by purchasing power made from renewable sources (or "green electricity") wherever possible;
- offsetting residual Scope 1 to 3 greenhouse gas emissions across the entire value chain.

Internal organization for environmental issues

The Kering Sustainability Department comprises around 20 specialists tasked with planning the operational roll-out of the Group's environmental strategy and helping the Houses implement action plans for achieving its objectives. For this purpose, Kering develops systems such as the environmental reporting system, or EP&L, along with

standards for raw materials and production processes to help the brands manage their environmental impact.

Coordination between the Group and the Houses is ensured through a network of managers dedicated to Sustainability issues, and each House has at least one Sustainability Lead to spearhead the drive towards sustainability. This is also the case for the Kering group Operations structure (logistics, production, development, etc.), which has seven people dedicated to sustainability. This means that around 60 employees in total are focused on Sustainability within the Group and its Houses.

In addition to these dedicated positions, working groups are formed regularly to bring in other key business functions to engage in the roll-out and application of sustainability projects. With these cross-functional teams, which usually encompass functions including finance, merchandising, sales, design, production and HR, more than 150 people meet regularly at Gucci, Bottega Veneta, Saint Laurent, Alexander McQueen, Balenciaga, Boucheron, Girard-Perregaux, Pomellato, Qeelin, Ulysse Nardin and Kering Eyewear.

Environmental reporting is also backed up by a substantial global network of more than 300 contributors working in the Group's brands. It guarantees optimum data precision and enables the Group to monitor its environmental impact and performance very closely.

Managing the network

The Sustainability Leads and the Kering Sustainability Department meet monthly to coordinate deployment of the Sustainability Strategy and to share best practices developed within the Houses. In addition to sharing experiences, these meetings enable participants to draw up action plans to deal with cross-company issues within the Group, as well as more specific issues affecting individual brands. Kering's sustainability network, which brings together Corporate and teams from the Houses, meets physically once a year for two days of work sessions. The 2019 Sustainability Network Conference provided an opportunity to think about the future of the luxury industry. The event also gave Sustainability network members an opportunity to interact with people from other parts of the Group and with external stakeholders invited to participate in the discussions about key issues for Kering. Noteworthy guests included: the CEO and co-founder of Good Tech Lab, who talked about emerging and breakthrough technologies that promote sustainability; the director of non-profit organization China Water Risk, who focused on water issues in Asia and their global consequences; sustainability consultant Sarah Severn, who offered a forward-looking view of sustainability challenges; and an expert on the prevention of gender-based violence from non-profit organization Promundo. "Challenge Zone Breakouts" were organized throughout the two-day event, on topics such as emerging technologies, the increasing scarcity of resources, and demographic trends. The conference ended with round-table brainstorming sessions on operational issues that directly affect the Group and its Houses.

In 2019, Kering pressed ahead with its Idea Labs: working groups bringing together experts and operational staff from several Houses with a view to sharing knowledge, developing and structuring new ideas, and implementing practical solutions, particularly in terms of improving the Group's environmental and societal footprints. Between 10 and 30 employees met at each session of the Idea Labs in 2019 to workshop the following issues:

- the Kering Standards for raw materials and production processes;
- energy management and purchases of green energy;
- environmental efficiency in stores;
- gender parity in the supply chains;
- responsible innovation;
- animal welfare;
- leather;
- precious metals (gold, silver, palladium) for jewelry and the galvanization of metal parts.

Informing and raising awareness among employees

To enhance accessibility to Group information, the Kering intranet was replaced in 2018 by a corporate social network, which notably enables the Group and its brands to circulate news about sustainability issues to all employees worldwide. The network is available to all employees and on all devices (computers, tablets, smartphones, etc.). This means that Kering and its Houses can easily communicate with employees about sustainability projects, news and key events, such as those relating to The Kering Planet. Launched in 2017, this program regularly offers Group employees the opportunity to participate in contests and quizzes that test their knowledge of sustainability in general and their understanding of the three pillars of the Group's 2025 strategy in particular. Four contests were held in 2019, attracting more than 5,000 participants worldwide. A Kering Planet group has also been created on the corporate social network to support a community of sustainability-sensitive employees throughout the year by regularly sharing news and information about sustainability-related issues. The Houses also create sustainability-oriented communities on the internal social network. The purpose of these groups is to communicate with all employees about the Houses' sustainability strategies, projects and activities. Some Houses share sustainability-related news and information, while others also create original content. This is the case for Gucci, Bottega Veneta, Pomellato, Saint Laurent and Alexander McQueen.

A number of internal newsletters are also published widely across the Group, such as Sustainability Monitoring, a review of national and international press coverage of the sustainability-related achievements of Kering, its

brands or the Group's competitors, and Regulatory Watch, which reviews the latest news on regulations relevant to sustainability.

Store sales consultants are a prime audience for training and awareness-raising on Kering's Sustainability Strategy, helping them act as effective spokespeople with customers. The Sustainability in Retail guide was drafted for Kering and brand teams tasked with training staff in customer relations. It is composed of modules covering the key raw materials used by the Group, and aims to help employees (and ultimately customers) understand where and how products are made, the challenges facing the supply chain, their key impacts and the strategy implemented by Kering and the brands to meet these challenges. The guide is now available in English, French, Chinese, Italian and Japanese.

In 2019, Kering created a detailed e-learning module on the Kering Standards, which is available to all Group employees worldwide. Taking a fun, hands-on approach to training, the module includes a role play component that involves creating leather goods, ready-to-wear, jewelry or glasses in strict compliance with the Kering Standards. The module's duration and content are adapted to suit the learner's profile, depending on their function (design, product development, marketing, etc.) and department (ready-to-wear, leather goods, support function, etc.). It therefore lasts between 30 minutes and more than 2 hours, depending on the learner's profile. Launched in April 2019 and available in four languages (English, French, Italian and Japanese), the module has been completed by more than 4,400 employees across the Group. Bottega Veneta, in particular, encourages its employees to take this training course. As a result, 34% of the House's workforce completed the module in 2019. Similarly, Saint Laurent relays the module via its internal training platform, e-University, to ensure that its teams are aware of the fundamentals of sustainable procurement and manufacturing processes. A total of 376 of the House's employees completed the module in 2019.

Key dates such as World Environment Day on June 5 bring ideal opportunities for reaching a broader public. In 2018, Gucci launched Gucci Equilibrium, its web platform for communicating about its ten-year Culture of Purpose plan, which provides the House with an overall sustainability strategy. In 2019, the House shared engaging content with its internal and external audiences on a regular basis.

Caring Day is an event organized by Kering every year to sensitize Group employees to sustainability issues and share with them the milestones achieved by the Group in this area. In 2019, it was held in Paris, in June. Around one hundred employees from the Houses and the Corporate teams participated in conferences and workshops on such topics as up-cycling and biodiversity, enabling the Group to raise employee awareness about environmental challenges in the luxury industry, and to present the solutions implemented by Kering and its Houses.

The Kering group is aware that its impact on biodiversity primarily relates to its sourcing of raw materials and therefore to the use of land associated with those raw materials. With this in mind, the Group and its Houses wish to sensitize as many people as possible about biodiversity through their actions. This commitment has notably led to the installation of several beehives at Group headquarters and at certain Houses, such as Girard-Perregaux, which now produce honey locally. The Novara production site has also had four beehives on its rooftop since April 2018, to support urban biodiversity and combat the collapse of bee colonies. It produced 60 kilograms of honey in 2019.

The Houses are also developing their own training and awareness-raising actions on environmental issues, starting with the induction pathway laid out for all new employees. An onboarding process has been created for new hires to familiarize them with the brand universe and raise their awareness about its key sustainability initiatives. This is the case, for example, at Gucci, Bottega Veneta, and Kering Eyewear, as well as at Saint Laurent, thanks to its e-University internal training platform. This year, around 1,500 people participated in the House's questionnaire on sustainability. In 2019, Bottega Veneta also asked all of its teams and regions to set sustainability objectives, relating to their day-to-day activities, to be achieved by the end of the year. Part of the House's employee bonus is linked to the achievement of these objectives. In September 2019, Brioni launched its first online training course on sustainability. The aim is to share the Sustainability Strategy with all employees and provide insight into current and future initiatives. Pomellato organizes "Sustainability Breakfast Talks" at its offices in Milan to raise awareness of sustainability issues among the House's headquarters staff.

The internal newsletters regularly sent to Kering's logistics platform employees also include articles that highlight sustainability topics and relate them to the business operations under way. In late 2019, the logistics platform introduced quarterly discussion sessions with employees to enhance their awareness of sustainability issues, inform them about the initiatives and actions taken, and encourage the sharing of best practices. The first session held in 2019 was attended by 80 people and focused in particular on the use of plastics. Alexander McQueen also organized special workshops on sustainable design, raw materials and human rights during the year. These were attended by around 60 people, including designers, merchandisers, external speakers and representatives from the Materials Innovation Lab (MIL) and Kering's sustainability team. A workshop on circular design was also organized by Circular.Fashion, bringing together around 25 participants. Balenciaga decided to get its employees more involved in 2019 by organizing "Sustainability Days", dedicated to protecting the environment. For the first session, the House partnered with NGO Surfrider to organize two days

of collecting waste and raising awareness about plastic pollution in the world's oceans, in Normandy and Paris. Balenciaga also started organizing "masterclasses" in 2019, to sensitize employees to sustainability-related topics, such as ethics, human rights, inclusion, climate change and biodiversity. At Kering Eyewear, teams continued the Smart Worker Challenge launched in 2018. This series of around ten very short challenges enables the Company to promote environmentally friendly habits among its employees and at the same time collect data to help identify the main avenues for reducing its environmental impact. Some events are particularly conducive to creating a culture of sustainability, such as the ArtLab Expo organized by Gucci in November 2019, which enabled the House to communicate its CSR commitments to more than 1,300 employees. The event also gave Gucci the opportunity to organize a "projects and ideas" contest based on the three pillars of its strategy – people, product and process. More than 200 innovative proposals were submitted, of which three were selected for implementation.

Other brands focus more specifically on key business functions, addressing, for example, design, retail and merchandising teams to deliver key information on products and sustainability initiatives and to ensure effective reach-down of good practices, especially as regards efficient store management. This is the case at Saint Laurent, for example, where "Golden Rules" are distributed to the House's stores. These environmental guidelines were updated in 2019 to take into account new objectives, such as the gradual elimination of single-use plastics. In 2020, the "Golden Rules" will be included in a new mobile app, designed to help sales associates integrate sustainable practices into their daily work routine.

Kering Eyewear held two workshops on the Kering Standards in 2019, to present the Group's requirements to its production and supply chain teams. The Kering Standards were also shared with the IT and planning teams at events organized to foster team cohesion. The Watches Division conducted an awareness campaign in September 2019 for employees in its workshops and support services (quality, logistics, procurement, etc.). The topics covered included Kering's Sustainability Strategy and its Code of Ethics, as well as the upcoming RJC certification process. Gucci has distributed specific guidelines to key departments (stores, packaging, creative department, etc.) to raise awareness about sustainability issues in their professions. In 2019, the House updated its "Green Rules" – setting out the best practices to be implemented in such areas as water, energy, paper use, transportation and waste – and distributed them to all employees. Similarly, Alexander McQueen has added a sustainability section to the monthly newsletter it sends to its 80 store managers, and Balenciaga continues to circulate the Kering Standards among its design, merchandising, development and retail teams.

Training on reporting tools

To ensure consistent, standardized reporting practices across the Group, specific training is provided every year on the tools used for environmental reporting and the EP&L. The reporting guidelines or “handbooks” are updated annually and distributed throughout the Group in three languages, backed by a communication campaign via the corporate social network. The support documents are also accompanied by online training modules for all users.

Certification procedures

The number of Group sites for which certification is relevant is limited due to the nature of the Group’s activities. Thus, certifications related to the implementation of environmental management systems are sought primarily for the sites with the greatest environmental impact, such as large logistics centers and tanneries.

The number of Group sites for which ISO 14001 certification is relevant is limited due to the nature of the Group’s activities. Thus, certifications related to the implementation of environmental management systems are sought primarily for the sites with the greatest environmental impact, such as large logistics centers and tanneries.

By end-2019, all of the Group’s tanneries had received ISO 14001 certification. The Caravel, Blutonic and Luxury tanneries have been certified for several years. The Périers tannery in Normandy (France) recently moved to a new site, for which ISO 14001 certification was obtained in December 2019.

Some brands are upgrading their environmental certification to include ISO 14064, which is specific to the quantification and reduction of greenhouse gas (GHG) emissions. In addition, Gucci obtained ISO 20121 certification for sustainable event management in 2019 for its Guccio Gucci entity, and all of its Italian and outlet stores have received both SA8000 and ISO 45001 certification.

Entity	Site name	Activity	Certifications
Kering	LGI headquarters (Cadempino)	Offices	ISO 14001, SA8000, ISO 45001,
		Distribution	ISO 9001, ISO 28000, ISO 22301
	Bioggio platform	Distribution	ISO 14001, SA8000, ISO 45001,
			ISO 9001, ISO 28000, ISO 22301
	Stabio platform	Distribution	ISO 14001, SA8000, ISO 45001,
			ISO 9001, ISO 28000, ISO 22301
Kering	Sant’Antonino platform	Distribution	ISO 14001, SA8000, ISO 45001,
			ISO 9001, ISO 28000, ISO 22301
	Taverna platform	Distribution	ISO 14001, SA8000,
			ISO 45001, ISO 9001
Kering	Périers tannery Caravel	Tanning	ISO 14001
		Tanning	ISO 14001
Gucci	Casellina headquarters (Florence)	Offices	ISO 14001, SA8000, ISO 45001
	ArtLab (Florence)	Offices	ISO 14001, SA8000, ISO 45001
	Gucci 9 (Florence)	Offices	ISO 14001, SA8000, ISO 45001
	PhotoStudio (Florence)	Offices	ISO 14001, SA8000, ISO 45001
	Novara headquarters	Offices	SA8000
	Milan headquarters	Offices	SA8000
	Rome headquarters	Offices	SA8000
	Tigerflex	Production	ISO 14001, SA8000, ISO 45001
	Pigini	Production	OHSAS 18001
	GJP Milano	Production	OHSAS 18001
	Luxury Tannery	Tanning	ISO 14001, OHSAS 18001
	Blutonic	Tanning	ISO 14001, ISO 45001
	Casellina warehouse	Distribution	ISO 14001, SA8000
	BeeLogic	Distribution	SA8000
	Bottega Veneta	Altavilla Vicentina	Distribution
Montebello Vicentino		Offices/Production	ISO 14001, SA8000, ISO 14064
Vicenza		Production	ISO 14001, SA8000
Vigonza		Production	ISO 14001, SA8000
Milan headquarters		Offices	ISO 14064, SA8000

Managing the impact of fashion shows and other events

In 2019, Kering worked on developing an in-house charter to minimize the environmental impact of its brands' fashion shows, while allowing their Creative Directors to fulfill their artistic potential. The resulting "Green Fashion Shows" Charter was sent to all of the Group's Houses in July 2019 by the Chairman and Chief Executive Officer. The topics covered include governance, stakeholder relations, energy management, waste management, elimination of single-use plastics, food and transportation. Kering also participates in working groups on this topic, set up by fashion industry associations and non-profit organization Paris Good Fashion. In 2019, the Group's Houses worked with their production companies and other fashion show partners to implement the Charter's guidelines. At the end of the year, Kering verified the Charter's implementation, with the help of its audit teams.

Taking this commitment a step further, Gucci applied for and obtained ISO 20121 certification for sustainable event management for its Spring/Summer 2020 (SS20) show, which took place at the House's headquarters in Milan in September 2019. Gucci also pledged to offset all the emissions generated by the event by donating 2,000 trees (one per fashion show attendee) to Milan's Parco Nord. In the future, Gucci plans to extend this certification to all of the House's events: fashion shows, performances, concerts, cultural events, company parties, seminars and in-house meetings.

Saint Laurent is also working to minimize the environmental impact of its fashion shows. At the House's most recent show (SS20), held in September 2019, all the materials used were collected for recycling or reuse (primarily via a partnership with non-profit organization *La Réserve des Arts*), the energy consumed came from renewable sources (biofuels and green electricity), and no single-use plastics were allowed. The stage was reused during a support concert for breast cancer awareness month and for a TV program about the Eiffel Tower's 130th anniversary.

Balenciaga's efforts to minimize the overall impact of its September 2019 fashion show (SS20) included initiatives in the following areas: waste reduction and sorting; measures to eliminate single-use plastics; the use of compostable cups and plates; the reuse or recovery of stage materials; the reduction and optimization of transportation for materials, merchandise and employees; and carbon offsetting for the entire show via support for a reforestation project.

Reporting process and indicators

To accurately measure the environmental footprint of its activities, Kering has undertaken environmental reporting based on around 100 indicators every year since 2004. Representative of the environmental impacts of the Group's Houses, these indicators fall into eight categories: energy consumption, water consumption, water pollution, management of environmental risks, goods transportation, business travel, waste production and use of raw materials.

Since 2014, energy consumption at stores has been monitored more closely using the NUS energy invoice tracking system, which inputs month-by-month consumption figures directly into the environmental reporting system, thus avoiding data entry errors, cutting out the need for possibly inaccurate estimates, and enabling rapid reaction to shortfall from consumption targets. By the end of 2019, 581 stores had been hooked up to the NUS tracking system. Working from the NUS data input, Kering has established a store energy performance ranking enabling brands to pinpoint the most energy-intensive sites in order to help them prioritize energy efficiency solutions.

In order to track the actual environmental performance of its operations as closely as possible, Kering's environmental reporting system is designed to cover all the Group's business units, with the aim of gathering actual data from its 1,641 sites around the globe. The methodology set out in the reporting protocol, however, allows the Group to estimate some data. To track changes reliably from one year to the next, several consolidated indicators are presented on a *pro forma* basis in this report. This method eliminates changes in scope by only taking into account sites present over three consecutive years.

To improve the distribution of support documents to all participants in the reporting process, a group has been created on the corporate social network, enabling members to gain easier access to the content available and to ask questions or share best practices in the area of environmental reporting.

A methodological note provides all necessary information regarding the environmental reporting protocol, emission factors and rules for using estimated or extrapolated data. It is available on Kering's website, under Sustainability (Methodological Note Environmental Reporting, 2019).

3.2.2 Environmental footprint of Group operations in 2019

3.2.2.1 Measurement and reduction of the carbon footprint of our operations

Kering's climate strategy (see "Environmental management") goes beyond the regulatory measurement of its carbon footprint to include an annual analysis of the entire value chain, from cradle to gate, via the EP&L approach (see "EP&L: Environmental Profit & Loss account"), which guides and validates the Group's strategic decisions.

The Group helps address the impacts of climate change in various ways:

- by directly reducing the carbon footprint associated with its energy consumption and the transportation of people and goods;
- from a longer-term perspective, by evaluating and reducing emissions of greenhouse gases in its supply chain, especially by using the EP&L analysis implemented by the Group for all its Houses;
- by offsetting the emissions generated by all of the Group's activities (Scopes 1 and 2) and its supply chain (Scope 3) via REDD+ projects that help protect critical forests and safeguard biodiversity.

In 2012, when adopting the EP&L approach, Kering first had to determine the scope of its business activities, as well as their upstream and downstream impacts. Comprehensive analysis at the time clearly indicated a very strong predominance of upstream impacts, especially in terms of greenhouse gas emissions:

- unlike many consumer goods, Kering brand products (leather goods, ready-to-wear, shoes, watches and jewelry, and eyewear) generate little or no greenhouse gases in use;
- because of their quality, luxury goods have a much longer lifespan than consumer goods on average;
- lifecycle analyses available for the textile sector show a split of around 80%/20% between upstream phases (production of raw materials, transformation, assembly) and downstream phases (usage and end-of-life);
- there is as yet no reliable database characterizing the product usage and disposal practices of luxury goods customers (frequency and type of washing, maintenance, second-hand market, etc.).

In light of this last observation and with a view to taking into account these product usage and disposal phases, Kering surveyed more than 3,000 luxury goods customers in six countries in 2019. Covering four product categories, the survey provided insight into the purchasing habits of luxury market customers, as well as the way they care for and discard products. The next step is to map and measure the environmental data collected during the survey. This will enable Kering to estimate the impacts associated with the product usage and disposal phases, and to integrate them into its EP&L, starting in 2020.

Even though the majority of its EP&L impact lies in its supply chains, Kering nonetheless takes an interest in the impact of the various sites over which it has the most control (Tier 0), which are its operations and represent 11% of its EP&L.

As a result, the 2018 EP&L, which was published in 2019, showed a reduction in the environmental impact of the Group's operations. This is a particularly encouraging performance given the strong growth in revenue and therefore business volumes recorded by Kering between 2017 and 2018.

In addition, at the level of the Group's operations (Tier 0 in the EP&L), the Group's carbon intensity (CEP&L/k€ revenue) declined by 27% between 2015 and 2018. This progress is notably the product of the energy efficiency measures undertaken at stores, offices and industrial sites by Kering and its Houses. Kering's ongoing efforts in this area, together with its strategy of purchasing green electricity, should enable it to maintain this positive performance in the coming years, in line with the trajectory defined by Kering on the basis of the Science Based Targets initiative.

The transportation and energy emission factors taken for carbon reporting on the Group's operations (as set out hereafter) include Scope 3 items for upstream phases (extraction, refining, transportation, electricity line losses, etc.).

Carbon footprint of Group operations

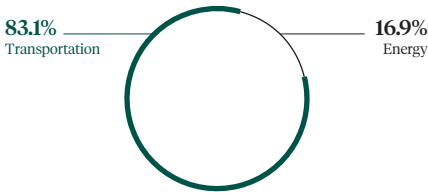
Energy consumption and the transportation of goods and people are the two main sources of the Group's CO₂ emissions. Total emissions for 2019 came in at 232,454 metric tons of CO₂.

The emission factors used to calculate the carbon footprint include allowance for the territories in which the Group operates, and for the energy mixes in different countries. An update will be organized every five years, but an analytical review is nevertheless conducted annually to take into account any material developments.

Details of the emission factors used are set out in the methodological note on environmental reporting for 2019, which is available on the Group's website.

The Scope 2 emission figures relating to electricity are obtained using a market-based methodology, giving specific attention to the proportion of electricity from renewable sources.

Breakdown of total transportation and energy-related CO₂ emissions in 2019



Total: 232,454 metric tons of CO₂

The proportion of transportation-related as opposed to energy-related emissions rose from 78.9% in 2018 to 83.1% in 2019. This is explained chiefly by the increase in goods transportation, consistent with the increase in the Group's

business volumes, and secondly by the reduction in energy-related CO₂ emissions due to increased use of renewable energy.

Energy consumption and related CO₂ emissions

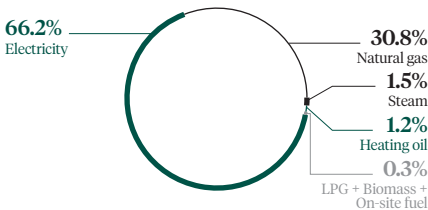
Energy-related emissions

The Group uses the energy consumption indicators listed below to assess its energy use and related greenhouse gas emissions, both direct (Scope 1 of the GHG Protocol: burning of natural gas and heating oil and consumption of vehicle fuel on site and LPG) and indirect (Scopes 2 and 3 of the GHG Protocol: electricity and steam production, line losses, upstream production phase of energy fuels and treatment of waste generated by electricity production).

Energy consumption and related CO₂ emissions in 2019

	Energy consumption (MWh)	Related CO ₂ emissions (metric tons of CO ₂)
Electricity	231,135	25,992
Natural gas	51,003	12,116
Heating oil	1,398	453
Steam	3,057	617
LPG	83	23
Fuel for transportation and on-site handling	308	80
Biomass	1,038	-
TOTAL ENERGY	288,022	39,281

Breakdown of energy-related CO₂ emissions in 2019



Total: 39,281 metric tons of CO₂

The Kering group's energy consumption relates mainly to the heating, lighting and air conditioning of stores, warehouses and offices. In 2019, it amounted to 288 GWh. Electricity is the Group's main source of power, representing 80% of total energy consumption, a relatively stable reading compared with 2018.

CO₂ emissions related to the Group's energy consumption in 2019 totaled 39,281 metric tons. Some 66% of the emissions resulted from electricity generation. This means that they are indirect emissions relating to the amount of electricity consumed, but also to its mode of generation (coal, hydrocarbon, nuclear, renewable, etc.).

Pro forma year-on-year change in energy consumption (MWh) and related CO₂ emissions (in metric tons)

	2017-2019 pro forma scope			Year-on-year 2017/2019
	2019	2018	2017	
Electricity (MWh)	179,906	175,606	176,798	+1.8%
<i>of which electricity from renewable sources</i>	150,638	117,126	63,600	+136.9%
Natural gas (MWh)	45,624	44,437	40,505	+12.6%
Heating oil (MWh)	841	969	951	-11.5%
Steam (MWh)	1,933	1,878	1,656	+16.7%
LPG (MWh)	83	76	68	+22.4%
Fuel for transportation and on-site handling	308	257	258	+19.5%
Biomass (MWh)	1,038	756	842	+23.3%
Total energy (MWh)	229,734	223,978	221,078	+3.9%
<i>of which energy from renewable sources</i>	<i>151,676</i>	<i>117,882</i>	<i>64,442</i>	<i>+135.4%</i>
Direct emissions (Scope 1) (metric tons of CO ₂)	9,657	9,440	9,935	+8.1%
Indirect emissions (Scopes 2 and 3) (metric tons of CO ₂)	24,522	37,891	83,155	-70.5%
TOTAL ENERGY-RELATED EMISSIONS (metric tons of CO₂)	34,179	47,331	92,090	-62.9%

On a pro forma basis, the Group's energy consumption increased by 3.9% from 221 GWh in 2017 to 229 GWh in 2019. The increase was nevertheless modest given the size of the Group's business volumes in 2019, notably thanks to a 1.2% reduction in energy use by the Group's stores between 2017 and 2019, and a 16.1% reduction for its warehouses.

CO₂ emissions from energy consumption fell by 62.9% between 2017 and 2019 as a result of a significant transfer of conventional electricity to renewable electricity (136.9%), thanks to sizable purchases of renewable energy certificates during 2019 in 36 countries.

Measures to improve the energy efficiency of Kering's operations

Managing stores' energy performance centrally

In 2011, the Group's Sustainability Department and the Indirect Purchasing Department launched a partnership with NUS Consulting and all of the Houses. In 2012, this vast power management project resulted in the establishment of a more accurate energy-consumption monitoring system. The brands can now access monthly consumption data for their sites on the IT platform. In 2019, 731 Group sites, excluding shop-in-shops and stores in shopping centers, were covered in Europe, the United States and Asia, representing 79.5% of all sites eligible for the system. The project also covers:

- streamlining the energy procurement process by pooling and consolidating energy consumption;
- increasing the use of renewable energy;
- centralizing energy procurement management.

The project has generated tangible energy savings and reduced costs for the Group's Houses.

Minimizing energy use and measuring energy efficiency improvements

The Group takes two main types of measures to optimize the energy efficiency of its sites:

Systematically obtaining recognized, high-level certification for new sites renovated by Kering.

Certification is therefore being sought for all of the new sites targeted by Kering's Real Estate teams in 2019. LEED (Gold and Platinum level) is the preferred certification system selected by the Group, but other certifications, like HQE and BREEAM, are also sought for projects where they are particularly relevant. Optimized energy performance, the use of renewable energies and other energy-conservation criteria are critical to obtaining green building certifications. Following the BREEAM and HQE certifications obtained in 2016 for the offices occupied by Kering and Balenciaga at 40 rue de Sèvres in Paris, other Group sites have also been certified, including the offices of Kering Milan in 2017 and of Kering Hong Kong in 2018. Other certification processes (initial certification or renewal) are under way for many other sites. This was notably the case in 2019 for the Group's new logistics site in Italy. To help the Houses in their efforts to certify a significant number of sites, Kering set up master agreements in 2019 with four companies that handle LEED, BREEAM and HQE certifications worldwide.

The Houses are also increasingly implementing certification for their sites and stores. Gucci, for example, had 16 stores and three office buildings with LEED certification in 2019 and had launched the LEED certification process for around ten more stores during 2018. Balenciaga obtained LEED certification for eight more of its stores in 2019, including a store certified to Platinum level for the first time in Hong Kong. Saint Laurent continued its certification drive in 2019, obtaining LEED Platinum certification for three new stores, Westfield Sydney in Australia and China World Beijing and IFC Shanghai in China, bringing the number of Saint Laurent stores worldwide with LEED Platinum certification to ten. Saint Laurent's headquarters

on rue de Bellechasse in Paris are certified HQE “Excellent” for their compliance with the highest environmental standards. The House is also working to extend certification of its shoe-making workshop in Vigonza, Italy, which was certified for the first time in 2017. Kering Eyewear obtained LEED certification for its warehouse in Vescovana in 2019, and its plant in Sucy-en-Brie is powered by solar panels and geothermal energy. The new Alexander McQueen store in London will receive LEED Platinum certification in early 2020. The House’s planning team is in constant contact with a LEED consultant to ensure the certification of all new stores. The Boucheron boutique opened on Place Vendôme following renovations is currently in the process of obtaining BREEAM certification.

Bottega Veneta’s workshop in Montebello, Italy obtained the highest level of LEED certification (Platinum) back in March 2014, in the new building and major renovation category. It was the first company of its kind to obtain this certification, setting an example to be followed across the luxury industry. Since then, a comprehensive energy audit carried out at the Montebello site brought to light high levels of energy consumption. The House therefore invested in 2019 to implement the suggested improvements, which related to one of the building’s facades and to the technical settings on the site’s heat pump and heating distribution system. With these improvements, Bottega Veneta hopes to reduce the site’s overall energy use by 2%.

Agreeing on a Group-wide standard for stores.

Kering has been working with the Houses since 2017 to develop a “Standard for Stores” that sets out expected performance levels in 11 key areas. These include energy management, lighting, renewable energy, water use and waste treatment. The Standards cover all phases in a building’s lifecycle, namely site selection and relations with the lessor, design, construction or renovation, and operation. In 2018, the “Standard for Stores” was submitted for an external peer review by academic and engineering experts and NGOs, which helped improve its ambitions and operability. A test phase has been conducted at 15 Group stores for the renovation aspects and 38 stores for the operation aspects.

Energy optimization efforts continued in 2019 thanks to the installation of low energy lighting and the implementation of a monitoring system.

Ulysse Nardin has signed up to the Swiss Energy Agency’s energy conservation program, and met its energy consumption reduction targets several years ahead of schedule at the Le Locle and La Chaux-de-Fonds sites. In the same way, Girard-Perregaux has continued to roll out its energy conservation program with the Swiss Energy Agency. In 2019, all sites were using green electricity and replacing neon lights with LEDs. At the House’s Numa-Droz site, the heating and air conditioning system was also renovated and replaced.

Lastly, LED technology – a source of significant energy savings (up to 90% on lighting) – continued to be rolled out by all of the Group’s Houses, with close to 100% deployment in store sales areas, where the most light fittings are concentrated. This practice is part of the Kering Standards and also a criterion for obtaining environmental certifications such as LEED, BREEAM and HQE.

Favoring renewable energy by producing it on site or purchasing renewable energy certificates

The proportion of renewable electricity used within the Group increased overall between 2017 and 2019 on a *pro forma* basis, thanks to increased on-site production of renewable energy and the numerous green energy contracts implemented by the brands with the Group’s support. It amounted to 84.8% in 2019, compared with 36.3% in 2017, based on consolidation scope.

For many years, Kering has encouraged the signature of agreements to purchase locally produced green electricity, for all sites that pay their power invoices directly and whenever the local electricity market allows. For regions where this practice is not possible, Kering uses Energy Attribute Certificates. In addition, to speed up the energy transition in its host countries, Kering only purchases certificates from solar or wind power production facilities that are new or relatively recent (less than ten years old). In 2019, the Group purchased green certificates for various countries in order to cover 100% of its energy consumption in those areas. The certificates break down as follows:

- RECs (Renewable Energy Certificates): USA, Canada, Guam and Porto Rico;
- iRECs (international Renewable Energy Certificates): China, Hong Kong, Macao, Brazil, India, Malaysia, Mexico, Panama, Singapore, South Africa, Thailand, Turkey, United Arab Emirates and Vietnam;
- GOs (Guarantees of Origin): Germany, Aruba, Austria, Belgium, Spain, France, Greece, the Netherlands, Hungary, Ireland, Italy, Luxembourg, Monaco, Czech Republic, Romania, the United Kingdom, Serbia and Switzerland.

As a result, electricity consumption is 100% renewable in 36 countries and 84.8% renewable across the Group (up 48 points versus 2017). In Europe, 100% of the electricity consumed is generated using renewable resources.

The Group’s Houses have also undertaken to increase their use of renewable energy, especially green electricity. For all Gucci sites, the share of renewable electricity reached 82% in 2019. It was 81% for Bottega Veneta sites, 87% for Saint Laurent, 74% for Balenciaga, 91% for Alexander McQueen, 95% for Brioni, 99% for Kering Eyewear and 97% for Pomellato. In 2019, Girard-Perregaux once again opted exclusively for green hydroelectricity at its Swiss sites, which represent over 91% of its total consumption. Similarly, Ulysse Nardin has been using close to 100% of locally generated green hydroelectricity at its Le Locle and La Chaux-de-Fonds production sites since 2017.

On top of external purchases, the brands have been boosting their reliance on renewable energy, for example by installing solar panels. Some brands have already installed solar equipment on the roofs of their buildings, including a warehouse in the United States and three Bottega Veneta sites in Italy. The solar panels supply between 2% and 4% of each site's power needs. Saint Laurent also fitted solar panels to the roof of its Beverly Hills store in 2015 and at its shoe workshop in Vigonza, Italy, in 2017. In 2018, Brioni installed new photovoltaic panels on its workshop in Montebello, which are used to heat water for the site's locker rooms and restrooms. Kering Eyewear has increased its portion of renewable energy produced on site, following the installation in 2017 of a wind turbine that helps power parking lot lighting at its Padua headquarters in Italy. The turbine can produce up to 4,300 kWh per year. The plant in Sucy-en-Brie, France, also uses renewables, primarily geothermal and solar power, thanks to solar panels and heat transfer fluids. The LEED-certified warehouse in Vescovana, Italy, has also been fitted with solar panels, representing 15kw of power.

Since September 2014, the C. Mendès ready-to-wear workshop in Angers, France, which belongs to Saint Laurent, has used biomass rather than gas to meet its heating requirements, and since November 2015, using green energy has significantly reduced the site's carbon footprint. In Paris, three Saint Laurent flagship stores and the new headquarters on rue de Bellechasse are all fitted with the Climespace air conditioning system. This urban cooling system uses water from the River Seine to cool buildings, thereby reducing electricity consumption and CO₂ emissions compared to conventional air conditioning systems.

Offsetting residual greenhouse gas emissions via carbon offset projects

Carbon offset projects

As defined in 2012 as part of its sustainability targets, Kering continues to offset its residual Scope 1 and 2 greenhouse gas emissions. In 2019, Kering decided to take its long-term commitment to sustainability a step further by offsetting all residual annual emissions across the entire value chain, to supplement the measures already taken to avoid and reduce them. As a result, Kering offset 2.4 million metric tons of CO₂ emissions in 2019. Carbon credits have been obtained through the provision of support for several REDD+ (Reducing Emissions from Deforestation and Forest Degradation) programs, with VCS (Verified Carbon Standard) verification. Not only does this generate carbon credits, it also provides substantial support for local populations and biodiversity (see "Land use and protection of biodiversity").

Gucci also offset residual greenhouse gas emissions for the entire value chain (Scopes 1, 2 and 3) via four REDD+

projects that support the conservation of the world's forests. Just like Kering, Gucci has established a carbon neutrality strategy that gives priority to avoiding and reducing emissions and uses carbon offsetting as a last resort. The House has therefore implemented a series of initiatives that include sourcing alternative and sustainable materials and enhancing production efficiency. These initiatives have already produced promising results, avoiding around 440,125 metric tons of CO₂ emissions in 2018. To get as many businesses as possible involved in tackling climate change, Gucci's CEO launched a challenge to his peers in all industries to encourage them to implement a corporate climate strategy. To meet the CEO Carbon Neutral Challenge, companies must avoid, reduce and, as a last resort, offset all emissions generated by their value chain, thanks to nature-based solutions that help protect the world's critical ecosystems.

Bottega Veneta has been measuring and offsetting the CO₂ emissions generated by its offices in Milan since 2011, as part of its ISO 14064 certification. The House has also certified its Montebello Vicentino workshop since 2015, based on the emissions generated in 2014. A more accurate analysis was carried out in 2019 on the site's 2018 emissions. In total, emissions from the Milan offices and the Montebello workshop represented 1,248.8 metric tons of CO₂ in 2018, representing a 13% reduction from 2017. All CO₂ emissions (Scopes 1 to 3) have been offset by Kering since 2018.

Transportation-related emissions

Methodology

Transportation-related data collected under the reporting system is divided into three main categories:

- B2B transportation: this includes all transportation of goods paid for by the brands between suppliers and logistics platforms or industrial sites, and between logistics centers and points of sale. The transportation of goods between logistics centers also falls into this category. B2B transportation includes road, rail, sea and air freight. Express transportation includes goods delivered by express transportation service providers via road and air freight;
- B2C transportation: this covers all deliveries of finished products between logistics platforms or points of sale and customers. These deliveries can be carried out either by the brands' own fleets or by subcontractors' vehicles. As with B2B, only transportation that is paid for by the brands is taken into account. B2C transportation includes road freight but is relatively insignificant for the Group;
- business travel: this covers business air travel and the use of company cars.

The emission factors used in the reporting process are derived from internationally recognized public sources (academic establishments or institutions) and were updated in 2016 on the basis of new editions of these sources. A review is also conducted every year so that emission factors can be updated if there have been any significant changes. These emission factors are also aligned with those used for the EP&L. Full details on the methods used are available in the methodological note on environmental reporting, which is available on the Group's website.

Work was also initiated in 2016 on the methodology for calculating CO₂ emissions from B2B transportation so as to more accurately reflect the improvements and optimization work carried out by the Group's brands and logistics platforms. This approach was continued in 2019 to include all B2B carriers, allowing the use of their reporting of CO₂ emissions to provide a clearer picture of emissions from different transportation flows. The carbon data reported by each supplier are scrupulously analyzed against the European standard EN 16258 to ensure consistency with the Group's reporting process. Particular attention is paid to the inclusion of upstream Scope 3 ("well-to-wheel") emissions.

Emissions related to transportation and travel

Transportation- and business travel-related CO₂ emissions in 2019 (in metric tons of CO₂)

	2019
B2B transportation	153,402
B2C transportation	27
Business travel	39,744
TOTAL	193,173

In 2019, the Group's transportation- and business travel-related CO₂ emissions totaled 193,173 metric tons. B2B transportation accounted for 79% of these emissions.

B2B transportation volumes in 2019 and related CO₂ emissions

Kering uses road transportation to carry its products from workshops to distribution warehouses and from warehouses to outlets. Air transportation is also used frequently to move goods quickly to far-off destinations.

	Total 2019 (in t/km)	Related CO ₂ emissions (metric tons of CO ₂)
Road freight	34,451,474	6,641
Sea freight	25,171,210	205
Air freight	190,374,889	129,278
Rail freight	141,685	8
Express air delivery	21,590,648	16,619
Express road delivery	3,841,522	651
TOTAL EMISSIONS		153,402

Pro forma change vs. 2017 in CO₂ emissions from B2B transportation (in metric tons of CO₂)

	2019-2017 pro forma scope			Change vs. 2017
	2019	2018	2017	
Road freight	6,641	6,246	3,990	+66.4%
Sea freight	205	71	52	+293.4%
Air freight	129,278	120,264	69,690	+85.5%
Rail freight	8	5	-	
Express air delivery	16,619	18,497	22,901	-27.4%
Express road delivery	651	700	3,094	-78.9%
TOTAL EMISSIONS	153,402	145,783	99,727	+53.8%

The Group's *pro forma* B2B transportation emissions increased by 54% between 2017 and 2019. The change chiefly reflects significant business growth, particularly between 2017 and 2018, with a smaller increase in

emissions between 2018 and 2019 due to shorter distances between the Group's distribution centers and its production sites and markets.

B2C transportation-related CO₂ emissions in 2019 and *pro forma* change vs. 2017 (in metric tons of CO₂)

	Related CO ₂ emissions (metric tons of CO ₂) in 2019	2019-2017 <i>pro forma</i> scope			Change vs. 2017
		2019	2018	2017	
B2C – own vehicle fleets	25	17	24	1	+1,600.0%
B2C – subcontractors' vehicles	2	2	2	24	-91.7%
TOTAL	27	19	26	25	-24.0%

CO₂ emissions from B2C transportation totaled 27 metric tons in 2019. On a *pro forma* basis, B2C transportation emissions fell 24%, albeit across a very limited scope on all transportation-related emissions (a new vehicle). In 2018, there had been a shift from "B2C subcontractors' vehicles" to "B2C own vehicle fleets", thanks to the acquisition of an additional vehicle enabling the Group to make client deliveries.

Business travel

CO₂ emissions from business travel in 2019 and *pro forma* change vs. 2017 (in metric tons of CO₂)

	Related CO ₂ emissions (metric tons of CO ₂) in 2019	2019-2017 <i>pro forma</i> scope			Change vs. 2017
		2019	2018	2017	
Business air travel	32,181	32,181	33,078	27,220	+18.2%
Company cars	7,563	5,756	3,868	4,455	+29.2%
TOTAL	39,744	37,937	36,946	31,675	+19.8%

CO₂ emissions associated with employee business travel amounted to 39,744 metric tons in 2019. On a *pro forma* basis, emissions increased by 20% over three years. The increase is partly attributable to business growth, which generates increased travel, and to growth in Kering Corporate teams worldwide. It should be noted, however, that air travel declined by nearly 3% between 2018 and 2019.

To limit the impact of travel by the employees of Kering and its Houses on the Group's carbon footprint, some Houses factor environmental criteria into the selection of company cars. Bottega Veneta, for instance, is renewing its fleet with the inclusion of hybrid vehicles. Of 158 company cars, 71 – or 45% of the fleet – are hybrids or electric vehicles. Kering Eyewear has also integrated hybrid and electric vehicles into its fleet, and Boucheron's car fleet for senior managers includes electric models. Moreover, the Novara production site in Italy has for several years offered a fleet of shared vehicles. Gucci has also upheld its commitment to replace vehicles at its headquarters with more efficient models. In 2018, its fleet contained 72 hybrid cars, up from 52 in 2017, plus three electric vehicles. Similarly, Kering Corporate updated its company car catalogue in 2018, removing all diesel models and expanding the range of hybrid vehicles, which now make up two-thirds of the catalogue. Sustainability was also one of the key criteria used during Kering Italia's tender process for its corporate vehicle fleet, to select both the supplier and the models to be included. At its new

headquarters on rue de Bellechasse in Paris, Saint Laurent promotes mobility solutions with a low environmental impact. The House's logistics fleet is made up exclusively of electric vehicles and employees are encouraged to use the city's public transportation network.

A joint car-pooling initiative was launched in Italy during 2019, between certain House and Group sites. The aim is to reduce transportation-related emissions by encouraging employees to share their daily commute and the associated costs. 2019 also saw Gucci extend its car-pooling program, launched in 2018, to other sites and even other Group Houses. Similarly, Bottega Veneta joined an initiative in 2019 to facilitate and promote car-pooling among its Milan and Montebello office employees.

The Houses also encourage the use of public transportation to reduce CO₂ emissions arising from personnel travel. Bottega Veneta, for example, provides employees with a free shuttle service linking its Milan and Montebello sites with public transportation networks. Girard-Perregaux has approved a project to subscribe to electric bicycle-sharing services near its La Chaux-de-Fonds and Le Locle sites in Switzerland. The project will be implemented in Spring 2020. Pomellato has installed bicycle garages and introduced a shuttle bus to encourage its employees to use the metro. At its headquarters in Paris, Saint Laurent has a fleet of electric bicycles that employees can use free of charge during working hours.

Optimizing logistics flows and switching to alternative means of transportation

Goods transportation represents a significant part of the Group's CO₂ emissions, which is why Kering works closely with its logistics platforms, its Houses and its carriers to reduce the distances covered during supply and delivery, to optimize truck load factors and the environmental and technical performance of truck fleets, and to develop alternative means of transportation aimed at reducing the Group's CO₂ footprint.

Kering's Logistics Division focused in 2019 on identifying potential improvement avenues in terms of measurement and monitoring and on the initiatives to be implemented to reduce the environmental impact of transportation. The results confirm the need to establish ongoing dialogue with all transportation companies to obtain quality data and determine the most environmentally responsible solutions, in terms of routes, fleets and timing. To reduce the carbon footprint, negotiations with service providers take into account both costs and environmental performances, with standards (such as the maximum average emission factor for aircraft) clearly set out in service agreements.

Building on the work begun in 2016, the joint initiatives carried out with transportation companies in 2019 focused in particular on integrating green solutions for last-mile deliveries in major European cities. To support the Houses in their assessment of changes to transportation methods or the use of effective alternatives, the Group continues to look closely at environmental impact. The carbon footprint of all freight companies was mapped in 2019. Data on air freight emissions was collected and consolidated using a standardized approach compliant with European standard EN 16258.

Road freight accounts for a minimal portion of the total carbon footprint associated with transportation. However, it also generates negative externalities and societal costs. The transportation department therefore continues to select more environmentally responsible vehicles for its logistics needs, particularly for last-mile deliveries.

In Paris, all daily shuttles between Saint Laurent stores are carried out by electric vehicle. Charging stations have been installed at the brand's headquarters in the French capital.

Emissions testing in accordance with Scopes 1, 2 and 3

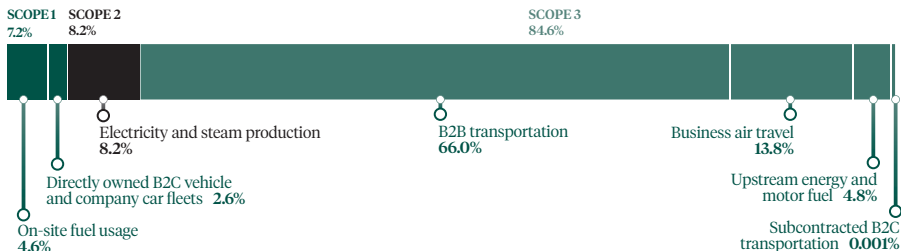
CO₂ emissions by Scope as per the GHG Protocol in 2019 (in metric tons of CO₂)

Scope 1	16,715
Scope 2	19,005
Scope 3	196,734
TOTAL	232,454

The GHG Protocol defines three operational Scopes in respect to greenhouse gas emissions. To facilitate clarity, Kering publishes its emissions as follows:

- Scope 1 refers to direct emissions attributable to on-site fuel usage and the fuel consumed by Kering's directly owned B2C vehicle and company car fleets;
- Scope 2 refers to indirect emissions resulting from electricity and steam production;
- Scope 3 refers to emissions resulting from goods transported by subcontractors (all B2B deliveries and nearly all B2C deliveries) and from most employee air travel, the production of energy fuels (upstream energy and petrol) and line losses.

Breakdown of CO₂ emissions in 2019



In 2019, 7.2% of the Kering group's CO₂ emissions were under its direct control. Consumption of electricity and steam now accounts for just 8.2% of CO₂ emissions. The more-than-50% reduction reflects the significant efforts made by the Group to purchase green electricity (with a certificate guaranteeing its source) and to increase the use of renewable energies at its industrial sites and warehouses. The increase in the largest portion of emissions, which are those not under the Group's control (Scope 3), reflects

growth in the Group's business and the wider geographic distribution of its sales. Taking a proactive approach, Kering is working closely with its transportation service providers and taking steps to optimize logistics flows (by using full containers, minimizing trips and moving distribution sites closer to production sites, for example), and increasing the use of cleaner means of transportation in terms of CO₂ as a way of reducing its carbon footprint.

Pro forma change vs. 2017 in CO₂ emissions (in metric tons)

	2019-2017 pro forma scope			Change vs. 2017
	2019	2018	2017	
Scope 1	14,287	12,567	12,486	+14.4%
Scope 2	16,417	27,906	67,864	-75.8%
Scope 3	194,832	189,614	143,167	+36.1%
	225,536	230,087	223,517	+0.9%

On a *pro forma* basis over three years, overall emissions across the Kering group rose by 0.9% due to increases in B2B transportation (Scope 3) and Scope 1 emissions, driven by the Group's significant growth and by higher natural gas consumption. Scope 2 emissions fell by 75.8%,

due to increased use of electricity from renewable sources. Between 2018 and 2019, CO₂ emissions decreased by 2%, reflecting a limited increase in Scope 3 emissions and optimized product distribution and logistics, as well as a significant reduction in Scope 2 emissions.

Group carbon intensity over three years

	2019	2018	2017	Change vs. 2017
Group CO ₂ emissions/Group revenue	14.63	18.72	22.05	-33.6%
CO ₂ emissions relating to store energy consumption/store surface area	0.05	0.08	0.07	-28.4%

The reduction in carbon intensity (CO₂ emissions in relation to revenue) of nearly 34% over three years shows that the Kering group is well on track to achieving the ambitious objectives in its 2025 strategy. In particular, the sharp

decline in CO₂ emissions per unit of store surface area reflects the Group's rapid transition to a renewables-oriented energy and electricity mix.

3.2.2.2 Water consumption and wastewater discharges

Kering's water consumption

Across the Group, 61% of water consumed is used for domestic purposes (store cleaning, restrooms, air conditioning, etc.) and 39% for industrial purposes. The Group's industrial water consumption is primarily attributable to its tanneries, none of which is located in water-stressed zones.

Moreover, Kering is applying its EP&L approach to conduct an innovative review of responsible water management across its entire production chain. Indirect water consumption linked to the use of agricultural raw materials such as cotton is a serious environmental concern.

Water consumption in 2019 and *pro forma* change vs. 2017 (in cu.m)

	Consumption in 2019	2019-2017 <i>pro forma</i> scope			Change vs. 2017
		2019	2018	2017	
Industrial water	339,760	339,760	338,248	266,674	+27.4%
Non-industrial water	541,062	435,673	435,019	467,809	-6.9%
TOTAL WATER	880,822	775,433	773,267	734,483	+5.6%

In 2019, Kering's water consumption amounted to approximately 880,822 cu.m. On a *pro forma* basis, total water consumption increased by 5.6% between 2017 and 2019, largely due to a 27.4% increase in industrial water consumption driven by continued growth in business volumes on certain industrial sites owned by the Group. Water used for sanitation fell by 6.9%.

Policies and initiatives for reducing water consumption and management of wastewater

Given the nature of Kering's operations, the direct environmental impact of its water consumption is not significant. However, the Houses still work tirelessly to come up with innovative tanning processes that eliminate heavy metals and use less water. As a result, water consumption intensity (cubic meters of industrial water consumed/Group revenue) declined by 22.8% between 2017 and 2019.

Gucci's Scrap-Less initiative enables the House to only treat the leather needed for product fabrication. The unused sections are cut away before tanning, thereby reducing the amount of chemicals and water used during the tanning process. Since its launch, the initiative has resulted in a cumulative reduction in Gucci's water consumption of more than 16 million liters for 2018 and 2019.

At Bottega Veneta's Montebello site, rainwater is collected for use on the gardens and in the site's fountains, reducing the House's water consumption and helping it obtain LEED certification. Aerators have been fitted to faucets at various sites, resulting in a water saving of around 30%. At the Milan site, rainwater collection is supplemented by the recovery of used water from the air conditioning system, resulting in higher volumes of water collected, as well as energy recovery.

At its new warehouse in Vescovana, Kering Eyewear collects and filters rainwater for use in the site's lavatories and on its lawns.

Though the water discharge impact from Kering's directly owned operations is not significant by itself, discharge from textile and leather industry production facilities can have a more significant environmental impact, especially as regards chemical pollutants. For this reason, water pollution is one of the six environmental impacts covered by the Kering EP&L. Because of the large amounts of water used by tanneries, special wastewater treatment measures are required. Each tannery has its own on-site wastewater treatment plant. As a result, 100% of the wastewater from Group tanneries, as well as the Kering Eyewear plant, is pre-treated on site before continuing the wastewater treatment process. The Group's two Italian tanneries pre-treat their wastewater at their on-site plants and send the output, which contains chrome, to a special treatment plant used by several other tanneries, which purifies the water and recovers the chrome. The Group's other two tanneries have treatment plants that use sedimentation and physicochemical and biological treatment techniques. To ensure compliance with local wastewater legislation, analyses are regularly carried out at each tannery and the results continuously monitored. If any anomalies are recorded, dedicated procedures and action plans are put in place and, where applicable, described in the ISO 14001-certified environmental management system. Each tannery communicates monitoring data via the Group's environmental reporting system.

The percentage of wastewater pre-treated on site for all of the Group's industrial sites is 99.99% and the percentage of water discharged by the Group is 98.3%.

Water management is an integral part of the Kering Standards published in early 2018, which set out guidelines for the Group's main manufacturing processes (tanning, textile processing and leather goods manufacturing).

3.2.2.3 More sustainable packaging

Packaging challenges in the luxury industry

A significant amount of cardboard, paper and plastic packaging is used to protect and transport products sold in stores or online. The use of this packaging relates directly to the Group's business. To limit the environmental impact of its packaging, Kering and its Houses make every effort to opt for the most sustainable solutions available. They also carry out initiatives aimed at reducing the use of packaging while maintaining an optimal level of protection for the goods manufactured. The Couture and Leather Goods Division's multi-brand logistics platform also aims to reduce packaging volumes used for product delivery worldwide. It works with the Houses to optimize capacity and track the performance of packaging used for B2B transportation. It also ensures compliance with the Kering Standards in this regard. In addition, new machines have been installed in the Group's warehouses to provide made-to-measure packaging for orders of one or two items,

reducing both packaging volumes and cardboard use. Warehouse employees are taught not only how to package goods correctly, according to the Houses' requirements, but also how to choose the best solution in terms of packaging volumes.

In September 2019, a workshop on plastic packaging was held at the logistics platform, bringing together employees from Group and House Sustainability, marketing, logistics and packaging teams, as well as external speakers. Research is constantly being carried out to identify new, sustainable solutions that could be implemented. In terms of packaging operations, priority is being given to the opportunities created by multi-purpose B2B packaging for incoming deliveries. New opportunities are also being reviewed, such as alternative multi-purpose solutions that could ultimately be used for e-commerce.

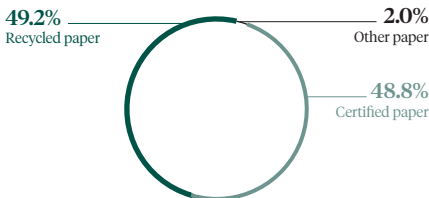
Packaging consumption in 2019 and change vs. 2017 (in metric tons)

	Consumption in 2019	2019-2017 pro forma scope			Change vs. 2017
		2019	2018	2017	
Paper packaging	11,302	11,195	9,767	7,011	+59.7%
Plastic packaging	1,065	875	817	761	+15.0%
Cardboard	13,782	13,486	11,954	9,451	+42.7%
Textile	2,733	2,644	1,974	1,456	+81.6%
Leather	1	0	0	0	-
Wood	57	57	77	35	+62.9%
Metals	552	80	90	74	+8.1%
TOTAL PACKAGING	29,492	28,337	24,679	18,788	+50.8%

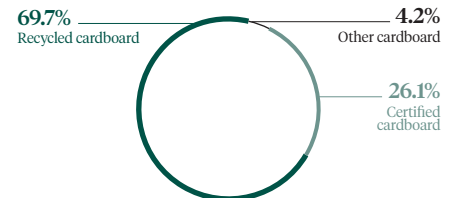
In 2019, Kering consumed 29,492 metric tons of packaging, 47% of which was cardboard and 38% paper. On a *pro forma* basis, total packaging consumption increased by 50.8% between 2017 and 2019. The increase was attributable chiefly to increased business volumes across

most of the Houses. In 2019, the proportion of certified or recycled packaging was 98% for paper packaging and 96% for cardboard used across the Group. The proportion of organic cotton used in packaging nearly doubled between 2017 and 2019.

Paper



Cardboard



Measures to promote more sustainable packaging

Most of the Group's Houses opt for FSC certification for their packaging, including Gucci, Bottega Veneta, Saint Laurent, Balenciaga, Alexander McQueen (100% for customer packaging), Pomellato, DoDo, Boucheron, Kering Eyewear, and Girard-Perregaux for its wooden watch boxes. Some brands focus on the integration of recycled fibers. At Bottega Veneta, for instance, 100% of cardboard packaging used in 2019 was either recycled or certified. In 2019, the House replaced its primary packaging plastic with compostable plastic. The initiative was launched during the Pre-Fall 2019 collection and avoided the use of more than 600,000 conventional plastic bags. Alexander McQueen uses GOTS-certified organic cotton for its product bags. The House has also stopped providing dust bags with its signature sneakers, significantly reducing the use of cotton in its customer packaging.

Saint Laurent has developed new packaging for its e-commerce site that can be transported folded, thereby reducing the space used and in turn CO₂ emissions during transportation.

Gucci has saved around 574 metric tons of cardboard thanks to a new project designed to reduce the logistics packaging used during the transportation of goods from production sites to logistics centers. In 2019, 75% of the volumes handled were covered by this new approach, which had the added benefit of improving transportation and storage efficiency.

For its secondary packaging, Balenciaga now uses paper made from 40% recycled fibers and 60% FSC-certified virgin fibers. It is also taking action to improve other types of packaging: its flannel bags now include recycled fibers; its hangers are made of compostable liquid wood; and its dust covers are made from 100% recycled plastic. Alexander McQueen launched the same initiative for the leather goods sold in its outlet stores back in 2017. The concept is now in place on its textile bag line, and the brand is working on carrying this over to other lines. Protective packaging for deliveries of small items is biodegradable, made using cornstarch. The brand is also looking into replacing its plastic packaging with recycled equivalents. To date, this has been implemented for production hangers, which are now made from recycled polystyrene, and for the garment covers given to clients.

Boucheron worked on eco-designing shopping bags for the South Korean and Hong Kong markets in 2019.

Kering Eyewear's visual merchandising teams have worked closely with suppliers to improve the sustainability of its point-of-sale (POS) materials and packaging. Improvements include opting for FSC-certified or recycled paper and cardboard; replacing conventional adhesive tape with tape made from paper; substituting dust bags made from transparent plastic with tissue paper, whenever possible;

and eliminating any unnecessary straps. To broaden the influence of Kering Eyewear's commitment to sustainability, the visual merchandising team is also working on a project to include information on packaging components to help customers recycle them correctly. The project is being reviewed with the quality team to ensure that it complies with the applicable regulations on environmental labeling and information. Taking its commitment a step further, Kering Eyewear is also working on a pilot communication project that uses QR codes to replace the instruction sheets for POS materials with paperless versions.

Single-use plastics

The rapid deterioration of the ocean environment has led to the loss of 90% of the world's large fish, coral reefs may disappear by 2050, the remaining fishing zones could also disappear and, one day, there may be more plastic in the ocean than fish.

As a founding member of the Fashion Pact, Kering has pledged to eliminate single-use plastics from its B2B and B2C packaging by 2030, with the support of its Houses.

In 2019, the Group's teams focused in particular on ready-to-wear packaging, identifying the various movements in the supply chain (from plant to distribution center to store) with the aim of reducing consumption and finding alternatives to single-use plastics. Presented by Fashion for Good during a working group meeting with the Houses, the results showed that it was possible to integrate circular economy principles into the use of polybags (flexible plastic packaging used to protect products) or even opt for reusable packaging. Several Group divisions have tested these pilot initiatives, including Kering Operations' ready-to-wear division. Several prototypes were used to create polybags made from 70% recycled matter, with the same level of performance.

The Group's Houses are also working to reduce the use of plastics in their operations, thanks to projects that aim to minimize single-use plastics and integrate solutions made from recycled plastic. Saint Laurent, for example, is replacing polybags in its stores with reusable bags. The House is also participating in a pilot project with Kering to integrate recycled polybags into the supply chain. Similarly, Girard-Perregaux has decided to eliminate the plastic bags used to package lab coats in its workshops; the coats are now put into boxes without plastic.

In 2019, Gucci launched a project called "Take Back", which involves reusing protective boxes made from plastic for the production of accessories. In total, 220,000 boxes have been reused, avoiding the production of 26 metric tons of plastic.

Alexander McQueen provides guidelines to its stores to help them significantly reduce the amount of plastic packaging used during product storage.

3.2.2.4 Paper consumption: printed publications and office paper

Paper consumed by the Kering group and its Houses comes from two main sources:

- indirect purchases of paper ordered by service providers outside the Group (printers and agencies) for printing communication media such as reports, posters, mailshots and point-of-sale advertising;
- office paper.

Paper consumption in 2019

In 2019, Kering's overall paper consumption totaled 1,563 metric tons. A breakdown by category is presented below.

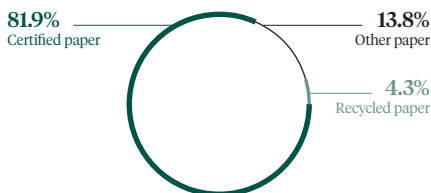
Paper consumption in 2019 and *pro forma* change vs. 2017 (in metric tons)

	Consumption in 2019	2019-2017 <i>pro forma</i> scope			Change vs. 2017
		2019	2018	2017	
Paper – indirect purchases	931	829	999	869	-4.6%
Office paper	632	496	499	478	+3.8%
TOTAL PAPER	1,563	1,325	1,498	1,347	-1.6%

Between 2017 and 2019, the Group's total paper consumption decreased by 1.6%. The decrease is primarily due to a reduction in indirect paper consumption, which reflects the efforts made by the Houses to reduce paper use and promote paperless alternatives. Office paper consumption increased in line with business growth.

In 2018, the proportion of certified (PEFC or FSC) or recycled paper was 86% across the Group, breaking down as 82% certified paper and 4% recycled paper. The proportion exceeds 95% in most of the Group's Houses.

Types of paper used in 2019 (%)



3.2.2.5 Waste production and management

Hazardous and non-hazardous waste

As is the case for consumption of packaging, the production of waste in the Group's operations is directly related to the intensity of its retail activities. The repackaging of goods and the use of pallets for transportation mostly generate non-hazardous waste. Kering mainly generates packaging waste and also small quantities of hazardous waste, corresponding to specific items of waste on production sites and other waste produced mainly in stores and offices (lighting, ink cartridges, etc.).

The main source of the Group's hazardous waste production is its industrial operations, and more particularly its tanneries. One of the main challenges for Kering's waste management operations is the presence of heavy metals, which are used during the tanning process. Kering's tanneries are therefore actively involved in the research and development of alternative tanning methods that are more environmentally friendly. As a result, a heavy-metal-free tanning method has been introduced at the Group's exotic and non-exotic leather tanneries and lifecycle assessments have been carried out to confirm the improvement in environmental impact associated with the new process, which does not use chrome or heavy metals.

Tanning processes can also give rise to odor pollution because they emit hydrogen sulfide, especially at the stripping stage. Unpleasant odors are managed by an air evacuation system at the stripping tubs, which channels polluted air through a filter that traps sulfur bearing particles and outputs clean air.

Total waste produced in 2019 and *pro forma* change vs. 2017 (in metric tons)

	Production in 2019	2019-2017 <i>pro forma</i> scope			Change vs. 2017
		2019	2018	2017	
Non-hazardous waste	21,833	15,953	14,920	11,214	+42.3%
Hazardous waste ⁽¹⁾	370	365	505	304	+20.1%
TOTAL WASTE	22,203	16,318	15,425	11,518	+41.7%

(1) Hazardous waste includes batteries, neon lights, waste electrical and electronic equipment, used oil, paint, aerosols, soiled packaging and ink cartridges.

In 2019, Kering group's total waste production amounted to 22,203 metric tons, 98% of which was non-hazardous. On a *pro forma* basis over three years, hazardous waste increased by 20.1% due to increased activity in the tanneries and industrial sites. In 2019, processes to reduce the volume of hazardous waste were deployed by the tanneries on a larger scale, resulting in a decline in waste volumes between 2018 and 2019.

Non-hazardous waste increased by 42.3% *pro forma* over three years. The increase is directly in line with growth in business volumes. In addition, certain warehouses renewed their inventory of boxes and pallets over the period, significantly increasing the amount of non-hazardous waste in 2018 and 2019. Some of the Houses introduced waste reduction policies in 2019, including Alexander McQueen, which achieved a reduction in total waste produced of nearly 30% in one year.

Waste reuse and recycling**Rate of recycling and reuse of waste as energy in 2019 (%)**

	% reused in 2019
Non-hazardous waste	68.8%
Hazardous waste	42.1%
TOTAL WASTE	68.3%

Some 42.1% of the hazardous waste and 68.8% of the non-hazardous waste produced by the Kering group is recycled or reused as a source of energy, resulting in an overall recycling and waste-for-power rate of approximately 68.3%.

In 2011, Balenciaga adopted waste sorting at its main sites in Paris. The brand works with an ESAT (a company working in the protected sector [supporting people with disabilities] in France) specializing in the recovery and recycling of conventional office waste (paper, envelopes, flyers, etc.), as well as cardboard, plastic, cans and fabric. Saint Laurent also continued its efforts to recycle waste and unused materials in 2019. The House also forged a partnership in 2019 with UpCycle, an organization that promotes the circular and solidarity economy by collecting waste coffee grounds to grow mushrooms. In 2019, 135 kilograms of oyster mushrooms were grown using the coffee grounds collected. Also during the year, the UpCycle team gave a presentation at Saint Laurent's premises to explain the circular economy to employees. Partnerships have been established with French vocational rehabilitation organizations to give a second life to fabrics used in old collections. Some fabrics are transformed into insulation for buildings or cars while others are reused to create new clothes. Moreover, Bottega Veneta and Gucci recycle cardboard from their Parisian stores. Brioni continued to roll out its sorting system for waste paper

and fabrics during the year. Girard-Perregaux stepped up the introduction of waste sorting systems at its sites in 2019. At the end of the year, a study was carried out on the installation of additional recycling bins to improve and facilitate the waste sorting process for employees.

At its headquarters on rue de Bellechasse in Paris, Saint Laurent has eliminated plastic water bottles to reduce the amount of plastic waste. Instead, each employee is offered a reusable water bottle designed with non-profit organization charity: water, which they can fill at the water dispensers available on each floor. The House is working to extend this initiative to its stores and offices worldwide. Saint Laurent's Sustainability Department also offers a mug to each new employee worldwide to reduce the use of disposable cups. Similarly, Boucheron plans to distribute reusable cups and bottles in order to limit the use of single-use plastics and Alexander McQueen gives all its employees a reusable stainless steel bottle, to reduce the waste related to plastic bottles.

Kering Eyewear has made similar efforts to reduce waste by installing micro-filtered water dispensers in its Italian offices and providing all employees with personalized stainless steel bottles designed with a carbon-neutral partner. The Company also works with a specialized service provider to organize the collection of all production waste containing its flagship material acetate.

4. ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE SUPPLY CHAINS

4.1 Managing our impacts beyond our own operations

4.1.1 A vision of responsible sourcing based on transparency and traceability

The Kering group believes that sustainability can only exist within an ethical framework. The Group is aware that its social and environmental responsibility goes beyond its own operations and extends throughout its supply chains. It further believes that respect for human rights applies to everyone, be they employees, workers in supply chains or members of local communities.

This vision, embodied by Kering's 2025 Sustainability Strategy, also informs the Group's approach to human rights. The result is a need for transparency and traceability within its supply chains, – and therefore to identify, understand and map those chains – with a view to developing synergies and priority programs wherever significant impacts are found within the raw materials industries essential to the Group's activities.

In operating terms, this vision is expressed in the two strategic management tools implemented by the Group: the EP&L, which measures its environmental impacts across its various supply chains, even outside the regulatory framework, and the Kering Standards.

The Kering Standards, an unprecedented approach in the luxury sector, were published in 2018 and updated in 2019. They lay down the Group's requirements in terms of traceability for the key raw materials used by the Houses. The overall level of traceability is consolidated annually through the EP&L tool. The level of traceability required by type of material was set on the basis of a risk matrix for each type of raw material, as well as the level of transparency achievable by the market. The origin of the raw materials is established by supplier declaration, and may be supplemented by specific protocols: certification (such as ICEC for leather), verification by the Houses, etc.

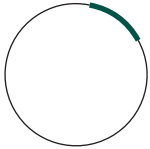
Exceptional craftsmanship to give life to the creative vision

A CREATIVE VISION
and exceptional quality standards that guide the selection of raw materials

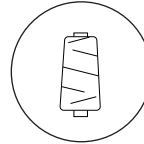
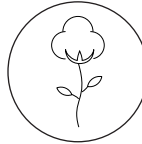
PROGRESSIVE TRANSFORMATION
of materials

Ready-to-Wear

Made by the tailor's refined and expert hands, each item of clothing creates a perfect silhouette.

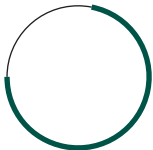


Weight of revenue
3,800
fabrics classified
in the MIL⁽¹⁾

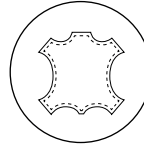
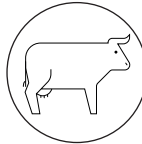


Leather Goods and Shoes

Cut, shaped, and stitched by the artisan, leather offers a delicate balance between durability, elegance and softness.



Weight of revenue
90%
in leather traceability

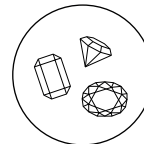
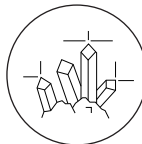


Watches and Jewelry

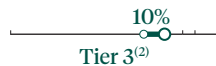
Inspired by the most precious materials, striking a balance between a long list of constraints: transforming a design into a work of art, making metal and stones ethereal, combining precision and aesthetics, ensuring beauty from every perspective.



Weight of revenue
100%
responsible gold



Mapping of environmental impacts (EP&L)



(1) Materials Innovation Lab.
(2) For further information on each Tier, see pages 149 et seq.

A FIT AND FINISH
by craftsmen with unique expertise

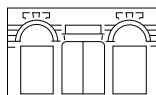
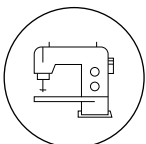
EXCEPTIONAL PIECES
in all product categories

THE BOUTIQUE,
the setting reflecting the world of each House



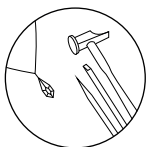
22 steps and
220

hours of craftsmanship to make a suit by Brioni



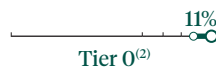
96

hours to make a *cabat intrecciato* tote by Bottega Veneta



2,700

hours of work to create the *Flocon impérial* necklace by Boucheron



4.1.2 The Kering Standards

In 2012, Kering set out basic principles and guidelines on responsible sourcing consistent with its general sustainability policy, targets and existing good practices. The principles were revisited in depth and extended in 2017 as part of Kering's 2025 Sustainability Strategy, so as to give fuller details of the Group's raw material supply and production process requirements.

Dubbed the Kering Standards, they set out the criteria imposed on the Group and its suppliers in five key areas: traceability, chemicals, social impact, environmental impact and animal welfare. The Standards lay down minimum requirements for prospective Group suppliers in each of these five areas, and set out the more demanding requirements that suppliers will be required to meet by 2025. They are based on founding notions of integrity (material traceability, chain of custody certification, etc.), circularity (use of recycled materials where possible, consideration of the recyclability of products, etc.) and the precautionary principle (no GMOs, no nano-materials, etc.).

A first in the luxury sector, and fully consistent with Kering's spirit of sharing and its desire to encourage the world of fashion to adopt more sustainable practices, the Standards were published in January 2018 and can be downloaded in English, Italian and French from the Group's website. They cover the key materials used by the Group. Leather and precious skins, fur, wool, cotton, paper, wood, plastic, feathers and down, cellulosic fibers, gold and diamonds were all dealt with in the first version. Standards have also been drawn up for the Group's main production processes, namely tanning, the various stages of textile manufacture and leather work. Their coverage will subsequently be extended to include metal refining and precious stone cutting processes. In 2019, Kering published the second version of the Kering Standards, incorporating four new raw materials, namely silk, synthetic fibers, colored gemstones and silver. The existing Standards were also modified, either to reinforce requirements, such

as those relating to chrome-free tanning, or to provide additional information, for example, by breaking fake fur down into different categories and setting out their respective environmental impacts. Then, in May 2019, Kering published its Animal Welfare Standards, with the aim of ensuring the best treatment for animals throughout the Group's supply chain. The Kering Animal Welfare Standards constitute the first body of guidelines addressing animal welfare in the world of luxury and fashion. Their chief aim is to change practices across the sector as a whole. They cover all the species featuring in the Group's supply chains around the world, namely cattle and calves, sheep, goats, ostriches, crocodiles and alligators, pythons, and mammals bred for their fur. For each of these species, the open-source Standards highlight the specific challenges, laying down breeding, transportation and slaughtering requirements, and provide the list of existing benchmark certifications. In addition to this multi-species document, Kering has published more detailed individual Standards for cattle, calves, sheep and goats, as well as guidelines for slaughterhouses.

In 2018, Kering traced 88% of its key materials back to the country of origin at least, and even further for animal-based materials (fur, leather, precious skins). The Kering Standards aim to increase this level of traceability by 2025, going as far back as the farm for all animal products.

More specifically, the Kering group achieved the following levels of traceability per material in 2018: 90% back to the slaughterhouse for leather; 84% back to the country of origin for wool; 71% back to the country of origin for cashmere; 76% back to the country of origin for cotton; 87% back to the country of origin for silk; and 49% sourced through the Group's gold purchasing platform for gold. For furs, traceability must go back to the farm; for precious skins, it extends back to the farm for farmed species and the slaughterhouse for harvested species; lastly, for diamonds, it goes back to the country of origin.

4.2 Relationships with subcontractors and suppliers

4.2.1 The Suppliers' Charter

Since 2013, the Group's Code of Ethics has included the Group Suppliers' Charter, which sets out in detail Kering's specific expectations of its commercial partners in respect of social and environmental issues.

For any contractor of Kering or one of its Houses, notwithstanding any contractual clauses, compliance with the Charter is a precondition of the business relationship.

The Group requires its suppliers to commit formally to applying high ethical standards themselves and to ensuring the preservation of human rights.

The Charter reminds them of the need to promote human rights within their production units and among their subcontractors, and to advise Kering and/or its Houses of any serious difficulties in applying the Charter.

Compliance is further measured by means of social audits in production sites, as described under “Working conditions in our supply chains”.

Among other aspects, Kering and its Houses require their suppliers to commit to the following fundamental principles, in line with the major international reference texts as presented in the Code of Ethics and described in “Ethics, the cornerstone of our business”: to ban child labor; to proscribe the use of slavery or forced or compulsory labor; to prohibit any type of work liable to compromise health, safety or morals; to prohibit all behavior contrary to the principle of dignity at work, in particular any

practice contrary to labor regulations, including on pay, working hours and conditions; to respect the directly applicable right of representation and expression of employees; to prohibit discrimination, notably on racial, ethnic or sexual grounds; to forbid sexual or psychological harassment; to respect environmental regulations and, beyond that, to work towards the implementation of the Global Compact’s three principles of environmental protection, including the precautionary principle.

The Suppliers’ Charter, as an integral part of the Code of Ethics, was revised in 2018 and circulated in 2019.

4.2.2 Responsible purchasing policy for non-market purchases

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 formalize 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. Today, all buyers are trained and made aware of responsible purchasing practices, and all purchases include CSR selection specifications and/or criteria. Kering further formalized

these commitments in 2014 by signing the 2010 “Responsible Supplier Relations” Charter issued 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 companies to implement a progress-oriented approach with their suppliers, especially small and medium-sized enterprises, in order to develop a true partnership through mutual knowledge and respect for each party’s rights and duties.

4.2.3 Circulation of the Kering Standards

In 2019, Kering’s teams continued their work on the circulation of the Kering Standards, first of all to the staff within its Houses. Each House held one or more sessions internally, sometimes with support from the Materials Innovation Lab (MIL) or teams from headquarters.

The Kering Standards have been shared with all of the Group’s key suppliers. A number of explanatory and training sessions were also held in 2019, as in 2018, particularly for suppliers of the Leather Goods, Fashion and Watches activities.

To round out these training courses, Kering’s Sustainability Department put in place an internal e-learning program presenting all of the Kering Standards. It is designed to adapt to the learner’s profile (design, merchandising, material research, product development, purchasing, production/series production, quality, etc.). For each material or process, it explains the related environmental and social challenges, and then sets out the measures to be taken to ensure responsible sourcing. Accessible since April 2019 to all employees in the Kering Fundamentals section of the Group’s e-learning platform, the course has

been completed by more than 4,400 Group employees to date. Kering also worked to adapt it to external audiences in 2019, with a view to circulating it more widely among suppliers. A pilot course was organized with around ten leather suppliers in July 2019, with a view to much broader circulation later.

The Houses have adopted e-learning as an advanced tool for circulating the Group’s requirements in terms of sourcing, encouraging their employees to complete courses, and supplementing Group programs with dedicated modules. At Bottega Veneta, for example, the sustainability team has developed a ready-to-use materials guide, available since December 2019 and targeting staff involved in the various stages of selecting suppliers and making purchases, such as the style, materials research, merchandising and purchasing teams. Two training sessions were also organized to explain the purpose of the guide and how to use it.

Saint Laurent has promoted e-learning through its Saint Laurent e-university. In the same vein, Kering Eyewear organized two workshops for its product and supply chain

teams in 2019. They covered the Standards as a whole, before going into the various requirements in detail, with a particular focus on the supply chain teams, who are in direct contact with suppliers. The Kering Standards were

also presented to the IT and planning teams as part of their team-building day, to highlight some of the initiatives in place within Kering Eyewear.

4.2.4 The Group's collaborative approach with its suppliers and business partners

Initiatives aimed at supporting suppliers and encouraging them to adopt sustainable practices

In line with the roll-out of the Kering Standards, training and raising the awareness of suppliers and helping them adopt best practices is the preferred avenue taken by the Group and its Houses to achieve tangible improvements in practices across their supply chains. This approach is also based on the recognition that the pooling of energies and a coalition approach are powerful levers for change. The environmental aspect grew out of the lessons drawn from the EP&L approach and the predominant role played by supply chains (Tiers 1 to 4) in the Group's environmental impact: without suppliers sharing Kering's commitment and belief in the need for action, potential improvements would be limited.

The Group therefore acts at several levels, as a Group and within each of its Houses, individually or collectively.

Kering invites its brands' main ready-to-wear suppliers to a one-day seminar on sustainability and responsible innovation every 18 months on average, providing an opportunity to present the Kering Standards from an operational perspective. The presentation of the Kering Standards was complemented by more detailed training sessions organized by the Materials Innovation Lab (MIL) by type of supplier.

To speed up the transition to metal-free tanning, and to continue the work of the Metal-Free Technical Roundtable held in 2018, Kering organized a Metal-Free Meeting in Milan in June 2019. The first meeting of its kind, it brought together 76 of the Group's key tanneries to present their metal- or chrome-free products – over 1,600 products presented – to more than 130 representatives from Kering and its brands (style, operations, merchandising and sustainability teams). The range of metal-free leather products produced by tanneries has increased substantially thanks to noteworthy advances in R&D and improvements in the quality of this new technology. The event contributed to the increase in the proportion of metal-free leather used within the Group.

Kering continued its partnership with the Zero Discharge of Hazardous Chemicals (ZDHC) Programme and other luxury brands outside the Group to unite textile and leather suppliers around the notion of proactive management of chemicals and the application of the Manufacturing

Restricted Substance List (MRSL). An event organized jointly by Kering and five other luxury brands and groups was held in Italy in February 2019. Conceived as a forum to discuss the management of chemical substances in an operational light, it was attended by over 250 participants working in leather and textile supply chains.

Since the Group favors a collaborative approach as part of its strategy to promote the MRSL in its supply chains, a project designed to encourage Kering suppliers to become MRSL-compliant has been in place since 2014. It has allowed Kering to provide active support to its key suppliers, and to offer tools and training to facilitate the MRSL's implementation. In 2019, three training sessions were held for suppliers of leather (tanneries and suppliers in charge of production) and textiles.

In 2019, Gucci organized a number of meetings with its suppliers to share its Sustainability Strategy, the Kering Standards and the flagship projects implemented within its supply chains, such as metal-free tanning. Workshops were held on the following themes: FSC materials, animal welfare and traceability (with the participation of Compassion in World Farming, an NGO), metal-free tanning and GRS/GOTS standards.

Bottega Veneta presented its Sustainability policy to more than 300 suppliers in March 2019, at the annual Supplier Meeting in Montebello. The brand's Chief Sustainability Officer also took part in a technical roundtable at the *Prossima pelle* trade fair in Arzignano to outline Bottega Veneta's Sustainability Strategy, and in particular its aspects relating to sourcing and leather tanning. Finally, in 2019, the House continued actions taken to roll out the MRSL among its suppliers, as described below in "Chemicals management".

Saint Laurent, in line with the Group's supplier management policies, has developed a set of specific Key Performance Indicators (KPIs) for its supplier assessment system in its leather tanneries. Drawing on extensive data collection across all product categories, levels of traceability, percentages of Kering Standards-compliant leather purchases and tannery EP&L performances were calculated and tracked on a monthly basis throughout 2019. The results feed into the supplier evaluation process.

Alexander McQueen held a Sustainability Summit with its strategic suppliers in December 2019. The event brought together more than a hundred participants from key spinning sites, factories and tanneries in the brand's supply chain. It included a presentation of the House's Sustainability Strategy and the Kering Standards, with a view to supporting suppliers in the adoption of more sustainable practices.

Kering Eyewear, for its part, held a kick-off meeting with its suppliers in October 2019 to introduce and explain the Group's central audit system, which was rolled out in the House from that date. The House also organized a dedicated training day, Kering Sustainability Day, for some of its suppliers in October. Presentations were held on Sustainability at Kering and Kering Eyewear, the EP&L approach, environmental aspects and the Kering Standards, social aspects and the projects implemented by the House, as well as economic aspects and consumer-related demographic changes. The day ended with discussions between the various suppliers (eyewear, packaging, materials) and a mixed-team competition challenging participants to create a capsule collection for the following year.

In addition to meetings devoted to presentations, exchanges and the joint development of solutions with its suppliers, Kering also supports them in the practical implementation of projects aimed at reducing its environmental footprint, such as the Clean By Design project, described in the section entitled "Measurement and reduction of the carbon footprint of our operations"; actions implemented by LGI to reduce the carbon footprint of its logistics activities; and programs developed specifically in cooperation with stakeholders in the various key raw materials industries, as described in the section entitled "Sustainable use of raw materials".

4.2.5 Risk management: product quality control, and consumer health and safety

Kering's responsibility towards society extends across the value chain, and the Group is keen to help raise awareness of sustainability issues among consumers, while ensuring that its products respect their health and the environment.

To enable customers to enjoy the products developed by the Houses safely, Kering has defined a set of quality control procedures that comply with the strictest international consumer health, safety and environmental standards and regulations, such as REACH, US CPSIA, China SAC GB Standards, Japan Industrial Standards (JIS), etc. In 2014, a dedicated structure, the Product Compliance

Sustainable innovation projects

To significantly reduce its environmental footprint, Kering aims to stimulate disruptive innovation, transform its traditional processes and encourage the widespread adoption of more sustainable practices. An illustration of this determination is the Create pillar of its 2025 strategy, which makes innovation one of the foundations of the Group's sustainability approach.

In early 2017, Kering became a founding partner of the Plug and Play – Fashion for Good accelerator, a partnership formed with Fashion for Good, the C&A Foundation, and Plug and Play, a Silicon Valley start-up incubator. The aim is to fast-track sustainable innovation within the luxury and apparel industries. The eco-system has since expanded: Fashion for Good had 14 corporate partners in 2019. Kering's partnership with Plug and Play has also grown, and has been extended into China through the K Generation Award (see "K Generation Award"). Kering's Houses also have access to the Materials Innovation Lab (MIL), opened in 2013 at the heart of the Group's production operations in Italy, which aims to promote sustainable innovation in textiles and accessories and to help the Houses source responsible raw materials. In 2019, the MIL team was scaled up with a view to providing even more assistance to the Group's brands and their suppliers, and Kering held a series of internal workshops under the title "The Impact Space" to collaboratively address the major issues in responsible innovation for brands. Lastly, in addition to the MIL and in keeping with the Group's commitments underpinning its 2025 Sustainability Strategy, Kering launched its Sustainable Innovation Lab (SIL) in early 2020. Based at the Group's watchmaking sites in Switzerland, the SIL deals with materials used by the Jewelry and Watches brands.

The Houses are also developing innovative initiatives specific to their activities and priorities.

Their projects are described in greater detail in the section entitled "Sustainable fashion: conveying our values and supporting innovation".

Advisory Department, was created at Group level. Aimed at pooling services, its purpose is to advise the Houses on product testing protocols to ensure that products comply with the local characteristics of each market. It makes considerable reference to the Product Restricted Substance List (PRSL), which specifically lists the substances to be removed or the threshold not to be exceeded, and applies the highest existing standards for the disposal of hazardous chemicals. To take into account the pace of technological development and progress in chemical research, the PRSL is updated every year.

In 2019, the Product Compliance Advisory Department continued the activities it initiated in 2018 to spur progress in the following three areas:

- strengthen compliance controls: regular audits of product compliance were conducted at the warehouse level together with the Houses to detect potential non-compliance, and the number of laboratories accredited for tests and measurements has been increased to cover the growing number of materials and products tested;
- improve knowledge sharing on product compliance processes: training programs have been strengthened and extended to all key departments (product development, production, quality and purchasing), from raw materials to production (leather, fabric and metal accessories). In 2019, some 30 training sessions were held, involving more than 500 employees. They addressed the key issues of production processes, compliance requirements and the related controls. Due to the increasing complexity of the Houses' products, a joint effort has been made to ensure maximum accuracy in labeling. To this end, the Product Compliance Advisory Department has created guides and specific training modules, and has rolled out a dedicated IT tool;
- support the Houses' product development teams: in collaboration with the Chinese authorities, company-specific product standards have been established for Kering's Houses. Following the implementation of the standards for leather goods, a standard specific to shoes was developed and implemented in 2019. These standards make it possible to develop leather goods meeting all requirements in terms of health, safety and compliance, while leaving the Houses' creative teams significant scope to follow their inspiration.

In addition, within the Group's Operations Department, the Quality Assurance and Logistics Compliance Department is tasked with optimizing the Houses' global distribution flows from a regulatory and procedural perspective, with a view to reducing risks, costs and time

frames. This activity mainly involves verifying customs requirements, gathering and certifying documents for export and/or sale transactions, and implementing appropriate compliance procedures. The department is also responsible for providing product information to internal and external stakeholders (regional logistics offices, logistics partners and consumers), and for product quality assurance meeting the standards of the Houses as regards value-added services (VAS), product checks, on-demand audits, re-labeling management and the stamping process for jewelry.

Some Houses also have specific initiatives, such as Girard-Perregaux, whose Quality Department helped create a technical committee on watchmaking in 2014, also involving Ulysse Nardin, Gucci and Boucheron. In 2016, the committee continued to discuss actions related to regulatory compliance in respect of hazardous substances and the implementation of the Product Substance Restricted List (PRSL) and the Manufacturing Restricted Substance List (MRSL) drawn up by the Group in the Houses' operations and with their pool of suppliers. The MRSL covers production processes as opposed to products. It also sets out the list of chemicals to be eliminated or restricted. In the same vein, Girard-Perregaux and Ulysse Nardin continued in 2019 to take an active part in the *Association pour l'Assurance Qualité des Fabricants de Bracelets Cuir* (Swiss association of quality assurance for leather bracelets manufacturers – AQC) on the chemical compliance of leather used in watch straps, the aim being to set up a certification label. Lastly, Kering Eyewear calls on accredited laboratories with specific expertise in eyewear for its compliance checks. They include the leading laboratory for optical companies in Italy and a laboratory performing chemical compliance testing of acetates and sunglass lenses.

In 2018, Bottega Veneta, in line with the Group's commitment to the MRSL, was the first House to roll out the list to a group of leather goods and shoe manufacturers. In 2019, the brand continued its work to bring an ever-greater proportion of leather goods and shoe production workshops in line with its MRSL approach.

4.3 Working conditions in our supply chains

Kering's actions in respect of working conditions in its supply chains are part of the Group's analysis of non-financial risks, the duty of care and the Group's human rights approach, as presented in the section entitled "Ethics, the cornerstone of our business" and elsewhere in this NFIS.

4.3.1 Implementation of the social audit system within the Group

No control system, regardless of how mature and tested it is, can guarantee the absence of risk, and it is up to the Group and its Houses to develop the most efficient collaborative

and control systems with suppliers in order to keep risk to a minimum and implement any corrective action in cases where non-compliance is identified.

To meet these challenges, Kering has established a dedicated organization. 2016 was a major turning point in the approach to supplier management and assessment, with the complete redesign of the organization. The challenge was that different Houses had potentially adopted different practices, and distinct audit and risk evaluation methods, and that a single supplier working for several of the Group's Houses could potentially face multiple audits. Therefore, the decision was made in 2015 to significantly improve the system's efficiency and to unify practices and the monitoring of the process across Kering's entire Luxury business, which now represents the entire Group. On that basis, a single central body allowing Kering to control the compliance of Group suppliers was established in late 2015, and began operating in January 2016. The new organization, the Hercules system, is based on six key pillars:

1. Sustainability Principles established for all the Luxury Houses in 2015 are divided into three areas:

- a)** the social aspects related to human rights, labor rights, and health and safety, including the elimination of child labor, forced labor, human trafficking in all its forms and discrimination, compliance with statutory working hours, and respect for the freedom of association and the right to collective bargaining;
- b)** environmental aspects, such as compliance with laws as well as restrictive lists of chemicals defined by Kering, environmental management, and waste water treatment;
- c)** aspects related to the supply of raw materials and packaging, including respect for animal welfare and the five related freedoms, sourcing and traceability requirements for a number of key materials used by Kering, and the prohibition of certain substances and/or certain sourcing regions (for reasons related to the social conditions of production – child or forced labor, for instance – or environmental issues).

These principles are split into two broad categories: those that are mandatory, due to requirements imposed by international and national laws, and those embodying Kering's additional expectations and best practices in the field of sustainability. They also make reference to conventions, agreements and major international texts, for which they represent a practical extension (ILO and United Nations Conventions, United Nations Guiding Principles on Business and Human Rights, Millennium Ecosystem Assessment, Ramsar Convention, etc.). These sustainability principles have been phased into supplier contracts since 2016. Each supplier is in turn tasked with passing on these principles to its own subcontractor network, if it has one. The principles are available to the public on the Group's website.

2. Kering provides central management through a team of 24 people (12 auditors specialized in conducting supplier audits and monitoring anomalies, nine people

dedicated to management, and three planners); depending on needs (locations, workload, etc.), this team can be assisted by an external service provider.

3. Clear and uniform procedures for all the Houses, corresponding to the different stages of the supplier relationship, including the activation procedure, monitoring procedure, and termination of contract procedure.

4. A risk evaluation used, on the basis of collective data (information in the possession of the relevant House(s) and self-assessment of the supplier prior to activation), to classify suppliers in accordance with three levels of risk (high, medium or low) and to construct an audit plan. Audit plans are updated monthly based on the needs of the various Houses and/or the occurrence of particular events.

5. 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 labor, forced labor, health and safety, freedom of association and the right to collective bargaining, discrimination, the environment, etc.) and aligned with the best standards in the field, in particular the SA8000 and SMETA standards. The results are naturally pooled between the Houses in order to avoid any overlap in the audits. Follow-up audits with a smaller scope focus on the area(s) in which breaches of compliance were identified or observations were made during the first comprehensive audit. In any case, the announced or unannounced audits consist of document reviews, site tours, and workers interviews. Workers are selected to offer a representation of the workforce, notably concerning age and union affiliation, if any. These interviews are confidential. The frequency of audits depends on the findings of previous audits, meaning that better rated suppliers will tend to be audited less frequently. Nevertheless, periodic audits will be undertaken regularly to ensure compliance.

6. Anomalies classified into four categories and standard responses to each case:

- a)** breaches subject to zero tolerance (relating to the most serious situations liable to be encountered, specifically child labor, forced labor, irregular work, undeclared subcontractors, threats, discrimination, serious breaches of regulations, counterfeit, etc.).

Identification of a zero-tolerance breach triggers the immediate establishment of a crisis unit bringing together the Kering audit team and the relevant House(s) to decide on the future of the relationship with the supplier: immediate shutdown of the approval process if the supplier is in the process of being activated but has not started working; and discussions about the possibility of remediation and support for the supplier or about the need to terminate the contractual relationship if the supplier is working on one or more orders.

The brand is the ultimate decision-maker on the most appropriate response;

b) serious breaches of compliance:

The supplier is given one month to resolve the serious breach of compliance, and a follow-up audit is scheduled to confirm that the issue has been resolved;

c) moderate breaches of compliance:

The supplier is given three months to resolve the moderate breach of compliance, and a follow-up audit is scheduled to confirm that the issue has been resolved;

d) observations:

These give rise to a corrective action plan, and are the subject of a dedicated checklist at the next audit. The supplier has six months to remedy the observation.

For each of the 13 categories of the comprehensive audit questionnaire, a detailed description of what constitutes zero-tolerance breaches, serious breaches of compliance, moderate breaches of compliance and observations has been prepared. For example, in the health and safety category, any situation potentially endangering the lives of workers is a zero-tolerance breach; the absence of

mandatory documentation on aspects liable to jeopardize the health or safety of workers (certificate relating to fire safety, for instance) is a serious breach of compliance; the absence of mandatory documentation other than that addressing the health or safety of workers (minutes of the meeting of site health and safety representatives for instance) is a moderate breach of compliance; and a deviation from existing procedures (for example, first aid training running behind schedule) is an observation.

Depending on the results of audits, suppliers are classified as:

- compliant (no zero-tolerance breaches, no compliance breaches, whether serious or moderate, fewer than five observations);
- partially compliant (no zero-tolerance breaches, no serious compliance breaches, fewer than five moderate breaches);
- progress expected (no zero-tolerance breaches, more than five moderate compliance breaches or at least one serious breach);
- zero tolerance (at least one zero-tolerance breach).

This organization, effective since January 1, 2016, is being phased in Kering's Houses and their suppliers.

4.3.2 Supply chain mapping

As a Group of leading global Houses, Kering operates in the luxury market, whose supply chains are structured in a very specific way, as evidenced by the location of the suppliers in the centrally managed database in 2019.

Supplier portfolio	Size of suppliers	Geographical location of Kering's suppliers in 2019
Thousands of mostly small suppliers, highly fragmented market, high level of craftsmanship.	Average number of employees by supplier: approximately 55. Taking all Kering suppliers into account, this represents an estimated workforce of 40,000 dedicated to Kering.	More than 93% in Europe, predominantly in Italy (83.8%):(1) <p>83.8% Italy</p> <p>6.8% Western Europe (excl. Italy)</p> <p>2.5% Eastern Europe</p> <p>6.0% Asia</p> <p>0.9% Other</p>
		Western Europe (90.6%): strong government presence, comprehensive and mature labor law, highly developed social dialogue.

(1) Geographical breakdown in 2019 of direct suppliers and contractors, managed within the centralized system introduced by Kering in 2016.

In addition, as part of the EP&L approach, the Kering group has mapped its supply chains in accordance with the principles of its EP&L methodology. This map, presented below in the section entitled “EP&L: Environmental Profit & Loss account”, splits Kering’s supply chains into four

tiers: Tier 0 for the Group’s own operations and stores, Tier 1 for final assembly, Tier 2 for preparation of the sub-components, Tier 3 for processing of raw materials, and Tier 4 for production of raw materials.

4.3.3 Findings obtained in 2019 and key indicators

The supplier base managed by Kering’s central team for its Houses has the following characteristics:

- it does not yet include all suppliers, although 2019, in line with 2017 and 2018, did see a sharp rise in the number of suppliers managed, with the inclusion of all production suppliers and strong growth in the number of raw materials suppliers. The Jewelry and Watches Houses are gradually joining the system, as are Kering Eyewear’s suppliers, which it began adding in October 2019;
- to date, it covers 4,243 suppliers (16.7% more in 2019 than in 2018), with the following breakdown:
 - 21.5% direct suppliers (a supplier is deemed direct when it has a direct business relationship with the Houses rather than working via a subcontractor),
 - 16.7% contractors (direct suppliers working for one or more Houses and which subcontract part of their production),
 - 61.8% subcontractors (working for contractors and having no direct business relationship with the Houses).

Furthermore, 4.9% of suppliers are located in countries considered by the Group to be at risk.

Subcontracting without prior authorization is not permitted.

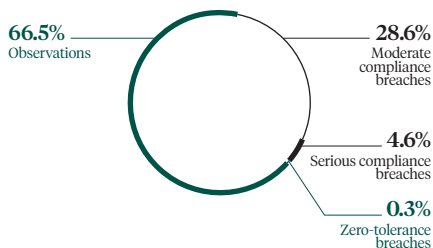
Among its suppliers, Kering also singles out raw material suppliers. Those identified as key to the Group represent roughly 20% of all such suppliers, corresponding to approximately 80% of purchases.

Lastly, for a limited proportion of its activities (fragrances and cosmetics), Kering also works with licensed suppliers, i.e., those that are under license to the Houses.

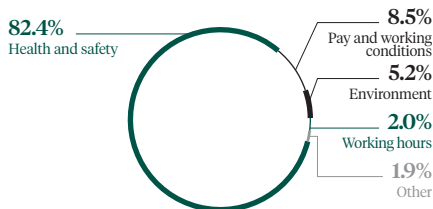
Within this portfolio of suppliers, 3,441 audits were conducted in 2019 (an increase of 20% compared with 2018), breaking down as 1,840 comprehensive audits and 1,601 follow-up audits. A total of 39.3% of these audits were carried out by Kering’s Internal Audit team, and 60.7% by external auditors, with the Group audit protocol applied in the same way for all audits conducted. This means that 56% of suppliers were audited in 2019. Over the 2015-2019 period, 83% of suppliers were audited. Moreover, Kering has undertaken to audit all of its key suppliers every two years. It should be noted that “activation” audits for new suppliers are comprehensive audits, and that they therefore cover the entire scope of a comprehensive audit.

These audits revealed 9,877 anomalies, breaking down as follows:

Breakdown by severity of anomalies recorded as of December 31, 2019 within the Kering group



Breakdown by theme of the top five anomalies (excluding observations) recorded as of December 31, 2019 within the Kering group



Following these audits, 58.9% of suppliers were rated compliant, 30.1% partially compliant, 10.3% progress expected and 0.7% zero tolerance. A total of 68 suppliers saw their business relationship terminated in 2019 due to unsatisfactory audit results.

Robust corrective action plans were put together following the audits, wherever breaches of compliance, and particularly serious breaches, were identified. Follow-up audits were then conducted to verify the resolution of the problem. The zero-tolerance breaches identified during the audits were dealt with immediately, in accordance with established rules and in coordination with the relevant Houses. To speed up the resolution of issues, the central team held more than 220 committee meetings with the Houses in 2019, which effectively resulted in the resolution of a large number of anomalies.

One example of remediation concerned a case of social dumping – a zero-tolerance breach under the Kering classification – identified at a supplier of one of the Group's Houses in 2019. The Company had applied a contract containing exceptions to the minimum wages set down in the Italian collective bargaining agreement (*CCNL Tessili Moda Industria*). The collaboration set up between the central audit team, the relevant House and the supplier to deal with this case resulted in the scheduling of a new audit to ensure that the situation had been rectified: the follow-up audit showed that the supplier now applies the Italian collective bargaining agreement, with the statutory minimum wages.

4.3.4 Beyond social audits

No matter how robust and efficient, a social auditing system is never sufficient to ensure that there are no risks in the complex supply chains of a global Group, whose links – and especially the most distant ones – are shared with other luxury groups, or even other industries, such as the textile industry or even the food industry for leather, a key raw material for the Kering group.

To this end, Kering, as a major player in the luxury goods industry and aware of its social responsibility in respect of a wide range of suppliers, subcontractors and raw material production chains, engages in continuous and collaborative dialogue on human rights with the various players in its supply chains through:

- sector-based initiatives such as membership of the Sustainable Apparel Coalition, Textile Exchange and the BSR-coordinated Business Action for Women initiative designed to drive progress for women in supply chains;
- programs specifically designed by the Kering group for its suppliers and subcontractors, such as the project on equal access to professional opportunities for women

Another zero-tolerance breach was brought to light in 2019 during a supplier audit where it was noted that the Company had not received the certificate proving payment of social security contributions. This was due to a lack of payment involving contributions amounting to €180,000. The crisis unit set up immediately with the relevant House, in accordance with the zero-tolerance procedure, resulted in the supplier requesting a payment plan from the relevant social security organization. The plan was subsequently approved, and the corresponding certificate obtained.

in the luxury industry in Italy, coordinated by Bottega Veneta with Gucci, Pomellato and Kering Eyewear and, outside the Group, with the *Camera Nazionale della Moda Italiana* and NGO *Valore D*;

- capacity building programs to support suppliers in human resources and human rights management with their own subcontractors and stakeholders, following the example of Gucci and Bottega Veneta as part of their SA8000 certification;
- House-led initiatives on challenges specific to their individual circumstances, such as the project developed by Gucci for the integration of refugees in Italy with the Adecco Foundation and the UNHCR.

This dialogue and its social impact on the Group's activities and beyond its operations are described in the section entitled "Protection of human rights at Kering". It is part of Kering's global approach to stakeholder dialogue on sustainability issues, as presented in the section entitled "Stakeholder dialogue".

4.4 Preserving natural capital

4.4.1 EP&L: Environmental Profit & Loss account

Since 2012, Kering has measured and quantified its progress toward becoming a more sustainable Group through its Environmental Profit and Loss account (EP&L). The cornerstone of its environmental approach, it also serves as a management tool by which Kering lays out its roadmap for the coming years in terms of sourcing strategy and choice of materials. Kering has undertaken to reduce its EP&L intensity by 40% by 2025 compared with 2015.

In 2019, Kering reaffirmed its commitment to transparency by publishing its EP&L results and its progress towards the 2025 target on an interactive open source platform. Transparency is synonymous with innovation, and the technology underpinning the open source platform was also used for Hack to Act, the Group's first hackathon dedicated to fashion and sustainable luxury. Lastly, Kering continued its efforts to improve the robustness of the EP&L methodology, with an initial pilot covering the product use and end-of-life phases.

What is an EP&L?

The Environmental Profit & Loss account enables a company to evaluate its impacts on natural capital by attributing a monetary value to the consequences of its environmental impacts on population groups throughout its supply chain. Kering uses the EP&L results, expressed in monetary terms, to:

- translate its environmental impacts into business language;
- compare different environmental impacts;
- compare, for any given environmental indicator, the magnitude of an impact for different locations (particularly useful for drinking water availability, an important local issue);

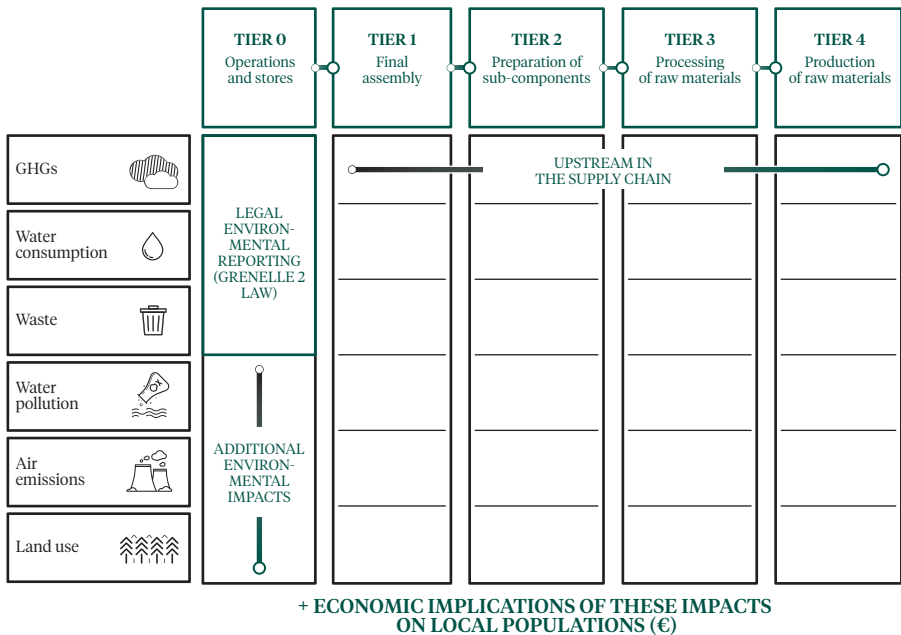
- facilitate comparisons between its Houses and business units.

For Kering and its Houses, the EP&L represents a new way of looking at its activities. It reveals areas for improvement where the Group can deploy solutions, using innovative new technologies and materials that significantly reduce the environmental impact caused by the way in which raw materials are processed and goods manufactured.

The EP&L approach goes beyond standard environmental reporting, producing a much fuller picture of the impacts of Kering’s activities.

The results should not be seen as a liability or a cost for Kering. Rather, they represent a way of assessing the cost to society of environmental changes stemming from the activities of the Group and its suppliers.

Scope covered by the EP&L approach



Environmental change resulting from emissions or use of resources is translated into economic terms, taking into account local contexts and impacts on local populations.

	GHGs	Water consumption	Water pollution	Land use	Air emissions	Waste
Emissions and use of resources	CO ₂ , N ₂ O, CH ₄ , CFCs, etc.	m ³ of water	Heavy metals, nutrients, toxic compounds	Hectares of tropical, temperate, wetlands and other forests, etc.	PM2.5, PM10, NOx, SOx, VOCs, NH ₃	Hazardous and non-hazardous waste
Environmental changes	Climate change	Water shortages	Water quality deterioration	Ecosystem services reduction	Increase in pollutant concentrations	Climate change, pollution and contamination
Effect on well-being (costs to society)	Health impacts, economic losses, changes to the natural environment	Malnutrition and illness	Health impacts, eutrophication, economic losses	Health impacts, economic losses, changes to the natural environment	Respiratory illnesses, agricultural losses, reduced visibility	Enjoyment of local environment impaired, decontamination costs

Results and learnings

Kering published its 2018 EP&L results in 2019. This publication reflects a commitment to report annually on the Group's performance and the achievement of its 2025 Sustainability objectives.

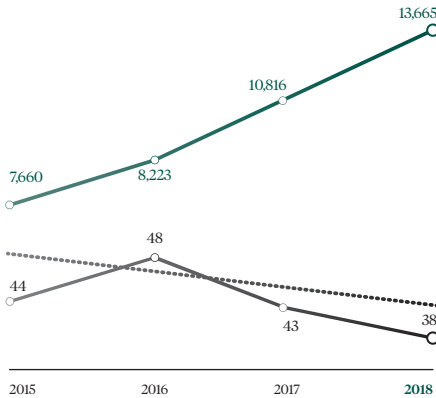
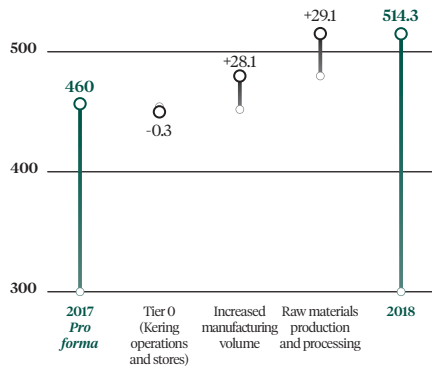
The Group's environmental impact amounted to €514 million in 2018. This increase of nearly 12% on a *pro forma* basis must be seen in the light of the Group's stellar organic growth. Kering's EP&L intensity has been declining steadily since 2015, and is in line with the Group's reduction target, having eased by 14% between 2015 and 2018.

The big increase in revenue between 2017 and 2018 reflects an increase in activity and as such increased purchases of materials and even the build-up of inventories, which are vital as a means of supporting strong growth in the Group's Houses. Increases were focused essentially on supplies of leather, explaining the increase in the EP&L impact related to the production and processing of raw materials.

On the operations side, energy efficiency efforts carried out over recent years on stores and production sites have resulted in a reduction in the environmental footprint in absolute terms, which is a very positive outcome in this context of strong growth.

Main changes between 2017 and 2018

EP&L impact (in € millions)

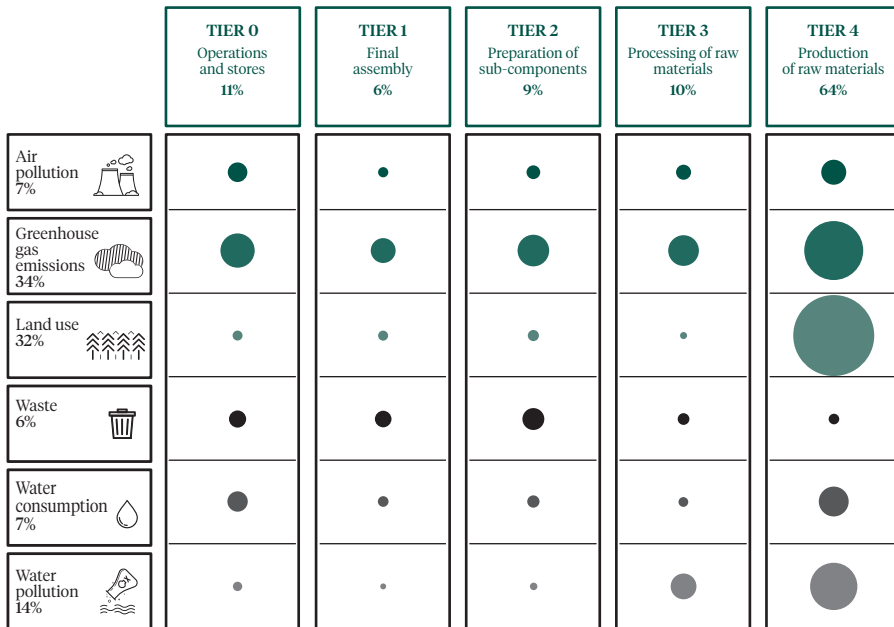


— Revenue: €m
 — EP&L intensity: €EP&L per €1,000 in revenue
 --- (Intensity based on EP&L results using the 2018 methodology)

Kering's transformation into a Luxury pure player has slightly modified its environmental profile. The significant proportion represented by supply chains is nevertheless unchanged at 89% of impacts, with 74% attributable to the production of raw materials (Tier 4) and their initial processing (Tier 3).

Greenhouse gas (GHG) emissions, land use and water pollution remain the predominant impact indicators, accounting for 80% of the total impact. This confirms, if need be, the strategic thrusts of Kering's environmental policy.

Mapping of 2018 impacts and optimization strategy

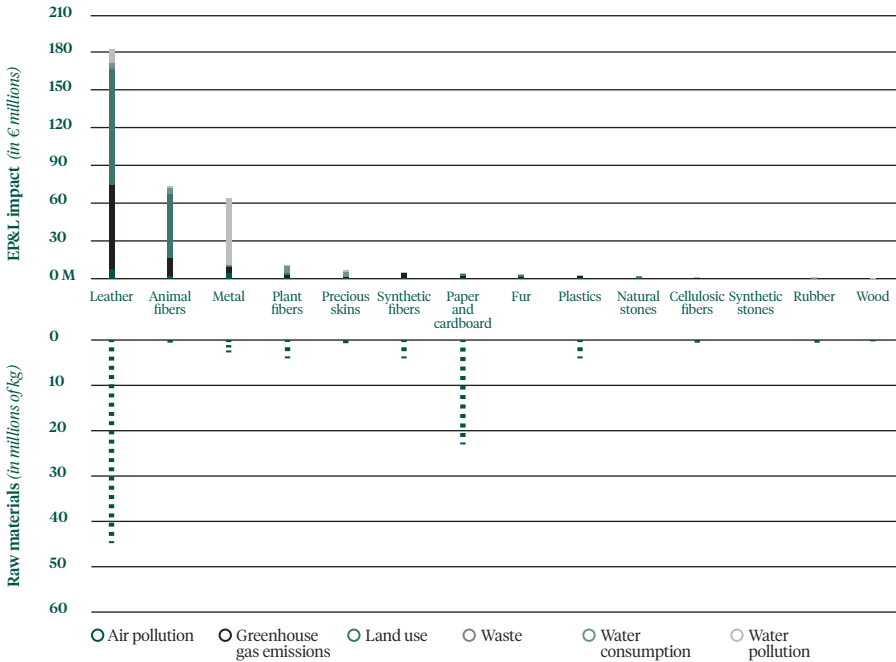


The Group's environmental footprint directly mirrors its use of raw materials.

For instance, leather products and textile fibers of animal origin have a strong impact on greenhouse gas emissions and land conversion. The use of metals, especially precious metals, has a significant impact on water pollution because of the chemicals used in extraction and the early stages of the refining process. Impact analysis by material

enables Kering to prioritize and focus efforts on the raw materials and supply chains that generate the greatest impact, even when the volumes of these materials are low.

As is the case each year, the results and lessons learned from the EP&L were reviewed by the Management Committees of each House. They then shared with Kering their action plans and the main benefits expected in terms of reducing their EP&L footprint.

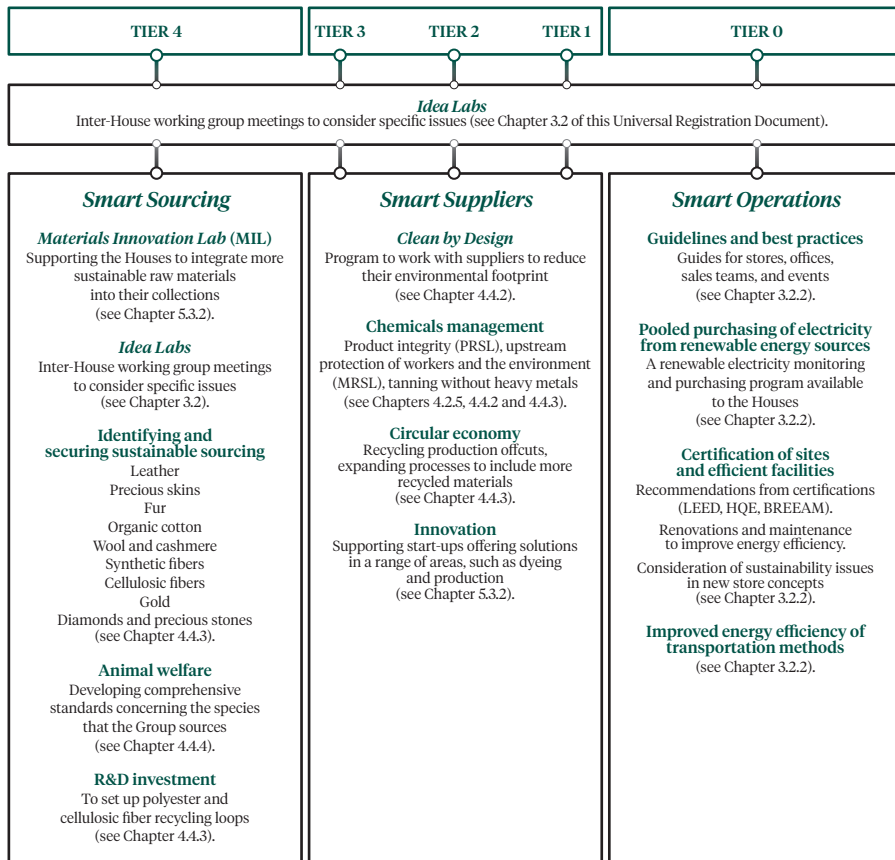


The results of the EP&L back up the Group’s strategy, which places considerable emphasis on responsible sourcing policies and improving the environmental efficiency of its industrial processes while seeking optimum management of sites and activities. For Kering, this means above all:

- implementation of the Kering Standards: applicable to all of the Group’s Houses and their various suppliers, the Standards provide essential information and guidelines geared towards reducing the Group’s environmental footprint and achieving the 2025 Sustainability objectives. Published in 2018, the Kering Standards are intended to improve the monitoring and measurement of the Group’s progress in terms of traceability, social compliance, environmental protection, animal welfare and the use of chemicals. They have been circulated widely, both within the Group and externally, notably through this year’s publication of specific animal welfare criteria and the launch of an e-learning campaign focusing on suppliers;

- implementation of targeted projects: the Group has prioritized its actions in response to the lessons learned from the EP&L, in particular around:
 - the choice of materials, as regards both the actual materials and the way they are used (location, production processes, etc.),
 - production processes such as chrome-free tanning technology and improvements in suppliers’ environmental performance,
 - collaboration between the Houses and their various departments. By regularly pooling the wealth of knowledge and expertise available across the Group, Kering generates synergies and provides a response to such major issues as the improvement of material traceability, the establishment of material purchasing platforms aligned with the Kering Standards and support for positive-impact initiatives in supply chains. This is done without compromising the confidentiality or image of the individual Houses;
- the search for disruptive innovation on raw materials and manufacturing processes to drastically reduce the EP&L by developing ground-breaking technologies (circularity, biotechnology, blockchain, big data, etc.).

A summary of key projects carried out in response to Kering’s EP&L is provided below.



Improvement of the tool and the method

The EP&L serves primarily as a decision-making tool providing input to the Group’s sustainability projects and guiding the day-to-day choices of decision-makers, with the ultimate goal of reducing the environmental impact of both Kering and its supply chains.

The roll-out in 2017 of an internal modeling tool including a dynamic visualization of results made it possible to meet this objective. Known as Demeter, it is designed to create scenarios serving to estimate the impacts of a project or product on the Houses’ EP&Ls. In 2019, Kering continued its efforts to increase the reliability of the data used in the EP&L, notably by automating reporting from the House systems and databases (supplier purchasing databases, product composition, etc.).

Kering was also one of only a few private stakeholders invited to take part in a workshop held at the United Nations headquarters in New York in October 2019. Organized under the aegis of the United Nations Statistics Division (UNSD), the working group aims to harmonize approaches

to natural capital accounting between public and private stakeholders. The first meeting focused on approaches to monetizing eco-system services. It brought together representatives of the European Commission, as well as statistical agencies from Brazil, Mexico, South Africa, India and China. Other private stakeholders present included Syngenta, Dow Chemicals, GRI, SASB, the Natural Capital Coalition and the Value Balancing Alliance.

In addition to efforts made to improve data quality, the methodology involves modeling alternative materials and sourcing offering a reduced environmental footprint to demonstrate the progress made by the Houses.

Consideration of the organic carbon content of soil, which was first factored into the modeling of agricultural practices for wool and cotton, has now been extended to leather. As such, it now covers all the main animal and plant-derived materials used by the Group’s Houses. This is a key indicator of soil health, and differentiates between agricultural practices that preserve and regenerate the soil and soil-depleting practices. It is therefore possible to

differentiate the EP&L impact of a textile fiber such as cotton, wool or leather depending on the type of crop or livestock: regenerative, organic or conventional. The Houses are encouraged to use materials from regenerative or organic agricultural practices to reduce their EP&L footprint.

Lastly, the scope has been expanded through a large-scale pilot to encompass the product use and end-of-life phases. A survey of more than 3,000 luxury goods consumers in six countries was conducted to analyze consumer purchasing habits, as well as the way customers care for and discard products.

The next step is to map and measure the environmental data collected during this survey. This will enable Kering to estimate the impacts associated with the product usage and disposal phases, and to integrate them into its EP&L from 2020. The system will then cover its entire value chain, both upstream and downstream.

Transparency, innovation and promotion of natural capital accounting

True to its commitments to transparency and the sharing of its practices, Kering launched a digital EP&L platform in June 2019, allowing users to browse the Group's 2018 EP&L results interactively. All results are now available online, from the Group's overall impact to the specific details, such as the materials used, processing activities at each stage of the chain, and sourcing locations. The platform also allows access to the underlying data sets, signifying that the various environmental key performance indicators (eKPIs), which show the environmental impacts of the Group's activities, and the related valuation coefficients can be accessed and downloaded by anyone. The aim of this high level of transparency is to enable other luxury and fashion players to initiate their own EP&L

analysis. Simultaneously, Gucci has launched its own digital EP&L portal, accessible from its Gucci Equilibrium website, which now offers its community the opportunity to interact with the House's EP&L and to learn about the measures taken to optimize it.

Drawing on this open source platform, Kering organized Hack to Act, the first hackathon dedicated to luxury fashion and sustainability, in October 2019. The goal was to use the EP&L datasets to develop new generations of applications and digital solutions to help close the gap in understanding the link between fashion and its impact on the environment. Hack to Act brought together more than 80 developers and experts selected from nearly 250 applicants for a weekend of work. The top three initiatives were then selected by a jury chaired by Marie-Claire Daveu, Kering's Chief Sustainability Officer and Head of International Institutional Affairs, and also comprising Patrick Pruniaux, CEO of Girard-Perregaux and Ulysse Nardin, Antonella Centra, EVP General Counsel, Corporate Affairs & Sustainability at Gucci, Nicolas Polailon, Data, CRM & AI Director at Kering, Pavan Sukhdev, President of WWF International, Toby Heaps, CEO of Corporate Knights, and Omer Mahmood, Customer Engineer, Google Cloud, at Google. The winning projects are currently being studied by Kering, and could be incubated in certain Group Houses.

Lastly, in addition to sharing its EP&L methodology, its findings and its data within organizations such as the Natural Capital Coalition, the World Business Council for Sustainable Development (WBCSD), the EU Business Biodiversity Platform and countless others, Kering also held numerous bilateral meetings with the signatories of the Fashion Pact to share its experience of natural capital accounting in 2019.

4.4.2 Projects, collaborations and initiatives geared towards reducing our suppliers' environmental impact

Measuring and regulating the carbon footprint outside our operations

• Main impacts

As mentioned in the section entitled "Climate strategy", Kering firmly believes that businesses have a decisive role to play in the face of unanimous recognition of the urgency and criticality of climate change. The carbon footprint of human activity, and in particular businesses, has numerous impacts, which are analyzed and described in the Group's EP&L methodology: the increase in atmospheric concentrations of greenhouse gases is liable to result in changes in weather patterns, higher water levels and average temperatures, and an increased likelihood of extreme weather events, thereby generating adverse human health impacts (malnutrition, disease), risks of disruption to economic activities, reduced agricultural yields, desertification and other serious disturbances of eco-system services.

The Group's EP&L methodology allows it to track and quantify its annual impact on natural capital, particularly with regard to greenhouse gas emissions. The Group's 2018 EP&L results show that 34% of Kering's environmental impacts relate to greenhouse gas emissions, and that they are mostly in Tier 4 (production of raw materials) of its supply chains.

In addition to rolling out the Kering Standards across all of its activities, thus helping to reduce the Group's carbon footprint outside its operations through the adoption of raw material sourcing practices with a reduced carbon footprint, building, for instance, on requirements in respect of animal rearing methods, the Group's climate strategy is described in the section entitled "Climate strategy". The actions undertaken by the Group to specifically target its footprint in its supply chains, outside its own activities, are described below.

- **Commitment and initiatives**

Kering contributes to the practical implementation of projects aimed at reducing the environmental footprint of its suppliers, as shown by the Clean By Design project. Spearheaded in 2013 by the NRDC (Natural Resources Defense Council), the Clean by Design program aims to reduce the environmental footprint of textile manufacturers through the organization of energy-water audits reviewing ten key points of the performance of a production site.

In 2014, at the Group's initiative, Gucci, Alexander McQueen, Saint Laurent, Balenciaga, Bottega Veneta and Brioni brought 24 of their suppliers, mainly weaving, printing and dyeing plants in Italy, into the program. This resulted in the following improvements:

- 150 energy efficiency initiatives resulting in a reduction in greenhouse gases approaching 8,000 metric tons per year, corresponding to an average improvement of 19% in greenhouse gas emissions per site between 2015 and 2018;
- investments of €2.2 million in optimizing the use of resources, resulting in annual savings of €940,000, for a full return on investment in less than 2.5 years;
- complete elimination of the direct use of liquid fossil fuels, replaced by electricity, biomass, natural gas and LPG;
- resource optimization resulting in annual savings of nearly €1 million for Kering and the participating suppliers.

In 2017, Kering extended this program to other activities further upstream in its supply chain. This brought three wool-scouring and three silk-yarn plants in China into the program. Initial energy audits were performed in summer 2017, immediately followed by the first counter-measures. The plants are committed to a target reduction of 3,000 metric tons of greenhouse gases per year, three plants having already completed their action plan by the end of 2018, and the others having made 50% of the required efforts. To rationalize supplier engagement efforts on Kering projects, it was also decided to extend the Clean By Design scope to chemical substances and the management thereof. By incorporating the initial evaluation of chemical substances into the audit process, the Clean By Design program has become a lever for developing the implementation of Kering's Manufacturing Restricted Substance List (MRSL).

Since 2018, Clean by Design has also been extended to denim, with the inclusion of five washing sites in Italy.

Kering's international logistics platform, Luxury Goods International (LGI), also runs awareness-raising and discussion meetings with suppliers and logistics partners. Since 2017, these meetings have placed a sharp focus on carbon footprint mapping. Most freight operators now provide the Group with CO₂ reports compliant with the EN 16258 standard.

Chemicals management

- **Main impacts**

As analyzed in 2013 in the Group's EP&L methodology, the use of chemicals results in numerous impacts, particularly in terms of water pollution and waste generation. For instance, waste treatment methods (landfill, incineration, etc.) can result in the discharge of landfill leachate into the soil, while water pollution can disrupt aquatic ecosystems through eutrophication. This can have adverse human health impacts (disease caused by toxic products or poor water quality), and can also result in reduced agricultural or fishing yields and other serious disruptions of eco-system services.

The Group's EP&L methodology allows it to track and quantify its annual impact on natural capital, particularly with regard to waste and water pollution. The Group's 2018 EP&L results show that 20% of Kering's environmental impacts relate to waste and water pollution, and that they are mostly in Tier 4 (production of raw materials) of its supply chains.

Hundreds of different chemicals are used in the production of the items made by Kering's Houses. Risk mapping conducted in 2014 served to prioritize areas on which to focus efforts to eliminate all hazardous substances from supply chains. This mapping is based on the inherent risks of the processes, the production geography, the sector's maturity and production volumes. The biggest risks have been identified on leather (including tanning and finishing) and textiles (especially dyeing). The Watches and Jewelry industries have been rated as least at risk among the Group's activities. The approach taken by the Group to address these risks is described below.

- **Commitment and initiatives**

As well as complying with fundamental national and international regulations such as REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals, European Union), GB (Guo Bio, China), CPSIA (Consumer Product Safety Improvement Act, United States) and KC Mark (Korea Certification Mark, Korea), Kering has set itself the target of eliminating all hazardous chemicals from all its Houses' products and production processes by 2020. To do so, the Group has established two types of lists of substances subject to restrictions: one for production processes, the Manufacturing Restricted Substance List (MRSL), and one for products, the Product Restricted Substance List (PRSL). There is a single MRSL covering the entire Group, and several PRSLs.

The MRSL is focused on discontinuing the use of dangerous chemicals in the manufacturing process, first to ensure that workers within the Group's operations and in the supply chains of the Houses are not exposed to hazardous substances, and second to reduce toxic discharges into water.

Implementation of the MRSL began in 2014 with a pilot phase including the four Kering tanneries. Following this, Kering developed a set of guidelines, tools and methodologies to enable the MRSL to be rolled out to its entire leather supply chain in 2016.

The roll-out covered more than 70 tanneries in 2018, representing 90% of leather supplies for the leather goods and 80% for the shoes produced by the Group's Houses. For the textile portion, the MRSL was piloted with 11 key suppliers to develop the methodology. It was extended in 2018 to 32 direct suppliers representing 70% of the supply of fabrics and linings.

While 2017 and 2018 were pivotal years for the roll-out of the MRSL in leather supply chains, new tanneries joined the project in 2019, thereby bringing the total number of participating tanneries to more than 80. Kering estimates that these tanneries cover approximately 90% of the materials supplied for leather goods and 80% for shoes produced by the Group's Houses. In addition, 38 leather goods and shoe manufacturers were directly involved in the implementation of the MRSL, in cooperation with Kering and its brands to identify and eliminate dangerous chemicals. For the textile division, the MRSL was extended to more than 60 fabric and lining suppliers for the production of ready-to-wear collections in 2018 and 2019. The process involves calling on Kering's direct suppliers to interact with their own suppliers, to promote cooperation and improve the management of chemicals in supply chains.

In 2016, Kering officially joined the Zero Discharge of Hazardous Chemicals (ZDHC) Programme as a signatory brand, having been an observer since 2015. The ZDHC Programme is supported by roughly 20 major international brands and upwards of 60 industrial partners committed to encouraging sector-wide take-up of best practices and the use of sustainable chemicals with a view to eradicating the most hazardous substances from textile, leather and footwear industry supply chains. Kering takes an active part in the work of the ZDHC Programme, and in 2019 continued to help it expand its activity in Italy by promoting contact with key players and suppliers, and by encouraging the leather industry to adopt the MRSL. Kering also took part in the inaugural ZDHC Leader Programme for Signatory Brands, for which purpose the Group's actions taken to eliminate dangerous chemicals from its production processes were evaluated by a third party. The primary goal of this initiative is to assess Signatory Brands' alignment with the ZDHC Programme and to promote the harmonization of industry efforts by defining a personalized roadmap for each brand.

To assist players in its supply chains in their MRSL compliance efforts, Kering held three training sessions for the leather and textile industries in 2019. They were focused on the methodology and tools available for the implementation of the MRSL. In addition, a training event

jointly organized with the ZDHC Programme and five other international groups brought together 250 participants from leather and textile supply chains in Italy. Here again, the sharing of experiences with the ZDHC Programme allows for a synergy of efforts and the pooling of technical expertise.

In addition, to ensure the progression of MRSL compliance within its supply chains, Kering developed and implemented a specific MRSL audit methodology in 2019. Its dual aim is to verify suppliers' compliance with MRSL requirements and to promote continuous improvement. In 2019, the methodology was tested and applied to 40 suppliers in the textile and leather supply chains.

These measures are complemented by a number of initiatives within each of the Houses. To manage chemical risks, Kering Eyewear uses centralized chemical substance tracking software in the form of Material Safety Data Sheets (MSDS) at its Manufacture Cartier Lunettes (MCL) production site, allowing it to prioritize materials on the basis of their risk level.

In 2018, Bottega Veneta was the first House to roll out the MRSL to a group of leather goods and shoe manufacturers. To this end, a half-day of training bringing together seven key suppliers was organized at the Montebello workshop. Suppliers then completed their first self-assessment in December 2018. In 2019, the brand continued its work to bring an ever-greater proportion of leather goods and shoe production workshops in line with its MRSL approach. A total of 12 new suppliers received training in the MRSL and its tools, either at the brand's headquarters in Montebello or by videoconference. To date, more than 95% of the leather used in leather goods and shoes comes from tanneries included in the brand's voluntary chemicals management project.

Gucci, meanwhile, as Chair of the Sustainability Committee of the *Camera Nazionale Della Moda* (CNMI), was particularly active in the debate on the negative impact of dangerous chemicals in the luxury industry, and contributed to the preparation and circulation of Industry Guidelines on eco-toxicological requirements for apparel, leather goods, footwear and accessories.

Land use and protection of biodiversity

Firmly believing that businesses have a decisive role to play in the face of scientists' observation of biodiversity loss, and that there is a link between the preservation of ecosystems and the sustainability of its economic activity, Kering has made protecting biodiversity a key aspect of its business strategy. As a player in the luxury sector, the nature of its products and the corresponding quality requirements make the Group largely dependent on natural raw materials (wool, cashmere, leather, cotton, silk, etc.) and their ecosystems. Climate change is already

starting to disrupt these ecosystems, making it essential to boost their resilience. These biodiversity-rich natural habitats provide essential services to our societies, such as climate regulation, soil regeneration, water filtration and the availability of raw materials for our activities, but also for food, medicine and construction.

Kering endeavors to ensure that its activities minimize negative impacts on biodiversity, and aims to create positive impacts, particularly in terms of soil regeneration and the preservation of endangered animal and plant species. The Group's EP&L methodology allows it to track and quantify its annual impact on natural capital, particularly with regard to biodiversity and land use. The Group's 2018 EP&L results show that 32% of Kering's environmental impacts relate to biodiversity and land use, and that they are mostly in Tier 4 (production of raw materials) of its supply chains.

In addition to rolling out the Kering Standards to all of its activities, thus contributing to nature conservation through the adoption of eco-friendly raw material supply practices by introducing requirements in respect of organic cotton, silk and wool, for example, the conservation approach applied by Kering and its Houses has three main focuses: improved measurement of eco-system services and biodiversity; support for conservation initiatives; and raising awareness of biodiversity issues in the private sector.

- **Commitment to improved measurement of eco-system services and biodiversity**

Kering is committed to improving the allowance made for biodiversity and eco-system services in its EP&L and to improving the data and knowledge underlying these evaluations. Work in 2019 focused on:

- the creation of a biodiversity indicator in collaboration with the Cambridge Institute for Sustainability Leadership and the Natural Capital Impact Group (NCIG). This indicator, known as the Biodiversity Impact Metric (BIM), measures the impact of a business's operations on biodiversity, with a particular focus on the supply chain. The metric provides a basis for comparing the impacts of different raw materials or supply regions on biodiversity, and can therefore be used to guide actions taken to reduce those impacts. Following the publication of an initial methodology by the University of Cambridge in 2017, a second version including feedback from conservation experts and other stakeholders was presented in 2018 at an event hosted by HRH The Prince of Wales in London and the Business and Biodiversity Platform in Brussels. In 2019, the BIM was tested on a number of raw materials supply chains for the Group's brands, in particular for textile fibers including cotton, cashmere and wool. Work has now started on the first versions for the leather supply chain, with further developments to come;

- the continuation of the partnership with Stanford University's Natural Capital Project and NASA to explore opportunities for using remote sensor data to track changes and progress in eco-system services generated by the implementation of sustainable pastoral practices by nomadic cashmere breeders in the Gobi region of Mongolia. This partnership is part of a five-year program aimed at demonstrating that remote sensor data can be used in real time to support the development of low-impact and biodiversity-friendly farming methods. For Kering, this work is of particular importance, as it enables the Group to contribute directly to scientific progress in natural climate solutions for agriculture;
- the launch of the multi-year initiative led by scientists at the Australian National University to identify and promote new grazing approaches for cattle and sheep that meet biodiversity conservation requirements on farms in Australia. In 2019, ten farms were selected for evaluation and to ensure the monitoring of the practices implemented. This initiative will also enrich the EP&L methodology for wool and leather with scientifically validated data on grazing practices at farm level;
- participation in CDC Biodiversité's Business4Biodiversity group to promote the measurement and mitigation of corporate impacts on biodiversity.

- **Support for conservation initiatives**

In 2019, the Group's conservation projects focused primarily on farming practices that support wildlife and forest conservation through its REDD+ carbon offset projects:

- the Group is continuing its partnership with the Wildlife Friendly Enterprise Network (WFEN) to develop best practices and to promote the conservation of biodiversity in farming practices applied for producing raw materials. As a continuation of work begun in 2017, WFEN issued practical recommendations to Kering on ensuring positive cohabitation between endangered local species and sheep farms in South Africa, Australia and New Zealand. In 2018 and 2019, WFEN extended these recommendations to include Kering's projects in Mongolia (cashmere) and mohair producers in South Africa;
- to extend the development of its sourcing programs relying on farming methods with a positive impact on the environment. Kering joined the Savory Institute's Frontier Founder initiative in 2018. The aim of this program is to encourage regenerative grazing practices around the world. It will further support Kering's sustainable sourcing approach by promoting the identification of farms that produce such key raw materials as wool, shearing and leather. In addition, thanks to the Savory Institute's Ecological Outcome Verification (EOV) program, Kering will have access to data and verifications carried out by the Institute to

demonstrate the positive impact of its sourcing choices on soil, water management, animal welfare and biodiversity. In 2019, the EOv program was piloted on Australian farms in the Kering wool supply chain;

- Kering continues to offset its residual Scope 1 and 2 greenhouse gas emissions. In 2019, Kering took its long-term commitment to sustainability further by offsetting its residual annual emissions across its entire value chain, rounding out the efforts already made to avoid or reduce them. Accordingly, in 2019, Kering offset 2.4 million metric tons of CO₂ emitted in 2018, thereby helping to protect areas rich in biodiversity.

Carbon credits have been obtained through the provision of support for several REDD+ (Reducing Emissions from Deforestation and Forest Degradation) programs, with VCS (Verified Carbon Standard) verification. All projects supported by Kering are certified by the Climate, Community and Biodiversity Alliance (CCBA), which recognizes the positive contribution of REDD+ projects for the conservation of biodiversity and ecosystems, but also for the living conditions of local populations. Kering makes multi-year commitments so that project leaders have sufficient visibility to develop their business models. For instance, the Group has supported the Kasigau Corridor in Kenya since 2012, and the Keo Seima Wildlife Sanctuary in Cambodia, the Choco-Darién Conservation Corridor in Colombia and the Katingan Peatland Restoration and Conservation Project in Indonesia for the last three years. In 2019, Kering also began supporting Peru's Cordillera Azul National Park, which makes a big contribution to the fight against deforestation in South America.

Gucci also offset its residual greenhouse gas emissions across its entire value chain (Scopes 1, 2 and 3) through four REDD+ projects, supporting the conservation of the world's forests.

In total, Kering and Gucci are supporting ten carbon credit projects worldwide. All of these projects contribute to the protection of more than 5,610,000 hectares of particularly biodiversity-rich ecosystems, and provide support to more than 207,000 people in local communities.

The Houses are also committed to individual conservation initiatives. Qeelin, for instance, has undertaken to provide funding to the WWF Panda Conservation Project for three years. Its funding goes towards supporting field studies, bamboo replanting, human activity monitoring and panda habitat management, measuring the effectiveness of reforestation actions, training teams, promoting and fostering panda-friendly agroforestry products, and establishing learning platforms to facilitate the transfer of knowledge and the spread of solutions. In collaboration with TreeDom, DoDo launched the "A Tree for a Tree" campaign, which aims to create a new forest by supporting agro-forestry projects. This forest, which will grow over time, is already contributing to the protection of biodiversity and carbon sequestration; it is managed by cooperatives around the world.

By sourcing gold through the Kering Ethical Gold Framework, the Group's Jewelry and Watches Houses also act in favor of conservation by supporting gold production methods that do not pollute natural environments with mercury or cyanide.

In addition to its landmark decision to ban fur from its Spring/Summer 2018 collections, Gucci has undertaken to cease using angora, and has confirmed its partnership with NGO Panthera, dedicated to saving wild cats through the Tigers Forever program, which supports the reintroduction of tigers into the wild. In 2019, the brand joined The Lion's Share, an initiative designed to support animal welfare and conservation projects by donating a percentage of its media spend on advertisements featuring animals. More locally, Gucci donated 3,500 trees to the City of Florence to offset the emissions of the 2019 Gucci Corporate teams Christmas party, which brought together 3,500 employees from Florence, Milan, Rome and the brand's production sites.

Balenciaga launched a capsule collection with the International Union for Conservation of Nature (IUCN) in 2019, for the first time highlighting its environmental commitment and support for endangered species in the face of biodiversity crisis. This collection revisiting some of the House's iconic designs showcases works of art representing the northern white rhino, the Asian elephant, the blue whale and the giant panda, all classified as endangered or vulnerable species. The House also donated €100,000 to an international nature conservation organization.

Lastly, in collaboration with The Biodiversity Consultancy, Alexander McQueen carried out a biodiversity risk assessment taking into account its supply chains and work practices. The process helped identify areas at risk of biodiversity loss and deforestation potentially linked to its supply chains.

- **Raising awareness of biodiversity issues in the private sector**

In 2019, Kering continued its efforts to encourage private stakeholders to pay greater attention to biodiversity issues. To this end, the Group contributed to various conferences: the IPI impACT Conference in Paris, the Coalition for Private Investment for Conservation conference in New York, and the Nature for Impact Conference in London.

These conferences offer Kering the opportunity to share its expertise on how the private sector can appropriate and act on biodiversity challenges by adopting responsible and sustainable supply chain management practices, and how to communicate on the irrefutable contributions of Kering's EP&L measurement methodology in targeting priorities for action on the various links in the supply chain and especially on matters relating to raw materials.

In addition, Kering continues to invest in the Act4Nature movement created by *Entreprises pour l'Environnement* (EpE), which the group joined when it was launched in 2018. Sixty-five companies joined forces on the

Act4Nature commitment to protect, enhance and restore biodiversity. The initiative was an opportunity for these companies to sign joint commitments and to present their individual commitments aimed at making the protection of biodiversity a central part of their business.

Kering is also a member company of the One Planet for Biodiversity Business (OP2B) coalition, launched in September 2019 on the sidelines of the United Nations Climate Action Summit in New York. OP2B brings together 19 companies, largely from the agri-food sector, along with a smaller contingent from the cosmetics sector and the world of fashion, of which Kering is the sole representative. Its aim is to protect and restore biodiversity within the supply chains of member companies and their product portfolios, with actions focused around three pillars: scaling up regenerative agricultural practices to protect soil health, reintroducing cultivated biodiversity in supply chains, and protecting high-value natural ecosystems, notably by eliminating deforestation. The coalition is committed to developing, by June 2020, a compendium of measurable solutions that can be implemented in OP2B member value chains, and to disclosing ambitious, timebound and measurable commitments at the Convention on Biological Diversity (CBD)'s COP15 to be held in October 2020 in Kunming, China.

In addition, in October 2019, Kering and the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) announced the launch of a partnership – the first that IPBES has ever established with a private sector player. This global body of experts founded with the support of the UN in 2012 is tasked with assessing the state of biodiversity around the world and raising awareness on this issue. The support provided by Kering contributes to the work conducted by the IPBES to supplement scientific data and, as such, to foster more informed decisions concerning nature. Among other things, this involves establishing political support and capacity-building activities, developing new knowledge, carrying out awareness-raising initiatives and providing assessments performed by scientific experts.

Lastly, Kering, as a founding member of the Fashion Pact, has undertaken alongside its Houses to reverse the curve of biodiversity loss within ten years through the implementation of objectives based on scientific criteria in order to restore natural ecosystems and protect species.

Water management

• Main impacts

Water security is a major global challenge in view of unanimous scientific findings underscoring the urgency and criticality of climate change and biodiversity loss. The analysis carried out as part of the Group's EP&L methodology shows that water use and pollution can have a wide range of impacts, and can give rise to significant risks in respect of the availability and quality of water in various parts of the world. For instance, water pollution can disrupt aquatic ecosystems through eutrophication, and mismanagement of water use can create life-threatening competition for local communities (competition between the production of raw materials and food, for example). This can have adverse human health impacts, and can also result in reduced agricultural yields and other serious disruptions of eco-system services.

The Group's EP&L methodology allows it to track and quantify its annual impact on natural capital, particularly with regard to water use and pollution. The Group's 2018 EP&L results show that 21% of Kering's environmental impacts relate to water use and pollution, and that they are mostly in Tier 4 (production of raw materials) of its supply chains.

As such, and given that the direct environmental impact of the Group's water consumption is not significant, Kering's water management strategy is geared chiefly towards water supply chains outside its own operations. Initiatives are prioritized using the EP&L approach, which identifies the channels generating the greatest impacts.

This strategy is made public and described in the Group's responses to the 2019 CDP Water Security Questionnaire, available at www.cdp.net. It sets out the Group's governance with respect to its water management, risk management, objectives and performance.

• Commitment and initiatives

As shown by the results of the Group's 2018 EP&L, the main impacts from water use and pollution are generated above all in Tier 4 for the production of leather, metals, plant fibers and precious skins.

As Kering does not have direct control over Tier 4, the main levers used by the Group to act on these impacts are the circulation of requirements throughout its supply chains through the Kering Standards, the MRSL and the PRLS, and the development of specific cross-cutting programs with producers and industry players, such as Clean By Design, and the various raw materials industries.

These programs are described for each material in the sections entitled "Leather", "Metals, stones and other precious materials", "Plant textile fibers" and "Precious skins and furs". Of particular note are the metal-free tanning program for leather goods, the Scrap-Less project initiated by Gucci, the establishment of the Kering

Responsible Gold Framework, a responsible gold sourcing platform that favors extraction methods built on sound chemicals management techniques, and certification requirements for organic cotton such as GOTS and OCS in the Kering Standards for plant fibers.

4.4.3 Sustainable use of raw materials

The Group's EP&L clearly shows that most environmental impacts (74%) are caused upstream of its supply chains by the production of raw materials and their initial transformation (Tiers 3 and 4). For Kering, critical impacts are generated by the raw materials used in large quantities and whose production can have a significant impact on the environment, such as leather, or by raw materials used in small quantities but whose extraction or production can have a heavy impact. This is the case for animal fibers such as wool and cashmere, as well as metals and precious stones (gold and diamonds).

Kering has committed to reducing its environmental footprint in the pre-operations phase, starting with the production of its raw materials. To this end, the Smart Sourcing program, launched in 2013, provides recommendations and guidance for the Houses, allowing them to use raw materials produced sustainably and responsibly. This project draws on the Kering Standards and involves the Materials Innovation Lab (MIL) and supply chain management, R&D and Sustainability teams working closely with the Group and its Houses to come up with responsible sourcing solutions tailored to the specific needs of each House.

At the same time, some of the Group's Houses apply even more stringent measures. Gucci, for instance, has banned the use of fur since 2018.

Circular economy

Kering's long-term vision is one of a circular economy based on a non-linear model incorporating regenerative practices, both in design and the materials used. The transition to a circular economy, which means rejecting the linear "take – make – consume – throw away" model, involves more than the simple use of recycled materials: it requires real change in practices at each stage of the production cycle. The idea is to contribute to eco-system restoration through regenerative agricultural practices in the sourcing of raw materials, to favor renewable energy for production and processing, to optimize the efficiency of such processes so as to reduce their environmental footprint (carbon, water, waste, use of chemicals, etc.) and lastly to promote the recyclability of products while improving their longevity.

Kering is applying its circular economy approach in a collaborative manner on each of these points, in the firm belief that transition to a circular economy requires extensive cooperation within and between sectors.

Lastly, Kering, as a founding member of the Fashion Pact, has committed alongside its Houses to eliminating single-use plastics from its B2B and B2C packaging by 2030. Its goal is to develop practical initiatives to protect the oceans by reducing the negative impact of the fashion sector.

In 2019, Kering continued its involvement in the following three initiatives, which it joined in 2017:

- the Fashion Positive initiative: Kering is an active PLUS member of this initiative, which aims to create a certification guaranteeing the circular virtues of various materials used in the fashion industry and to promote inter-brand contact as a means of accelerating its implementation and mobilizing suppliers. Nine Houses, together with numerous suppliers and circular economy and chemicals experts, have joined forces to roll out this certification through pilots initially covering seven materials and processes;
- the Global Fashion Agenda: in 2019, Kering remained a strategic partner of this organization dedicated to promoting sustainability in the world of fashion. A veritable accelerator of good practices, this platform issued a call to speed up the transition to a circular economy in May 2017, and in 2018 published operational guidelines for achieving circular fashion. Kering, alongside other major players in luxury and fashion, is committed to meeting this objective by 2020, and provides ongoing technical support to this end;
- the Ellen MacArthur Foundation: in 2019, Kering continued to support the Ellen MacArthur Foundation's Circular Fibres Initiative. The Initiative's maiden report, "A New Textiles Economy: Redesigning Fashion's Future", to which Kering contributed its expertise, was published in November 2017. Kering continues to participate by lending its expertise and resources to promote and co-construct a new vision of the textile industry.

Lastly, Kering began work on measuring the circularity of its materials at the end of 2019, drawing on the methodology developed by the Ellen MacArthur Foundation and applying it to the Group's raw materials. The inaugural version of the Kering Materials Circularity Index estimates that 39% of the materials currently used by the Group and with potential for circularity are already circular. The detailed methodology used in preparing the index is available in the environmental methodological note available on the Group's website.

In addition to these international collaborations, Kering and its Houses are actively developing numerous circular economy initiatives, particularly in terms of recycling, upcycling and the reuse of materials.

In 2019, Kering's operations management teams focused their efforts chiefly on plastic packaging for ready-to-wear, and more specifically on a collective waste management and polybag circularity project.

For the last two years, Kering has been partnering at Group level with *La Réserve des Arts*, an NGO that collects scrap materials and offcuts from businesses and cultural institutions in the Paris region for reuse by creative professionals. In 2019, *La Réserve des Arts* collected and reused decorative items from the European Heritage Days at Laennec, Kering's Paris headquarters, and worked with several Group brands to recover materials from their fashion shows, warehouses or window displays. *La Réserve des Arts* has a threefold purpose: reduce waste sustainably, support the cultural sector and promote reuse.

Since 2015, the Ready-to-Wear Division based in Novara, Italy, has made agreed donations to fashion schools and academies. In 2019, 5,100 meters of fabric were shared among nine different European schools.

Brioni regularly donates unused fabrics to international fashion schools (including the London College of Fashion and Central Saint Martins) and students at the Scuola di Alta Sartoria to recycle offcuts from previous collections.

With support from the MIL, Gucci has established an ambitious collection and recycling program for ECONYL[®] offcuts. Known as the "ECONYL[®]-Gucci pre-consumer fabric take back program", it aims to maximize the benefits of this innovative material in Gucci's ready-to-wear collections. ECONYL[®] is itself a recycled fiber made from plastic waste, much of it recovered from the oceans, and produced in a fully traceable supply chain in Italy. The program relies on the cooperation of Gucci's suppliers to collect ECONYL[®] production offcuts and re-inject them into the ECONYL[®] regeneration process in order to re-create a high-quality yarn, which is in turn reused in the production of Gucci ready-to-wear collections. In 2019, Gucci extended the use of this fiber to leather goods, shoes and accessories.

Gucci-Up is a circular economy initiative aimed at promoting the upcycling of leather and textile scraps generated during the production process, developed in collaboration with social NGOs and cooperatives. The project started in 2018 with the delivery of the first batch of leather offcuts. Within this initiative, Gucci has also partnered with Green Line, a Recanati-based company specializing in the collection and recycling of fabric scraps, the marketing of textile raw materials, and the storage of fabrics and yarn for industry, in a program to recycle fabric offcuts. Since 2015, 390 metric tons of offcuts have been recycled under this project, in which Brioni now also participates.

In 2013, Bottega Veneta installed a leather offcut management system on its sites (Montebello workshop, Altavilla warehouse and *Manifattura Veneta Pelletterie* industrial site), the aim being to reuse them as fertilizer while ensuring the processing of chrome residues. The project is being carried out in cooperation with ILSA and Waste Recycling, two companies specializing in the collection and treatment of production offcuts. In 2019, 208 metric tons (90%) of leather offcuts were collected and processed. The House also made several donations to

NGOs or fashion schools during the year, and organized a private sale to employees to give a second life to visual merchandising tools and benches used during fashion shows.

Saint Laurent continued work on a comprehensive recycling program at its industrial sites, headquarters, shops and showrooms in 2019. The House also continued its numerous partnerships with social impact companies, such as Emmaüs offshoot Le Relais for all used fabrics and uniforms, and *Atelier du Bocage* for used electronic equipment and ink cartridges, as well as *Tissons La Solidarité*, a solidarity network that sorts second-hand clothing, and then sews and resells recycled garments.

Capitalizing on these recycling partnerships dating back several years, the House's new headquarters on rue de Bellechasse in Paris have been fitted with insulating panels made from fabrics from old collections. The same circular approach is reflected in the use of marble recovered from former stores or previous fashion shows in the building's restroom facilities, giving new life to these materials. In 2019, the most recent renovations saw the reuse of hundreds of square meters of parquet flooring from the House's past events for the headquarters' floors.

Saint Laurent has also set up a collection system for non-reusable leather offcuts with its suppliers, mainly in its activities in Tuscany. The offcuts are recycled by an exclusive partner using technology that guarantees full traceability. Over the year, more than 137 metric tons of leather were collected and recycled.

In 2019, Balenciaga again sought to allow fashion and design schools to benefit from unused fabric from past collections of its ready-to-wear division. At Design Miami, the House joined forces with artist, architect and designer Harry Nuriev in an environmentally conscious project to create an upcycled couch filled with discarded Balenciaga clothing and labels. The House has also donated clothing to associations that combat violence against women, notably *DiRe* in Italy and Woman AIDS in the United Kingdom. Balenciaga has also launched a new partnership with Le Relais in France to collect and recycle fabrics that cannot be reused in their original form. After being shredded, these fabrics are transformed into ecological building insulation known as *Métisse*. Balenciaga is thus pursuing the collaboration it began with Le Relais in 2018, which has already resulted in the recovery of more than eight metric tons of fabric. Le Relais is a member of the Emmaüs network and works to promote reintegration through the employment of vulnerable people.

In addition, the brand's internal cutting center, located in Scandicci, Italy, and two of its manufacturers are involved in a project to recycle scrap white and black leather from production, which is then passed to German-based company Ledertech for recycling. Since the start of the project, nearly four metric tons of leather scraps have been recovered and recycled. The circular economy is central to Balenciaga's processes. The House is introducing an increasing number of recycled synthetic fibers, such as ECONYL[®], into its collections. The impact of this work on recycled fibers can be seen in all product categories, and especially key lines such as sneakers: in 2020, Balenciaga is set to release its first 92% recycled sneaker.

Alexander McQueen also uses circular economy principles in its approach, by systematically sorting waste fabrics in its creative studios. It has also brought its stores onboard: 78% of them sort recyclable materials. The brand also carried out a lifecycle analysis of its signature sneaker line in order to assess the shoe's full impact from the production of raw materials to the end of the product's life, applying three potential end-of-life scenarios, including resale and recycling.

Leather

Leather is one of the key raw materials used by Kering's Houses. Cattle and sheep farming and leather processing operations (including tanning) together represent one of the most significant environmental impacts across the Group's supply chains (36% of the total impact – 2018 EP&L Report). A dedicated Idea Lab on leather, involving most of Kering's Houses, has met regularly over the last five years.

The concept of responsible leather, as defined in the Kering Standards, combines traceability, i.e., leather that can be traced back to all stages from slaughterhouse and farm, sourcing from farms that minimize their environmental impact and respect animal welfare, and tanning using chrome-free processes. In 2019, a requirement for farms to allow soil regeneration was added to the Standards, signifying that Kering aims to stop using leather sourced from animals raised in feedlots by 2025. In terms of traceability, 2018 saw Kering continue its work on the investigation and traceability of skins, most of which come from Europe. Purchases in 2018 showed that 90% of skins are traceable back to the slaughterhouse (92% for cattle skins, and 87% for sheep skins), and several Houses have already begun to go further back in their supply chains. Kering's aim is for all skins to be traceable back to the farm by 2025.

In terms of animal welfare, Kering published its Standards for all animal species present in its supply chains in May 2019, also releasing Standards specifically targeting calves, cattle, sheep and goats, which account for a particularly sizable proportion of the leather supply chain. The Standards were published alongside specific practical guidelines for slaughterhouses (see the section entitled "Animal welfare: the Kering Species-Specific Animal Welfare Standards"). Kering has also conducted mapping of meat labels that meet its Standards in terms of animal welfare and environmental protection, in order to better link them to its supply chains in the future.

In 2019, Kering embarked on a risk analysis of its leather supply chain, with the aim of identifying the approach to be implemented to counter these risks depending on the level of urgency. Drawing on this risk map, audits will be undertaken from 2020 to ensure that the practices established at supplier locations are aligned with the requirements described in the Kering Standards.

In addition, Kering has partnered with a specialized consultancy to review existing regulations, practices and standards in slaughterhouses in the four European countries (France, Italy, the Netherlands and Spain) supplying the majority of cattle, sheep and goat hides for the leather used by the Group's brands. The study will be used to define a framework to ensure alignment with the Kering practical guidelines for slaughterhouses.

Kering also stepped up its collaborations with players in the food industry – and especially the meat industry – in 2019. As supply chains are shared, this will make for faster verification procedures and, where necessary, improvement of practices.

As well as working on its own supply chains, Kering aims to encourage and promote the emergence of more responsible practices in the industry, particularly through the development of certification for leather. Since 2017, Kering has participated in the work of Textile Exchange on a new Sustainable Leather certification.

Metal-free tanning techniques are also a major focus of Kering's work on leather. For three years, the Group has worked closely with its tanneries, as well as its Houses and their suppliers, to promote the use of leather tanned without metals. In 2019, Kering advanced on three pillars:

1. the development of chrome- and metal-free tanning in all of the Group's tanneries: this work entailed R&D activities in tanneries, with the aim of testing articles made from leather tanned without metals and then putting them into production;
2. sector commitment: with a view to speeding up the transition to metal-free tanning, and continuing the work of the Metal-Free Technical Roundtable held in 2018, Kering organized a Metal-Free Meeting in Milan in June 2019. The first meeting of its kind, it brought together 76 of the Group's key tanneries to present over 1,600 metal- or chrome-free products to more than 130 representatives from Kering and its brands (style, operations, merchandising and sustainability teams). The range of metal-free leather items produced by tanneries has increased substantially thanks to noteworthy advances in R&D and improvements in the quality of this new technology. The event contributed to the increase in the proportion of metal-free leather used within the Group;
3. increase in the proportion of metal-free tanning in the collections of the Group's Houses: in 2019, 24% of the Group's leather goods purchases were metal or chrome-free.

These efforts on traceability, metal-free leather and leather-related animal welfare paid off for Group companies in 2019:

Gucci, for instance, traces each batch of leather back to the slaughterhouse and/or farm, and ensures that the

country of supply complies with the requirements laid down in the Kering Standards. In 2019, supplier data show that 99% of leather was traced back to the slaughterhouse. In 2019, Gucci improved its data collection processes and continued to carry out traceability audits at tanneries.

In partnership with Kering, Gucci has also embarked on a study to analyze agricultural practices on goat farms in Nigeria, from which it obtains leather. Coordinated by an expert NGO, this multi-year project aims to identify practices and the possible associated risks, develop solutions for the implementation of practices respecting the requirements of the Kering Standards, and implement these solutions with breeders in the field. The first step, in 2019, was a scoping study to identify practices and begin a process of engagement with local stakeholders.

Bottega Veneta has also adopted a robust approach to traceability. In 2014, since the Cruise 2014/2015 collection, the House has been committed to tracing the leather of some of its *Cabat Full Nappa* styles, in line with Institute of Quality Certification for the Leather Sector (ICEC) regulation TS-PM414 as part of the certification process for finished leather products. This certification has been renewed annually since September 2014, with coverage progressively increasing from two styles of the iconic *Cabat (Cabat Nappa New Sauge and Cabat Stripes)* in the Cruise 2014/2015 collection) to all *Cabat Nappa* styles. The renewal of the certification in 2017 covers the new *Cabat Nappa Espresso* and *Nero* styles from the Spring/Summer 2018 collection. In collaboration with the ICEC, Bottega Veneta encourages certification procedures with its key tanneries. Bottega Veneta also accompanied Kering's luxury tannery in its TS412 certification process for tanning lambskin from Spain, obtained in September 2018 and renewed in October 2019. To date, 100% of Bottega Veneta's leather is traceable to the country of origin, and 80% of the leather used by the House comes from countries aligned with the Kering Standards.

Saint Laurent, in line with the Group's supplier management policies, has developed a set of specific Key Performance Indicators (KPIs) for its supplier assessment system in its leather tanneries. Drawing on extensive data collection across all product categories, levels of traceability, percentages of Kering Standards-compliant leather purchases and tannery EP&L performances were calculated and tracked on a monthly basis throughout 2019. The results feed into the supplier evaluation process.

The House has also launched a project in partnership with a specialized consulting firm, aiming to trace and link its leather supply chain from South Africa to farms benefiting from certification for their meat (Karoo Meat of Origin), guaranteeing environmental and animal welfare practices in line with the Kering Standards. In addition, slaughterhouse inspections were also carried out to assess practices in light of Kering's requirements. Starting on a small scale in 2019, this project using laser technology to ensure the traceability of lamb skins from farms to finished products, is intended to be extended to other farms and slaughterhouses in the region.

The search for efficiency is central to the Houses' approach, as evidenced by the Scrap-Less project initiated by Gucci in 2017, which involves cutting off parts of hides that cannot be used in finished products due to their size or quality before tanning actually takes place. The outcome is a greatly reduced environmental impact, achieved by reducing the surface needing to be tanned (50% reduction in scrap leather), which in turn means reduced use of water (-18%), chemicals (-16%) and energy, and a lower impact from transportation. Since the project started, more than 16 million liters of water and around 100 metric tons of scrap leather have been saved. In 2019, the Scrap-Less initiative allowed Gucci to cover 10% of its total production. In the same quest for efficiency, Gucci continues its *Gucci-Up* initiative, an upcycling approach to scrap leather and fabrics resulting from production.

Lastly, to provide its suppliers with the best support possible in their transition to sustainable leather management practices, Gucci began developing a best practice guide in 2018 and continued the process in 2019. Known as the Suppliers' Good Practices Guide for Sustainable Leather, it describes large-scale processes that can be adopted in tanneries to remove dangerous heavy metals from the tanning process, to reduce or reuse production and tanning scraps and by-products, to cut water consumption and pollution, and to reduce energy consumption and emissions.

In turn, Saint Laurent is continuing work to internalize the cutting stages, which has the effect of reducing volumes of leather scraps, and has set up an exclusive system for the collection of offcuts that cannot be reused, which are recycled through an innovative process. In 2017, Balenciaga's Leather Goods division joined the project initiated and piloted by Saint Laurent, enrolling its main leather cutting centers in Italy. Over the year 2019, more than 150 metric tons of leather were recycled. Saint Laurent has also gone further by developing its own upcycling solution. Two years of intense research have resulted in the development of exclusive recycled leather made from production offcuts. The new leather meets the high standards expected by the House, and was used to make two *Shopping Bag* models, one for men and one for women, for the Spring 2018 collection. A new version has been launched for the Spring 2019 collection.

Gucci and Bottega Veneta reflect the progress made in metal-free tanning in their activities, dating back to 2013. In 2019, around 30% of Gucci's production was metal-free, and Bottega Veneta saw its share of metal-free leather grow: the House purchased 162,000 sq.m of chrome-free leather in 2018. At Alexander McQueen, about 10% of leather goods and shoes sold were made from metal- or chrome-free leather.

Moreover, in an efficiency-based approach similar to Gucci's, Bottega Veneta established a leather offcut management system on its sites in 2013, as described in "Circular economy".

Lastly, the Group's strategy on the management of leather sourcing in relation to deforestation is made public and described in Kering's responses to the 2019 CDP Forest Questionnaire, available at www.cdp.net. It sets out the Group's governance with respect to leather, risk management and the Group's objectives and performance.

Plant textile fibers

Kering set up the Materials Innovation Lab (MIL) to assist the Houses in 2013. In addition to their close collaboration with Kering's Sustainability Department, the MIL's experts work with individual Houses and their respective suppliers in order to integrate new more sustainable textiles into the House's supply chain.

Close attention is paid to cotton. More specifically, organic cotton has the major advantage of not being cultivated using pesticides and fertilizers, meaning a greatly reduced environmental footprint (up to 80% reduction compared with conventional cotton). Kering therefore encourages its Houses to step up the use of organic cotton in their collections. It does this in two ways: through the Kering Standards and through its new Group-wide purchasing platform.

Kering takes a multi-level approach to responsible cotton:

1. Define and maintain high standards of supply

The standards laid down by Kering on cotton specify full traceability (to avoid sourcing from high-risk countries, as regards environmental and social impacts) and prohibit the use of chemicals and pesticides. To ensure that these standards are met, Kering encourages the use of organic cotton, with a preference for Global Organic Textile Standard (GOTS) or Organic Content Standard (OCS) certification. Kering is committed to ensuring that 100% of the key materials used by the Group are consistent with the Kering Standards by 2025, which means that all cotton used will be of organic origin by this date.

2. Help the Houses increase the share of organic cotton in their purchases

To support work on reaching this ambitious target, Kering launched its Organic Cotton Platform (OCP) in 2016, offering the Houses technical and financial support to help them overcome the initial difficulties in switching sourcing to organic cotton. The OCP has contributed to a significant increase in the proportion of organic cotton used in the collections of the Group's Houses, which more than tripled between 2016 and 2017. As the Houses had reached a sufficient level of maturity and autonomy in sourcing their organic cotton supply in 2018, the initiative was deemed no longer necessary and the decision was made not to renew it. In 2019, the Houses' maturity was demonstrated by their ongoing efforts to use organic cotton, as shown below by the growing share of organic cotton in their collections.

In total, organic cotton now accounts for 30% of cotton used across the Group.

3. Collaborate with other players in the sector to promote organic cotton and attract investors

As co-founder of the Organic Cotton Accelerator (OCA) alongside Textile Exchange and other brands, Kering continued its support for the development of organic cotton farming and the market for organic cotton in 2018. Companies joining the OCA undertake to comply with a number of guiding principles, such as promoting organic cotton and improving the environmental, social and economic aspects of production.

Kering is also a participant in and member of the Organizing Committee for the Textile Exchange's Organic Cotton Roundtable (OCRT). The OCRT is a global stakeholder platform that supports and brings together the organic cotton community to be inspired, mobilized, and equipped to act. It has ongoing working groups on business models, seeds and soils, and consumer engagement, as well as an innovation award that seeks out and celebrates new ideas in organic cotton. Each year, the OCRT holds a global in-person meeting, of which Kering is a sponsor. More recently, it has also started holding two regional meetings and four virtual meetings annually.

True to its goal of sharing, and keen to promote more sustainable practices within the industry, Kering joined forces with Textile Exchange in 2017 to publish two detailed reports on the organic cotton market. The two publications also provide a set of tools, tips and best practices for companies wishing to incorporate organic cotton into their supply chain. The positive feedback received from the sector concerning these reports prompted Kering to continue its partnership with Textile Exchange in 2019 by publishing a report entitled "Transitional Cotton Roadmap: on the Road to Organic", an operational guide to the various existing practices and programs to support players in the cotton value chain in their transition from conventional to organic cotton.

4. Support projects in the field

In 2019, Kering ended its partnership with Cotton Connect on a pilot project to secure traceable and reliable organic cotton for its brands. In light of the pilot's success, responsibility for coordinating the partnership has been transferred to a brand. Cotton Connect allows the Group to work directly with 150 organic cotton farmers in India to improve the yield and quality of their cotton through training and advice on farming practices. The program also includes a social module involving community education in the fight against child labor, the empowerment of women, the right to education, and health and safety issues. Initiated in 2017 and renewed in 2018, a Farmer Business School (FBS) has been established to help farmers manage their farms by training them in basic accounting and raising their awareness about risk factors (especially weather).

Building on this in-the-field approach, in 2019 Kering initiated a project in partnership with NGO Rare and specialized consultancy firm South Pole to develop a business case for the transition from conventional cotton

to organic cotton on two plantations covering 10,700 hectares of cultivated land in China's Xinjiang region. The business case relies on innovative funding based on the payment for eco-system services (PES) mechanism. The project's ultimate aim is to support the growers' transition to organic cotton by implementing measures such as agroforestry to promote the maintenance of rich and healthy soils, or the production and spreading of animal manure to replace synthetic fertilizers. This project was also a means of calculating the carbon sequestration potential of soils in cotton fields, once conversion to organic farming has been completed. The initial findings point to a potential for reducing CO₂ emissions per metric ton of cotton grown by approximately 55%, together with a carbon sequestration potential of three metric tons for each metric ton of cotton grown.

5. Innovate for greater traceability of cotton

Kering's MIL worked in 2018 to obtain the first fully traceable organic cotton fabric using forensic science methods. The project was carried out with two long-standing Kering partners, Italian weaver Albini and Supima, a US-based organization advocating high-quality cotton, as well as with traceability expert Oritain. The technology used fingerprints organic cotton, thereby allowing it to be tracked at all stages of production. It draws on scientific and statistical studies that have analyzed the natural chemical properties of cotton fiber to create a unique chemical marker identifying the field where the cotton was grown. An exact match with the marker guarantees the authenticity of the organic cotton, and ensures that neither the raw material nor the fabric or finished product has been substituted, mixed or modified at any stage. The procedure is a guarantee of traceability throughout the supply chain. Tracked cotton was put into production in 2018 in the ready-to-wear collections of several of Kering's Houses.

In 2019, the MIL continued its work with Oritain for the large-scale roll-out of a program to verify the origins of cotton provided by suppliers to Kering brands. This program allows the Houses to verify their suppliers' claims and thus ensure compliance with the rules restricting the origin of cotton in accordance with the Kering Standards.

These initiatives enabled the Group's Houses to continue increasing the proportion of organic cotton used in 2019. As such, Alexander McQueen continued to integrate and increase the share of organic cotton used in its ready-to-wear and accessories collections. Nearly 40% of the total cotton purchased by Balenciaga in 2019 was GOTS-certified organic, as were the flannel bags used for packaging.

At Bottega Veneta, which has been very committed to the subject for several years, organic cotton accounts for a significant portion of all cotton used for its ready-to-wear collections and for the flannel bags protecting leather goods, jewelry and shoes.

Saint Laurent has opted to focus on its permanent collections for introducing the use of organic cotton. GOTS-certified cotton appeared in several items in the brand's jersey category (T-shirts, sweatshirts, polo shirts, etc.) in 2017, followed in 2018 by other categories such as footwear, with organic cotton featuring in the emblematic *Classic SLO6* sneaker. Saint Laurent has now succeeded in incorporating a high level of organic cotton into its jersey and denim categories, with denim being predominantly made using GOTS-certified organic cotton and recycled GRS-certified elastane. At the end of 2019, all the flannel used for packaging shoes, handbags and ready-to-wear items was made of organic cotton.

After testing the use of organic cotton in various product lines (shirts, jeans, T-shirts, etc.), Gucci continued to increase the quantities used in its collections in 2019, reaching a total of 312 metric tons of GOTS-certified organic cotton. Lastly, Brioni opted to develop a capsule collection, *Brioni Sustainable*, which includes shirts, denims and knitwear in organic cotton.

In addition to cotton, Kering's sustainable sourcing strategy for plant fibers also covers cellulosic materials. In 2018, the Kering Standards saw the addition of standards dedicated to viscose and cellulosic fibers derived from wood pulp. The Kering Standards are peer-reviewed and to a very large extent follow the logic and requirements of Canopy, an environment-focused NGO that works to protect the world's forests, species and climate. In addition, in November 2018, Canopy launched ForestMapper, a Kering-funded initiative to create the first interactive map tracking ancient and endangered forests, thereby providing businesses with tangible decision-making support for their purchases of paper, packaging, wood and cellulosic textiles.

In 2019, the Group's main suppliers of viscose were Enka and Lenzing; it also sourced small quantities from Asahi, Kasei and Eastman Mitsubishi. Viscose accounts for approximately 5% of ready-to-wear raw materials, and in total less than 1% of the Group's raw material purchases.

The Houses continue to gradually incorporate sustainable cellulosic fibers into their collections:

Alexander McQueen, for instance, continued to increase the share of sustainable cellulosic textiles used in its collections: sustainable modal and FSC- or PEFC-certified viscose are now an integral part of the House's permanent collections, whether for ready-to-wear or accessories, where approximately 20% of products contain more than 50% of cellulose fibers produced in accordance with the Kering Standards.

Meanwhile, at Bottega Veneta, certified viscose was used in the Pre-Spring 2020 collection, as well as a new sustainable material composed of a mixture of cork and fennel waste from the agri-food sector, produced entirely in Europe.

Moreover, for one brand, Kering Eyewear produces a range using bio-acetate M49, an innovative phthalate-free material derived from cottonseed fibers and wood pulp, whose supply is certified by the Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC) and the Sustainable Forestry Initiative (SFI).

Lastly, the Group's strategy on sourcing wood-based products (cellulosic materials, viscose, etc.) with an impact in terms of deforestation is described in Kering's responses to the 2019 CDP Forest Questionnaire, available at www.cdp.net. It sets out the Group's governance with respect to these materials, risk management and the Group's objectives and performance.

Animal textile fibers

Animal fibers such as wool are the material with the second-greatest impact in Kering's EP&L and are central to many initiatives taken by the Group and its Houses. Kering and the MIL accordingly continued to identify new sources of high-quality fibers that meet the Group's sustainability standards, especially as regards farming practices and animal welfare.

By way of example, as a continuation of the work carried out in previous years, Kering visited nine farms raising sheep for their wool in Australia and a further three in Italy in 2019, with a view to carrying out pilot projects for its Animal Welfare Standards (see the section entitled "Animal welfare: the Kering Animal Welfare Standards") and supporting farms in their migration to sustainable practices for the management of the environment, biodiversity and animal welfare. Kering also provides expertise for various wool sector initiatives aimed at developing certifications and sustainable wool production methods, such as the Responsible Wool Standard.

Kering continues to work with experts in farming and sustainable land management practices (Savory Institute, Australian National University) to promote the most demanding management standards for wildlife and biodiversity conservation among sheep farmers, as well as pastoral practices allowing soil regeneration.

A fabric synonymous with luxury, cashmere has been the subject of research and experimentation to improve the environmental footprint of its production. In 2015, Kering and the Wildlife Conservation Society, an international NGO, launched the Gobi Desert Cashmere program in the Gobi region of southern Mongolia to promote sustainable and traditional production of high-quality cashmere in partnership with two cooperatives of nomadic herders representing 160 families and 150,000 hectares of pasture in Ömnögovı province. In addition to developing the capacity of farmers to produce better quality wool, the program focuses on pastoral techniques such as rotating herds in order to improve the impact on biodiversity and

animal welfare. The program's main development in 2019 was the launch by the United Nations Development Program (UNDP) of a platform aimed at harmonizing and facilitating collaboration between various existing programs in Mongolia to support the emergence of a sustainable supply chain.

Kering's sustainable cashmere program is now a notable source of high-quality cashmere for the Group's Houses, as it meets the animal welfare and biodiversity conservation criteria laid down in the Kering Standards, with the added bonus of reducing the environmental footprint. More than 20 metric tons of responsible cashmere have thus been integrated into the supply chains of Gucci, Bottega Veneta and Alexander McQueen since 2015.

In a complementary effort to increase efficiency that reduces pressure on the already degraded areas of the Gobi region, certain Houses including Gucci and Balenciaga use cashmere fibers from production offcuts thanks to an innovative process to recover scraps, which are sorted by quality and color and then transformed into regenerated cashmere fiber. Depending on the collection and the level of quality required, a certain percentage of virgin fibers can be added before the spinning stage. The whole process takes place in Italy; it is environmentally friendly and fully traceable. Gucci introduced this innovative cashmere fiber in its ready-to-wear collections in 2016, and, along with Balenciaga, continued to use it in 2019.

Kering supports certified organic silk production that provides better traceability and a reduced environmental impact. In 2019, the Group released its silk requirements in the second version of its Kering Standards. To ensure their adoption, the MIL has established a purchasing platform with the main suppliers of certified silk to guarantee access for the Group's Houses to this high-quality fiber. This approach resulted in certified silk accounting for 18% of all purchases in 2018.

In 2019, Balenciaga continued to introduce small quantities of organic wool (GOTS-certified) and ZQ-certified wool (guaranteeing regenerative agricultural practices and the consideration of animal welfare), regenerated cashmere and organic silk (GOTS-certified) into its collections.

Likewise, Alexander McQueen and Saint Laurent are increasing the share of organic wool, ZQ-certified wool and organic silk in their collections, as are Bottega Veneta, which introduced organic wool into its Pre-Spring 2020 collection, and Brioni, whose *Brioni Sustainable* capsule collection includes a selection of pieces in ZQ- and Escorial-certified wool.

Brioni is also continuing its work on sustainable animal fibers: 2019 marked the House's launch of its limited edition *KMZERO* capsule collection featuring items made exclusively from extremely high-quality wool from Abruzzo, the region in which Brioni's workshops are located. This collection is the result of a collaboration dubbed *Autoctonie*, bringing together local players Confindustria Chieti-Pescara, Fratelli Piacenza, Gran Sasso and Monti della Laga Park with the aim of reviving the production of wool in this region.

The Houses are also working on the traceability of their wool supplies. Brioni, for instance, is working with one of its suppliers in Australia, while Saint Laurent launched a pilot project based on Oritain and blockchain technologies in 2019 to trace mohair supplies from farms in South Africa, with the aim of extending the method to virtually all of its mohair supplies in 2020.

Precious skins and furs

Because precious skins such as crocodile and snake skin are important raw materials for Kering, the Group places a strong emphasis on sustainable sourcing that also meets the strictest animal welfare standards. Over the past six years, Kering and its Houses have supported a range of initiatives on sustainable supply chains for crocodiles and pythons. These initiatives combine the Houses' Sustainability Departments and the Group's operations division (which manages its own tanneries and incoming supplies) and various outside experts.

The Group and its Houses comply with national and international legislation and regulations on the trade of precious skins: all skins of species catalogued as endangered or vulnerable by the Convention on International Trade in Endangered Species (CITES) are obtained with certificates attesting to their legal origin, issued by CITES and the export authority, to ensure that trade does not threaten endangered species. Examples include Girard-Perregaux and Ulysse Nardin for the supply of their alligator watch straps, both Houses working in part with members of the *Association pour l'Assurance Qualité des Fabricants de Bracelets Cuir* (Swiss association of quality assurance for leather bracelets manufacturers – AQC), which is active on traceability issues. The two Houses are also studying alternatives to alligator watch straps for certain specific markets.

In 2019, Kering continued to roll out its action plan for verifying the alignment of the Kering Standards with practices in its exotic skin supply chains. The assessment is carried out with specific programs for each supply chain, taking into account the characteristics of each animal species and each type of supplier.

In the United States, a new series of third-party audits was carried out on alligator farms, corresponding to more than 90% of purchases of alligator skins by the Group's tanneries. These audits provided an opportunity to re-evaluate the animal welfare practices in place on farms by reviewing their operating practices, in preparation for official ICFA (International Crocodilian Farmers Association) certification, slated for 2020. Reptile supply chains have also been reviewed in Asia.

This extensive verification program brought the cumulative rate of coverage of tanneries' purchases of exotic skins by third-party audits to 70%. In 2020, the program will be

extended to ostriches and the Nile crocodile, and will be ramped up further in the reptile supply chains.

Kering continues to actively support the development of industry standards for all exotic species, such as crocodilians, ostriches and reptiles from Asia.

In 2019, for instance, following the completion of the Madagascar Crocodile Conservation and Sustainable Use Program (MCCSUP), Kering facilitated the publication of communication materials aimed at raising awareness in local communities about life alongside crocodiles, whether in terms of ensuring their protection in their natural habitat or securing their sustainable exploitation. The materials included videos, posters and educational and fun tools for children, as well as training and awareness-raising modules. These materials were released in 2019 and made available so that the countries and regions concerned by this issue can translate them into their languages. This partnership, which was established with the IUCN Crocodile Specialist Group in 2014, aims to promote best practices in the trade of Nile crocodile skins from Madagascar. It also includes research programs in partnership with the University of Antananarivo.

In 2019, Kering continued to provide financial and technical support to the Southeast Asian Reptile Conservation Alliance (SARCA), which specializes in ethical and sustainable trade in reptiles in Southeast Asia. SARCA is a multi-stakeholder platform that brings together key players in the reptile trade, including luxury brands, tanneries, CITES, scientists and conservationists. SARCA operates a study and research program in Indonesia, China, Malaysia and Thailand to gain a better understanding of the various sustainability challenges generated by the trade in reptile skins, particularly with regard to natural habitat and animal welfare. Players in the Kering value chain were also provided with training on both matters.

In 2019, Kering contributed its technical expertise to the drafting of animal welfare standards for the South African Ostrich Business Chamber (SAOBC). These standards are based on existing codes of conduct and the state of the art, and aim to provide a detailed and verifiable best practice audit program. They are for the most part aligned with Kering's own Animal Welfare Standards for ostriches.

The Group's Houses make limited use of fur, and must meet the Standards in terms of traceability, breeding practices and animal welfare made public in the Kering Standard for fur. In these Standards, Kering recommends the use of furs from certified channels such as Welfur (a scientific assessment program for animal welfare established voluntarily by the European fur industry in 2009) and Profur (a demanding Finnish program for the documentation and ongoing improvement of breeding standards at a stricter level than that of European

legislation). A list of suppliers selected for meeting the requirements of the Kering Standards has also been established:

- Saga Furs (Finland): this company offers several fur lines from fur farms certified by Profur. Saga also applies the STS traceability system for all of its certified furs;
- Copenhagen Fur (Denmark): in Denmark, where Copenhagen Fur operates, animal welfare standards are much stricter than in most other countries;
- Granges Can Rafael (Spain): this Spanish rabbit fur business is committed to practices that respect animal welfare. It has helped set rabbit-specific animal welfare standards, and has also created a traceability system.

In addition, some of the Group's Houses have adopted even more restrictive positions. They include Gucci, which has announced its participation in the Fur Free Retailer program promoted by NGO Fur Free Alliance, and has banned the use of furs across its entire range since its Spring/Summer 2018 collections. Gucci is also committed to no longer using angora.

Metals, stones and other precious materials

Illegal or unregulated mining can give rise to major social and environmental damage. Small-scale extraction work in particular can endanger communities by causing serious health and environmental damage if unregulated, whereas properly managed mining can generate responsible development for many local communities. Kering is therefore committed to limiting its purchases to metals and precious stones obtained through activities that minimize harmful impacts on the environment and generate opportunities for local communities.

The first key stage of this approach came in 2014 with the purchase of 55 kg of Fairmined-certified artisanal gold, which at the time was the largest ever purchase of such gold. Fairmined artisanal gold is extracted applying the strict standards of the Alliance for Responsible Mining (ARM), whose criteria cover social responsibility, economic development of local communities, working conditions and proper management of chemicals.

To encourage its Houses to source responsible gold (RJC Chain of Custody-certified, Fairtrade and Fairmined-certified artisanal gold with verified and traced provenance) from selected partner refiners, Kering has developed a dedicated buying platform, the Kering Ethical Gold Framework. The goal is to support responsible gold producers and contribute to their growth, but also to support mining communities through the Kering Gold Fund. For each kilogram of gold purchased, the Group's Houses pay a premium used to endow the fund. Each year, a committee composed of representatives of Kering and its Houses selects projects to be supported through the Kering Gold Fund in favor of mining communities offering social and environmental benefits. Proof of the platform's success is that responsible gold purchases totaled two metric tons in 2019, bringing the volume of responsible

gold purchased to more than five metric tons since the platform was launched. In 2019, Gucci, Bottega Veneta, Pomellato, DoDo, Qeelin and Boucheron used responsible gold for all of their Jewelry, as did Girard-Perregaux and Ulysse Nardin for their Watches. In turn, Saint Laurent now requires that its gold suppliers for leather goods adhere to the Kering Ethical Gold Framework. Following this successful experience with gold, Kering is considering going ahead with similar programs for silver.

In 2019, the Kering Gold Fund provided support for two projects in partnership with mines:

- in French Guiana, Kering is taking part in the first full reforestation program for mining sites in the Amazon rainforest. This pilot project covers 34 hectares located on alluvial gold mines in the process of closing, bringing together Kering with Solicaz (reforestation experts) and Forest Finance France (experts in the development and management of reforestation initiatives), and resulting in the reforestation of all former alluvial mining sites. This innovative partnership goes beyond regulatory requirements, under which only 30% of the mined surface must be restored – not enough to allow ensure the reforestation of the Amazon. For the first time, ecological aspects are taken into full account with 100% reforestation. In all, more than 90,000 trees prepared in nurseries with ecological engineering based on biomimicry have been planted on degraded sites. In addition, gold from these responsible alluvial mines has been purchased by Kering brands for use in their products since 2019;
- in Ghana, Kering and NGO *Solidaridad* are working together to help women in mining communities gain more autonomy. On-site *Solidaridad* teams are helping 150 women living in five mining communities to develop their skills and confidence to create their own business, as well as to organize themselves into cooperatives with a view to obtaining local permits, concessions and funding. The training covers such topics as negotiation, business management, health and family planning. Men from local communities are stakeholders in these groups to ensure acceptance of the project and a genuine opportunity for women's empowerment. The project, which started in July 2019, also includes the establishment of a microfinance fund.

Kering Eyewear sources its Maison Cartier Lunettes (MCL) production from a gold supplier that is a certified member of the Responsible Jewellery Council's "Gold and/or Platinum Group Metals Trader and/or Refiner and/or Hedger" forum. Lastly, 100% of the palladium used for plating metal accessories used by Gucci is recycled.

Kering is working with its suppliers to ensure that all diamonds used in its products comply with the Kimberley process, which aims to ensure the legality of trade on the international market, so that it does not serve to finance rebel-armed conflict. Kering has also worked with its Houses to roll out guidelines and good practices on traceability and sustainable sourcing of diamonds.

To go further, the Group's main Jewelry Houses have joined the Responsible Jewellery Council (RJC), an international organization aiming to establish responsible and transparent business practices in the precious metals trade. RJC certification attests to a company's ethics, respect for the environment and working conditions in the jewelry and watchmaking sectors. It guarantees supply chain transparency for diamonds, gold and platinum, from the mine to the point of sale. It is rooted in ILO and Global Compact principles, as well as the OECD's recommendations on due diligence.

The following Houses are RJC-certified: Boucheron and Gucci since 2011, Girard-Perregaux since 2012, Pomellato and DoDo since 2017, and Qeelin since 2018. Gucci has also been RJC CoC-certified since 2011. Lastly, Watchmaker Ulysse Nardin is in the process of obtaining RJC certification, which it hopes to achieve in 2020.

Also noteworthy is that the emeralds and rubies used by Pomellato are sourced from a responsible gemstone producer, and that Boucheron is involved in mother-of-pearl supply projects with suppliers certified by the Marine Stewardship Council.

Plastics

Consistent with their objective of eliminating PVC from their collections, the Group's Houses have worked on finding alternatives to this material. Having met the target by more than 99%, they are now focusing their work on the last few items concerned. They are also working to get the commitment across to their suppliers, notably through contracts, with a view to eliminating PVC from their collections.

In September 2019, Kering organized a day-long "Impact Space" workshop focusing on plastic. The workshop had two aims: to increase the proportion of plastics obtained in line with the Kering Standards (recycled plastics and bioplastics) for products and transportation, and to eliminate single-use plastics. The event brought together some 40 employees from the logistics, product development, innovation and sustainability teams. The discussions helped identify possible pilot projects and initiatives that could be implemented collaboratively. To continue this fruitful exchange between the various participants and other employees interested in the issue of plastics, a dedicated forum was created on the corporate social network.

Because of the very many alternatives to plastic available, and the complexity of comparing environmental performances, Kering has worked with the Fraunhofer Institute to develop an innovative tool that buyers can use for rating environmental performance. It is based on a simplified lifecycle analysis of environmental impacts (CO₂ emissions, discharges into water, water consumption and waste production) consistent with the EP&L methodology and backed up by qualitative analysis

(average fossil fuel content, food competition, essential ingredients, etc.). In 2019, Kering distributed a simplified version of this tool to the brand logistics and purchasing departments, as a decision-making aid for purchasing plastics. Since 2016, the MIL has also offered a range of plastic materials compliant with the Kering Standards to enable the Houses to incorporate more responsible plastic into their collections.

Consistent with this approach, Gucci, Alexander McQueen, Brioni and Balenciaga collections are using a growing proportion of ECONYL®. In 2019, Alexander McQueen consumed approximately 650 meters of ECONYL® for the production of its umbrellas, with Gucci using more than 107,500 meters. Since 2015, Gucci has been gradually replacing the plastic used on the heels of its shoes with recycled ABS plastic. In 2019, it made 14,000 pairs of shoes with TPU soles containing 50% bio-plastic. Kering Eyewear favors the use of mineral glass lenses for sunglasses, a more robust and recyclable material than plastic.

Packaging remains the main use of plastic for the Group. In 2017, Kering mapped out plastic consumption in ready-to-wear and logistics packaging in order to determine its level of compliance with the Kering Standards. In 2018, it then implemented several substitution projects for recycled plastics. At the end of 2019, Kering announced its participation in the Circular Polybag Pilot, the first Fashion For Good pilot project on this issue, which aims to create a circular solution for polybags in the fashion industry. Fashion for Good is also working with Adidas, C&A, Otto Group and PVH Corp. on the project, as well as Cadel Deinking, one of the accelerator's start-ups.

In addition to eliminating some plastic materials in favor of more sustainable or recycled alternatives, the subject of microplastic pollution and its potential impacts on the environment and human health is a key concern for the textile sector. This diffuse pollution, stemming in large part from the washing of synthetic fabrics, is very difficult to quantify, although the scientific community appears to agree on the major risk it represents in terms of ocean pollution. In this context, Kering took part in the work of the European Outdoor Association consortium on microplastic pollution. The consortium's work is geared towards more accurately measuring the impact from microplastic pollution and developing technical solutions to limit the impact. In 2018 and 2019, Kering also worked with NGO Fauna and Flora International to draft recommendations for best practices in plastic pellet management and to avoid microplastic pollution in supply chains.

Lastly, Kering, as a founding member of the Fashion Pact, has committed alongside its Houses to eliminating single-use plastics from its B2B and B2C packaging by 2030. Its goal is to develop practical initiatives to protect the oceans by reducing the negative impact of the fashion sector.

4.4.4 Animal welfare: the Kering Animal Welfare Standards

Kering believes that the products developed by its Houses must meet the highest standards of quality in all aspects of production, including those related to the welfare of animals supplying many of the materials used by the Houses.

With this in mind, Kering published its Animal Welfare Standards in May 2019, with the aim of ensuring the highest standards of animal welfare across the Group's supply chain. The Kering Animal Welfare Standards are the first ever set of full standards for luxury and fashion and aim to drive positive change in industry practices, and beyond. They cover all the species that are part of the Group's supply chains around the world, namely cattle, calves, sheep, goats, ostriches, crocodiles and alligators, pythons, and mammals bred for their fur. For each of these species, the open-source Standards highlight the specific challenges, laying down breeding, transportation and slaughtering requirements, and provide the list of existing certifications serving as benchmarks. In addition to this multi-species document, Kering has published more detailed individual Standards for cattle, calves, sheep and goats, as well as guidelines for slaughterhouses.

Developed over three years with input from animal welfare experts, farmers and herders, scientists and NGOs, the Standards are based on the latest scientific research, as well as prevailing legislation and standards, best management practices and recommendations from a range of sectors. As such, they are based on external expertise, including an external review by several specialized associations such as the Royal Society for the Prevention of Cruelty to Animals (RSPCA) in 2017, Compassion in World Farming (CIWF) and the *Fondation Nicolas Hulot pour la Nature et l'Homme* (FNH) in 2018.

The Kering Animal Welfare Standards lay down a number of requirements for animal management that would significantly improve the welfare of animals in countries around the world if they were adopted by the industry more broadly. They are structured in Bronze, Silver and Gold tiers to provide clear guidance on critical compliance and with the expectation that the Group's suppliers will make continuous improvements:

- the Bronze entry level reflects minimum requirements, which equal, and in some cases go beyond, European legislation. The Kering Animal Welfare Standards notably advocate that the good practices entrenched in the European Union be implemented on an international scale, which would already be a substantial improvement in many countries that have little or no animal welfare regulations in place;

- the Silver level reflects the best practices currently in place worldwide;
- the highest Gold level sets the bar for "best-in-class" practices that can fundamentally transform the industry. Some of these requirements include: prohibiting feedlots and intensive farming in favor of pasture-rearing for better quality of life; promoting regenerative grazing and avoiding "food competition" with sources of human nutrition, which is a growing concern given the world's increasing population; strict limitations on transportation; ensuring welfare for working farm animals; and prohibiting the use of sub-therapeutic antibiotic treatments, which avoids the unnecessary contribution to the rise of anti-microbial resistance that is threatening human health.

The criteria are regularly updated so that the Gold level always matches the most demanding standards in terms of animal welfare worldwide.

The Kering Animal Welfare Standards are backed up by specific audit protocols describing how Kering and its Houses can measure their suppliers' compliance with each of the standards. The protocols naturally cover livestock rearing, transportation and slaughter conditions, but also include broader criteria such as farms' environmental performance and their impact on local communities and people.

Since its Animal Welfare Standards are an industry first, Kering expects them to be phased in gradually, in partnership with suppliers. Pilot projects have been conducted with strategic suppliers involving Houses representatives and animal welfare experts. Since 2017, these pilots have involved 82 farms covering ten different animal species in 16 countries in Africa, Asia, Europe, Australia and New Zealand.

Kering has pledged that 100% of the key raw materials used by the Group and the associated production processes will comply with the Kering Standards, including those in respect of animal welfare, by 2025. To achieve this objective, a country-by-country risk assessment approach is implemented, based on the Animal Protection Index of NGO World Animal Protection. It assesses the risks inherent to each country in terms of animal welfare, based on indicators such as the prevailing legislation and the voluntary commitments existing in the various countries. The level of verification implemented to ensure compliance with Kering's Standards is then adapted to this level of risk by country, as well as other factors such as the type and volumes of raw materials concerned.

In addition to actions in respect of its own activities, Kering is therefore working with the sector to improve respect for animal welfare and the alignment of sector standards. In 2019, Kering was particularly active with the following groups:

- Southeast Asian Reptile Conservation Alliance (SARCA) for precious skins from reptiles from Southeast Asia;
- International Crocodilian Farmers Association (ICFA) for the precious skins of crocodiles and alligators;
- South African Ostrich Business Chamber for ostrich leather;
- Textile Exchange with regard to materials from cattle, sheep and goats;
- Paris Good Fashion, within which Kering has since November 2019 co-led the National Leather Council (CNC), a working group on animal welfare bringing together several major players in the French fashion and luxury sector.

In addition, in view of the fact that supply chains for many raw materials, including leather, intersect for the luxury and food industries, Kering reinforced its partnerships with players in the meat industry in 2019, with a view ultimately to pooling verification efforts and, if necessary, improving practices.

Lastly, as part of its three-year partnership initiated in 2017 with the *Fondation pour la Nature et l'Homme* (FNH) on the issue of animal welfare, Kering received an additional opinion from the FNH and was able to meet various stakeholders from the institutional world, French livestock representatives and NGOs to advance the cause within the sector and civil society.



5. THE GROUP, ITS STAKEHOLDERS, AND CIVIL SOCIETY

5.1 Community impact and preservation of know-how

Kering and its Houses play a major role in the economic and social fabric of the regions where their sites are located. Community involvement is especially important in the luxury business: Kering's Luxury Houses draw expertise and know-how both from their directly operated workshops and from a network of thousands of suppliers, nearly 90% of which are based in Italy. Work by the Group's Houses thus contributes actively to the preservation of traditional expertise and excellence in craftsmanship in leatherwork in Italy, as well as watchmaking in the Jura Valley and artistic creation in London, Paris and Milan.

The Gucci ArtLab, which opened in 2018, brings together the brand's leather goods and shoes activities at an ultramodern site spanning 37,000 sq.m. The purposes of this new center of excellence are to preserve the unique know-how developed by Gucci and to instill technological innovation enabling it to optimize production, a key factor underpinning the House's strong growth.

The ArtLab also now houses Gucci's *École de l'Amour* education program, which includes a craftsmanship school (*scuola dei mestieri*), offering a six-month program to train students to professional standards; a factory school (*scuola di fabbrica*), which has been training technical production operators for a year now; and a technical academy that offers expert-level training in advanced technologies, with a focus on digital techniques in the creation process.

Another important instance of vertical integration is the new Saint Laurent women's shoes workshop opened in 2017 in Vigonza, Italy, which internalizes all development and production stages (sketching, materials research, prototyping, testing, finishing, etc.). The workshop deftly balances cutting-edge technology with the traditional practices of exceptional craftspeople. It is Saint Laurent's third internal production site, after the ready-to-wear workshop in Angers, France, and the leather goods workshop in Tuscany, Italy.

The sustainability of the Group's Houses relies on the key know-how specific to the luxury business that must be preserved through specialized training or local partnerships. To this end, they support various craft guilds and have established a number of professional organizations that help to ensure the survival of some very demanding and unique skills and support long-term employment in the regions where these crafts originated:

- Bottega Veneta backs the *Istituto Professionale Montagna* in Vicenza, which is putting together a Made In Italy teaching program to develop Italian-bred excellence in the leather goods and textile industries. The first year

of the program, a pilot leather goods laboratory, opened in September 2018. In 2019, five courses were held at this new center, with support from the House in the form of direct involvement by craftspeople and technicians from Bottega Veneta and its production companies, which have already offered internships to some of the students from the program. Further courses at the laboratory will run in 2020. The House also organizes training sessions on its own premises as part of the *Scuola dei Maestri Pelletteri* workshop to spread and transmit the traditional leatherworking techniques that are so specific and essential to the House. Created in 2006 and located since 2013 in the Montebello Vicentino workshop, the school serves as a permanent training center for Bottega Veneta employees and apprentices alike, allowing them to immerse themselves in the craftsmanship and values of the brand. In 2019, 211 people attended courses at the school to perfect their techniques in the field of leatherwork (tanning, cutting, sewing, finishing, etc.);

- Brioni continued its program for training exceptional tailors at its *Scuola di Alta Sartoria* school. On completing the three-year course, participants are offered employment in the Brioni workshops. Sixteen young people enrolled in 2013. More than a hundred tailors have graduated from this school and are now working for Brioni, either in its workshops or boutiques. In September 2016, Brioni extended the program with the Ready, Steady! scheme, which enables young tailors to acquire new skills through a one-year apprenticeship both in the House's production departments and stores. In the final stage of the Let's Go! program, from March 2018 to September 2019, the young tailors were able to switch stores every three months over a one-year period to familiarize themselves with different cultures and customer profiles across the world;
- Brioni has also stepped up its support for *Arazzeria Pennese*, one of Italy's most important tapestry centers. In 2018, it acquired an historic tapestry production site in Penne as part of an initiative to promote tapestry art and the unique craftsmanship involved in this technique;
- under a long-standing partnership with the *École Privée de Bijouterie Joaillerie de Paris* (BJOP), Boucheron supported a course for future jewelers from 2013 to 2017. As part of this initiative, Boucheron is sponsoring the 2018-2020 class, offering students valuable first-hand insights into the industry. It organizes conferences and visits to workshops and production sites, offers apprenticeships to some students (at least one per year),

and works with the teaching team to organize competitions for creative and technical work. Since late 2019, Boucheron has also been running monthly workshops on its flagship products through the years, to develop employees' appreciation and understanding of excellent craftsmanship;

- in 2017, Pomellato teamed up with the Galdus Goldsmith Academy to launch a new program named *Virtuosi*, offering a full curriculum over three to seven years to train highly qualified professionals attuned to intensifying needs in the competitive world of jewelry. Pomellato's support takes the form of program sponsorship, involvement of Pomellato experts in the program's classes and seminars, apprenticeships, student grants, and a joint workshop with the Galdus Goldsmith Academy;
- Ulysse Nardin supports the Watch Museum of Le Locle in Switzerland and two training institutes in the field of watchmaking, CIFOM and WOSTEP. This support involves taking on apprentices, developing training programs and offering evening courses for Ulysse Nardin employees to build on or hone their skills. Ulysse Nardin also supports apprentice training for retail outlet personnel at another Swiss training institute, the *Centre Professionnel du Littoral Neuchâtelois* (CPLN). At its subsidiary, Donzé Cadran, Ulysse Nardin also runs a training course on enameling, a specialty not covered at watchmaking schools;
- Girard-Perregaux, like Ulysse Nardin, also supports apprentice training via CIFOM and CPLN. Girard-Perregaux trains apprentice watchmakers at its Academy School, and has set up a mentoring program for its Watchmaking, Finishes and Decoration departments, to offer employees in-house training by specialist instructors. Personnel also receive in-house training by specialists;
- to support the multi-sector craftsmanship tradition in eyewear, Kering Eyewear works with Certottica and the Treviso Belluno Dolomiti Chamber of Commerce on a prototyping laboratory to strengthen and preserve local craftsmanship, as well as to support creativity and develop world leadership in the eyewear industry.

While loyal to their heritage and tradition, the Houses are eminently forward-looking. Gucci, for example, is eager to catalyze the spirit of innovation and creativity of younger generations to instill a more modern vision of Luxury. In 2017, the House began a new three-year strategic partnership with Bocconi University to set up the Bocconi Research Lab, whose four-strong research-teaching team and director will be supporting Gucci's innovation strategy and cultivating a start-up spirit at the House.

Saint Laurent founded the *Institut de Couture Saint Laurent* in partnership with the prestigious *Institut Français de la Mode* (IFM), formed in 2019 through a merger between the former IFM and the *Ecole de la Chambre Syndicale de la Couture Parisienne* (ECSCP), from which Yves Saint Laurent graduated in 1955. The *Institut de Couture Saint Laurent* runs a six-month advanced course on ready-to-wear, with theory classes, spotlights on iconic pieces from the Saint Laurent brand and practical classes balancing traditional craftsmanship with creativity and innovation. Sustainability is another key feature of this course, which began in September 2017 and targets students from both fashion schools along with Saint Laurent employees, who can take part in some of the modules as part of their career development plans.

The second course began in September 2018 and concluded in March 2019 with a teaching project centered around sustainable design. A panel of Saint Laurent executives and representatives from the two schools selected a winning piece on the criteria of innovation, consistency with the Saint Laurent spirit, and promotion of sustainably sourced materials and upcycling. The third course started in September 2019.

Furthermore, community impact is at the heart of Kering's Sustainability Strategy, of which responsible sourcing of raw materials is a key element. In practical terms, responsible sourcing takes into account both environmental and social issues, in particular those related to the production of raw materials (extraction, cultivation or animal rearing). This means that the Group seeks to go beyond simply reducing any negative impacts to having a truly positive impact that directly benefits producers, especially as regards human rights, as outlined in the section entitled "Protection of human rights at Kering". Some examples of responsible sourcing include:

- the Kering Ethical Gold Framework, the Group's responsible gold purchasing platform (RJC Chain of Custody-certified gold, Fairtrade- and Fairmined-certified artisanal gold, and gold from verified traceable sources) supports the implementation of best mining practices and contributes to developing standards of living among local communities;
- the Rare project in China, which deals with cotton farmers' access to fair finance and improved working conditions, as well as environmental considerations;
- the Gobi Desert Cashmere program works directly with nomadic shepherds to train and support them with a view to developing farmer cooperatives and the means to improve wool quality while having a direct positive impact on their standard of living.

An example of wider-reaching initiatives came in 2019 with Kering's sponsorship of research work at France's Muséum National d'Histoire Naturelle, including a program to conserve the museum's ethnological collections, which

address the use of natural plant, animal and mineral resources, farming, hunting and fishing, and lifestyles in specific natural environments.

5.2 Stakeholder dialogue

In an increasingly interconnected world, players in the private sector need to pay attention to and maintain close 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. This involves developing a policy of dialogue and analysis of stakeholder expectations at Group level, and encouraging each House to develop its own platform for dialogue at a more operational scale.

5.2.1 Approach at Group level

Materiality

In 2014, Kering called on the expertise of Business for Social Responsibility (BSR), a consultancy firm specializing 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 Houses. Kering also sent a questionnaire to over 100 external stakeholders (universities, NGOs, consumer groups, trade unions, investors and rating agencies, suppliers and business federations). This work was a defining part of the development of Kering's 2025 Sustainability Strategy, along with dialogue extending across and beyond the Group. The materiality matrix resulting from this consultation is set out in the introduction to this chapter, "Sustainability". An update to the matrix is scheduled in 2020.

Platforms for dialogue and exchange

In order to remain constantly attentive to the key issues affecting its stakeholders, Kering participates in a number of international initiatives involving multiple parties:

- SAC: In 2012, Kering became a member of the Sustainable Apparel Coalition, 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. SAC is rolling out the HIGG Index for measuring environmental and social impacts of the Textile, Footwear and Accessories industry, with a particular focus on supply chain;
- WBCSD: In 2011, Kering joined the World Business Council for Sustainable Development, a multi-sector platform of 200 global companies that aims to promote the role of the business community in achieving sustainability based on economic growth, ecological equilibrium and social progress. In 2018, Kering took part in WBCSD

work on defining future accounting standards. Along with other private-sector players, Kering presented its EP&L approach as a concrete example of how natural capital can be accounted for in a company's balance sheet. Kering is also a member of *Entreprises pour l'Environnement*, the French partner of the WBCSD, which brings together some forty French and international companies;

- Natural Capital Coalition: Kering sits on the Advisory Panel of this group of organizations, which in 2016 developed the Natural Capital Protocol, a document setting out a common framework for measuring and accounting for natural capital. Kering actively contributed to drafting the protocol, by sharing its EP&L methodology and by extending the protocol to the Textile and Apparel sector. In 2018, Kering presented its EP&L approach at the launch of the Natural Capital Protocol in China, providing a Mandarin version of its EP&L methodology. Kering also organized an event with more than 200 participants from NGOs and both the public and private sector during Natural Capital Week, held in Paris in November. The We Value Nature initiative launched in 2018 takes the form of a three-year campaign coordinated by the Natural Capital Coalition with European Commission backing to step up the adoption of natural capital accounting by private- and public-sector players and investors;
- OP2B: Kering is also a member company of the One Planet for Biodiversity Business coalition launched in September 2019 on the sidelines of the United Nations Climate Summit in New York. This business coalition works to protect and restore biodiversity within the supply chains of member companies and their product portfolios, with actions focused around three pillars: scaling up regenerative agricultural practices to protect

soil health, reintroducing cultivated biodiversity in supply chains, and protecting high-value ecosystems, notably by eliminating deforestation;

- **NCIG:** The Natural Capital Impact Group is a worldwide network of companies working together to determine strategies and operating practices capable of preserving nature and natural resources. It seeks to exert a strong peer influence by setting examples of effective business practice rooted in research-based knowledge, processes and tools. Through engagement with governments and the financial system, it seeks to develop economic conditions conducive to effective implementation of the practices developed;
 - **ZDHC:** Kering has been a signatory member of the Zero Discharge of Hazardous Chemicals (ZDHC) group since 2016. ZDHC comprises some 30 major international brands working to eliminate the most dangerous chemicals from textile, leather and footwear industry supply chains by encouraging sector-wide take-up of best practices and sustainable chemicals use. Kering is actively involved in promoting this international industry standard in Italy, as a major contributor to dialogue with the luxury leather industry, encouraging key value-chain players such as industry associations and chemicals suppliers to join the initiative. Kering is also an active participant in various internal working groups created to develop ZDHC standards and tools;
 - **LWG:** The Leather Working Group unites players in the leather industry with the aim of improving the environmental performance and traceability of its member tanneries. Kering joined the organization in 2014 to speed up work on leather traceability and improve the environmental footprint of its tanneries;
 - **Textile Exchange:** Kering is a member of Textile Exchange Europe, and sits on the Board of Directors of this body committed to promoting the production and use of more sustainable textiles throughout the clothing industry. Kering is actively involved in a number of Textile Exchange sub-groups: Responsible Cashmere Roundtable, Responsible Leather Roundtable, Responsible Wool Standard, Organic Cotton Roundtable and Responsible Down Standard;
 - **Make Fashion Circular:** Kering is an active member of this circular economy initiative coordinated by the Ellen MacArthur Foundation. The group's report, "A new textile economy – redesigning fashion's future", collates recommendations from expert sources. Kering contributes expertise to the initiative through its Materials Innovation Lab;
 - **IUCN:** The International Union for Conservation of Nature develops and supports conservation science, particularly with respect to species, ecosystems and biodiversity, and their impact on human livelihoods.
- Kering initiated a strong partnership with the IUCN in 2013, together with the International Trade Centre (ITC), on python breeding and trading in Southeast Asia. In 2019, Kering continued its program of regular exchanges with experts on questions such as the species used in making precious skins. Kering also supports the IUCN Red List initiative, by contributing to scientific work on evaluating 80,000 additional species by 2020;
- **Wildlife Friendly Enterprise Network:** As a member of the Board of Directors, Kering supports moves to include the biodiversity criterion in the production of key raw materials (wool, cashmere, etc.);
 - **BSR (Business for Social Responsibility):** Kering takes part in three joint initiatives as a member of this international network of more than 300 companies:
 - the Responsible Luxury Initiative (ReLI), which promotes transparency and cooperation among luxury goods companies, particularly with regard to supply chains. In 2019, Kering was extremely active in sharing its practices and results with the other members of the group, on animal well-being, gender equality and living wage concerns,
 - the Business Action for Women initiative, formed by 18 companies in the consumer goods sector alongside NGO Win-Win Strategies with the aim of improving conditions for women in society,
 - the Global Business Coalition Against Human Trafficking (GBCAT), formed by major private groups and NGOs to combat modern slavery, primarily by detecting and eradicating it from companies' complex supply chains.
- Kering also sits on the Board of BSR.
- **Paris Good Fashion:** The City of Paris launched the Paris Good Fashion initiative in 2019 to propel Paris to the position of world capital in responsible fashion. Under this initiative, fashion industry professionals, leading brands, entrepreneurs, designers, experts and citizens all join forces to address the key questions raised. Kering sits on the steering committee and co-chairs the working group on animal welfare with the *Conseil National du Cuir*;
 - **IPI:** In 2016, Kering joined the Board of the International Platform for Insetting, a multi-stakeholder initiative involving companies, NGOs and climate experts. The principle of insetting is to offset the carbon footprint by acting directly in the supply chain using blockchain technology to promote trust in the system and ensure its transparency;
 - **EU Business @ Biodiversity Platform:** Kering sits on the Advisory Board of this platform, set up at the initiative of the European Commission to help European businesses integrate natural capital and biodiversity considerations into their business practices;

- UNECE: Kering is an active participant in multi-stakeholder projects on improving value chain transparency and traceability in the clothing and footwear sector, from raw material production through to sale. This extends to the United Nations Economic Commission for Europe's "Enhancing Traceability and Transparency for Sustainable Value Chains in Garment and Footwear" project developed by the UN Centre for Trade Facilitation and Electronic Business (UN/CEFACT), implemented with the International Trade Centre (ITC) and support from the European Commission working with a broad spectrum of industry players;
- ECCIA: At the European level, the Group takes part in talks held by the European Cultural and Creative Industries Alliance, which brings together Europe's five primary luxury goods and creative industry federations, including *Comité Colbert* for France, Altagamma Foundation for Italy and Walpole for the United Kingdom.

Exchanges with the financial community

Under its investor dialogue program, and in response to the financial sector's growing interest in non-financial issues, Kering is involved in regular exchanges with the financial community on sustainability. This can take the form of direct contact with existing and potential investors, evaluations by non-financial rating bodies, annual regulatory reporting (including this NFIS), voluntary reporting (integrated report), and the Group's General Meetings.

In 2019, Kering organized an ESG roadshow to present the Group's approach to key investors. This roadshow was run with support and attendance from Sophie L'Hélias, the Group's Lead Independent Director and Board spokesperson to investors on ESG matters. Kering also published its second integrated report, and the Chief Sustainability Officer presented the Group's annual results

5.2.2 Approach at House level

In the same way as Kering, the Houses are active members of bodies representing their specific sectors. The Houses specializing in leather goods, such as Gucci and Bottega Veneta, are very active in the work of Italy's *Unione Nazionale Industria Conciaria* (UNIC) to improve the environmental footprint of tanning processes, as well as health and safety conditions in tanneries. The association of Italian tanners is in turn a member of Cotance, the organization representing the leather industry in Europe, which contributes to the European Commission initiative aimed at defining a standard for measuring the environmental footprint of leather goods. The Houses participate in various professional associations in Italy. Gucci, for example, has since 2015 chaired the Sustainability

from a sustainability standpoint to shareholders at Kering's General Meeting in April 2019.

Contribution to professional organizations and other institutions

Kering takes a global approach to dialogue with stakeholders, and is ever attentive to the major issues they face. It takes part in a number of initiatives involving multiple stakeholders, such as profession-specific and sector-specific associations. Kering's contributions to these associations is determined according to a set budget. The Group allocated €1,284,403 to institutional affairs in 2019. The main items were as follows:

- €70,000 contribution to the *Association française des entreprises privées* (AFEP), which monitors French and European government policies on tax, legal, labor, financial and CSR matters;
- €30,000 contribution to Alliance France Tourisme, which focuses on tourism policies in France;
- £60,000 contribution to the British Fashion Council, which focuses on developing sustainable growth in the fashion industry.

Kering's Houses also contributed to the main regional organizations for fashion and luxury, in France (*Comité Colbert, Fédération de la haute couture et de la Mode*), Italy (*Camera Nazionale della Moda Italiana*, Altagamma) and the UK (Walpole), in accordance with their respective budgets. Amounts were either fixed or proportional to brand revenue.

In line with Kering's Code of Ethics, no financial contributions were made in 2019 in the name or on behalf of the Group to any political organization in exchange for any direct or indirect material, commercial or personal advantage.

Committee of the *Camera Nazionale della Moda Italiana*, which addresses issues such as the use of dangerous chemicals in the luxury industry.

The watchmaking industry is also represented through various federations in Switzerland, in particular the Federation of the Swiss Watch Industry, the *Fondation de la Haute Horlogerie* and the *Association Suisse pour la Recherche Horlogère* (ASRH), to which Girard-Perregaux and Ulysse Nardin belong. These federations regularly address matters concerning sustainability and the preservation of know-how. Since 2016, this organization has been running research projects on questions such as lead-free alternatives to brass.

In Jewelry, Boucheron is involved in a UFBJOP (*Union Française de la Bijouterie, Joaillerie, Orfèvrerie, des Pierres & des Perles*) think tank for the detection of synthetic diamonds, and takes part in the Dragonfly Initiative founded by the Coloured Gemstones Working Group (CGWG) on the traceability and transparency of colored gemstones.

In addition, Gucci takes part in the Fur Free Retailer program run by the NGO Fur Free Alliance following the brand's announcement of a commitment to ban the use of furs in all products starting from its Spring/Summer 2018 collections. Gucci also remains actively involved in Social Accountability International (SAI). This is the organization that developed the SA8000 standard for companies to help them ensure respect for fundamental workers' rights in their operations (subsidiaries and suppliers) worldwide. Gucci's constructive dialogue with NGOs on animal and environmental issues (LAV, Humane Society, CIWF, etc.) dates back several years.

5.3 Crafting tomorrow's Luxury

5.3.1 Developing responsible products: a long-term strategy

The Kering approach

Broadly speaking, Kering's strategy is to seek to influence the way in which products are designed as far up the supply chains as possible. This is due to two key factors:

- the results of the EP&L carried out at the Group level clearly show that the biggest environmental concerns are located far upstream, in particular at the raw material production stage (extraction, cultivation or animal rearing), rather than with the Group's own operations and sites;
- designing more environmentally friendly products is challenging without sustainable materials and processes. The most important advances in sustainability are likely to be achieved in sourcing and by focusing on processing technologies.

The Houses are therefore focusing their efforts on upgrading sourcing and improving their processes:

- in addition to EP&L calculation and impact assessment tools, a new product simulation module enables product design and development teams to gauge the environmental impact of alternative design options (choice of materials, sourcing countries, production processes, etc.). It indicates the most environmentally virtuous options to guide design choices toward optimization on an EP&L footprint criterion;
- the release of the Kering Standards marked a major step forward, providing the Houses with clear, detailed information in the form of lists of sourcing and process sustainability criteria for each material;
- Kering sets up conditions conducive to stimulating innovation in its Houses. Initiatives such as the Fashion for Good partnership keep the Houses in touch with the start-up community, with a view to developing innovative and responsible products;

- the Group's Houses also have permanent access to the Materials Innovation Lab (MIL). Five years after it was first launched, the lab offers the brands a library of more than 3,800 ecological fabrics and fibers to use in their collections.

Developing responsible products

True to the principle of materiality that guides their actions, Kering and its Houses have focused primarily on materials deemed strategic by virtue of their volume, their environmental impacts or their importance in collections.

The proportion of organic cotton used in the ready-to-wear collections continues to increase. Balenciaga continued the phase-in of GOTS-certified organic cotton for its collections and packaging, with organic cotton accounting for nearly 40% of all the cotton purchased by the House in 2019. Alexander McQueen continued to increase the proportion of organic cotton used in its ready-to-wear and accessories collections. Saint Laurent has opted to focus on its permanent collections for introducing the use of organic cotton. GOTS-certified cotton appeared in several items in the brand's jersey category (T-shirts, sweatshirts, polo shirts, etc.) in 2017, followed in 2018 by other categories such as footwear, with organic cotton featuring in the emblematic *Classic SL06* sneaker. Saint Laurent has now succeeded in incorporating a high level of organic cotton into its jersey and denim categories, with denim being predominantly made using GOTS-certified organic cotton and recycled GRS-certified elastane. After testing the use of organic cotton in various product lines (shirts, jeans, T-shirts, etc.), Gucci continued to increase the quantities used in its ready-to-wear collections in 2019, reaching a total of 312 metric tons of GOTS-certified organic cotton. Brioni's capsule collection *Brioni Sustainable* is growing with each successive release. It groups together all of the brand's pieces with a sustainability component (ZQ wool, ECONYL®, Escorial wool, organic cotton, etc.).

Precious fiber sourcing, particularly cashmere, has also progressed within the Group. This is due to an innovative process to recover scrap production, which is sorted by quality and color to be converted into a regenerated cashmere fiber. Depending on the collection and the level of quality required, a certain percentage of virgin fibers can be added before the spinning stage. The whole process takes place in Italy; it is environmentally friendly and fully traceable. Gucci introduced this innovative cashmere fiber in its ready-to-wear collections in 2016, and, along with Balenciaga, continued to use it in 2019. In 2019, Brioni introduced its *KMZERO* limited edition capsule collection, comprising pieces made exclusively from the finest quality wool from the Abruzzo region, home to the House's workshops.

Cellulosic fibers such as viscose are also attracting great attention, in so far as they are made from wood pulp and as such carry significant risks in terms of deforestation. In 2018, a new standard on viscose and cellulosic fiber from wood pulp was included in the Kering Standards. The Kering Standards are peer-reviewed and to a very large extent follow the logic and requirements of Canopy, an environment-focused NGO that works to protect the world's forests, species and climate. Alexander McQueen continues to increase the proportion of sustainable cellulosic textiles used in its collections: sustainable modal and FSC- or PEFC-certified viscose are now an integral part of the House's permanent collections, in ready-to-wear and accessories, where around 20% of products contain more than 50% of cellulosic fibers sourced in accordance with the Kering Standards.

In leather goods, the Houses continued the move to chrome- and metal-free tanning. In 2019, 24% of the leather purchased by the Group's Houses was produced using metal- and chrome-free tanning. Gucci pushed ahead with the switch to metal-free tanning for its iconic handbags, customizable small leather items and shoes, while Bottega Veneta purchased more than 162,000 sq.m of leather tanned without the use of chrome or metal in 2018. In 2016, Kering extended metal-free tanning to crocodile skins, notably those used for watchbands designed by its France Croco tannery, a first in the luxury industry.

A good example of the circular economy approach under way at the Group's Houses is the increasing use of ECONYL[®] textile in collections from Alexander McQueen, Brioni, Balenciaga and Gucci. ECONYL[®] yarn is made from plastic waste, much of it recovered from oceans. In 2019, Gucci used more than 107,500 meters of this recycled nylon yarn, and Alexander McQueen around 650 meters.

In 2020, Balenciaga will be releasing its first sneakers made using 92% recycled materials.

In Jewelry, the Kering Responsible Gold Framework purchasing platform facilitated a significant increase in the proportion of responsibly sourced gold (RJC Chain of Custody-certified gold, Fairtrade- and Fairmined-certified artisanal gold, and gold from verified traceable sources) used by the Group's Houses, up to more than two metric tons in 2019. This brings the total up to more than five metric tons since the platform was launched. In 2019, Gucci, Bottega Veneta, Pomellato, DoDo, Qeelin and Boucheron used responsible gold for all of their Jewelry, as did Girard-Perregaux and Ulysse Nardin for their Watches.

In response to the rising consumption of palladium for plating the metal parts in its leather goods and shoes, Gucci has developed an innovative partnership since 2018, enabling it to use palladium recycled from catalytic converters used in medical applications. This recycled palladium is produced at an RJC Chain of Custody-certified plant in Italy, ensuring full traceability of this precious metal. Recycled palladium covers 100% of Gucci's needs.

The Houses also make use of other lower-impact processes: Saint Laurent has been using physical vapor deposition (PVD) coating on stainless steel for several years now, for certain metal parts on its leather goods and, more recently, on its shoes. Brass is being phased out in favor of steel, which has a lower environmental impact. And the steel is stabilized using PVD, a vacuum metallization process that deposits thin films of material in vapor form, and has a much lower environmental impact than classic electrolytic plating processes.

Responsibly sourced materials have also taken pride of place in Alexander McQueen collections, since Fall/Winter 2017. In the Fall/Winter 2019 and Spring/Summer 2020 collections, responsibly sourced materials (organic wool, silk and cotton, and modal and ECONYL[®]) are used in around 30% of ready-to-wear pieces and in 56% of accessories.

Kering's Houses are increasingly intent on measuring and monitoring the sustainability performance of their collections. Saint Laurent, for example, has developed a set of indicators for tracking the performance of its ready-to-wear categories twice a year, with its ready-to-wear product teams.

5.3.2 Sustainable fashion: conveying our values and supporting innovation

Transmitting our values

Kering continues its policy of international partnerships with prestigious business and design schools worldwide, with a view to raising awareness among designers and future fashion industry leaders on the major social and environmental challenges in store.

- **Partnership with the London College of Fashion**

In 2019, Kering entered the final year of its strategic partnership with the Centre for Sustainable Fashion (CSF) at the London College of Fashion, begun in 2014. The aim of this program is to strengthen sustainability's role in tomorrow's fashion. The program's Massive Open Online Course (MOOC) on luxury fashion and sustainability, a world first when it was first launched, went ahead as in previous years. It features six key modules, including the following: "Why Sustainability in Fashion?", "Contextualising Sustainability for a Changing World", "Material Dimensions: Sourcing for Luxury Fashion", and "Informed Decision Making". The first two sessions held during 2018 attracted more than 17,500 participants from 151 countries. The MOOC was subsequently translated into Chinese, and the three latest sessions, in February, June and October 2019, were attended by an average of 5,000 students, bringing total attendance to more than 33,500 since the course began.

The Kering Award, a competition inviting students to come up with creative and workable solutions in response to a problem set by one of the Group's Houses, was hosted by Gucci in 2019. A total of 127 students submitted innovative solutions to seven sustainability challenges set by Gucci. The 35 shortlisted entrants were invited to attend a Lab Day involving in-depth discussions with Kering experts and LCF teachers, who gave recommendations on the solutions proposed. Following personalized mentoring from Gucci, Kering and LCF, ten finalist projects were selected from among different syllabuses, including "Bachelor of Arts (Hons) Cordwainers Fashion Bags and Accessories" and "Master of Arts in Fashion Media Practice and Criticism and Strategic Fashion Marketing".

Cooperation over the last five years has proved highly rewarding, and Kering has decided to sign a further partnership with the London College of Fashion. The aim will henceforth be to attract more students to sustainability matters. The new partnership will be announced in early 2020 at an inaugural event celebrating this new strategic approach.

- **Partnership with the Parsons School of Design**

As part of their partnership set up in 2012, Kering and Parsons School of Design organize the annual Empowering Imagination competition. Open to final-year students in Parsons' Bachelor of Fine Arts program, the competition offers students the opportunity to complete an internship

at one of Kering's Houses. Gucci has made a four-year commitment to take on students from this program as part-time Personal Assistants to Connectors (PAC). This opportunity for full professional immersion in the world of Gucci spans purchasing, merchandising, marketing, product knowledge, customer service and branding.

- **Partnership with HEC (Luxury Certificate)**

In 2019, Kering strengthened the partnership created in 2010 with HEC Paris School of Management's Luxury Chair. The Luxury Certificate is a unique program that aims to help future leaders learn how best to handle luxury brand management challenges. It includes basic courses, more in-depth, theme-based teaching, and a series of practical seminars led by leaders or members of the Executive Committees of Kering and its Houses. Students also have the opportunity to visit stores and workshops, and participate in a team consulting project on a topic set by Kering, culminating in a presentation before a panel consisting of the Chair's academic co-directors and Kering managers.

This partnership allows Kering to play a role in the training of future high-level talent from diverse backgrounds, and to identify any talent with the potential to join the Group and its Houses. In 2019, 45 students of 21 different nationalities took part in the program, which was organized in partnership with Bottega Veneta for the first time.

- **Partnership with IFM (IFM – Kering Sustainability Chair)**

In 2019, Kering inaugurated the "IFM – Kering Sustainability Chair" at the *Institut Français de la Mode*. The Chair will focus its scientific research on a wide range of topics related to sustainability, from traceability and impact assessment to eco-responsible business models. Aspects of creative ecology will also be studied in order to identify ways in which creative teams can develop ecological fashion and propose new, sustainable creative offerings that are highly attractive, while developing tools for measuring and appropriating environmental and social issues.

- **Other academic partnerships**

The Group also provides opportunities for young talent through other partnerships, outlined in the section entitled "Community impact and preservation of know-how", and in partnership with organizations such as *Vogue Italia*. By the same token, Gucci partners the MAFED (Master in Fashion, Experience & Design Management) course at Bocconi University in Milan, offering five international students each year an opportunity to develop a project on sustainability in collaboration with Gucci. The House also backs the New Sustainable Fashion program run by the Milano Fashion Institute, offering a yearly internship in its Sustainability Department to one of the students on the course.

The Group and its Houses provide support to many institutions, building on the close relationships developed by Kering's HR community worldwide, including the *Institut Français de la Mode* (IFM), *Istituto Marangoni*, *Politecnico di Milano*, Bocconi University, *Istituto Polimoda*, *Istituto Europeo di Design*, *Accademia Costume & Moda* in Rome, *Tsinghua University* and Hong Kong Polytechnic University.

- **ChangeNOW Summit**

Kering supported the third edition of ChangeNOW, the international summit for positive change, which took place on January 30, 2020 at the Grand Palais in Paris. Over three days, 20,000 attendees learned from more than 1,000 start-ups and speakers from all over the world about innovative solutions for ocean clean-up, renewable energies and many other topics relating to the critical social and environmental challenges of our times. At this event, Kering presented a progress report on the past three years along with sustainable development goals through to 2025.

- **We Love Green**

The environment is at the heart of Parisian electro-pop music festival We Love Green. Kering joined the festival's select Patron's Club, formed in 2017, and renewed its support for the event in 2019. We Love Green has quickly earned a reputation for its quality line-up, and has gradually extended its reach to include conferences, debates, workshops, etc., with the aim of raising public awareness of sustainability issues. For the 2019 edition, Kering contributed to the conference program, in partnership with *Le Monde*, on biodiversity, oceans and a socially inclusive economy.

- **K Generation Award**

Kering extended its partnership with Plug and Play, the Silicon Valley start-up incubator and initial partner behind the Fashion For Good innovation platform in China, to launch the K Generation Award, which drew entries from 50 start-ups. As well as identifying innovators in sustainable fashion in China, this award program also seeks to educate the Chinese fashion eco-system on the importance of more responsible fashion. With Plug and Play China and other Chinese partners, Kering organized conferences and workshops to communicate on the award and facilitate discussions across China's sustainable fashion eco-system. Conferences were held in several cities: in Shanghai on innovation in raw materials, in Shenzhen with an emphasis on the supply chain, and in Hong Kong on sustainable design. The series concluded with the K Generation Talks and an award ceremony held at Shanghai Fashion Week in October 2019.

- **Talking about sustainability**

Throughout 2019, François-Henri Pinault and Kering's Corporate Sustainability Department, led by the Chief Sustainability Officer and Head of International Institutional Affairs, shared the Group's vision, 2025

strategy and initiatives with a wide variety of audiences ranging from G7 delegates in Biarritz to present the Fashion Pact; business and fashion specialists at the SIHH in Geneva and the Copenhagen Fashion Summit; students at HEC, *Sciences Po* and IFM in France, *Politecnico* in Italy and Columbia University in New York; young stylists such as the finalists at the International Fashion Festival in Hyères, France; experts and executives from international groups at a UN conference in New York on the theme of "Investment in Women and Girls in Science for Inclusive Green Growth"; Spanish industry representatives and fashion journalists at the Re-Barcelona Summit; key players in the Chinese economy at the K Generation Award ceremony in Shanghai; panel members at a Milan event on sustainable fashion hosted by the *Camera Nazionale della Moda*; and a selection of Paris-based British and American fashion correspondents.

- **Initiatives and commitments from the Group's Houses**

Kering's spirit of sharing and drive to sway the fashion world towards more sustainable practices permeates all the Group's Houses, which are committed to conveying their values through initiatives that address both their clients and the public at large.

On World Environment Day, June 5, 2018, Gucci launched Gucci Equilibrium, a radical and disruptive sustainability program shared via an online portal, <http://equilibrium.gucci.com/>. A global audience can access content showcasing the House's history along with its environmental and social ambitions, which span its own operations and its supply chains. Gucci Equilibrium is a key feature in Gucci's ten-year Culture of Purpose plan, unveiled in October 2017, which marks a milestone in the House's sustainability communications. In 2019, the platform continued to keep close track of House news and program progress. There were two main highlights:

- on World Refugee Day in June 2019, Gucci and Kering coordinated the launch of their digital EP&L platforms. Gucci's new platform offers interactive browsing through the House's EP&L results for 2018;
- in September 2019, Gucci announced its carbon neutral status across the whole of its operations and supply chain. In addition, following New York Climate Week 2019 and the United Nations Climate Action Summit, during which he stressed the need for urgent, wide-scale action on climate change, Marco Bizzarri launched the CEO Carbon Neutral Challenge, to encourage CEOs in all sectors to take up ambitious carbon prevention and reduction strategies along with extended residual emission compensation mechanisms.

Gucci again took part in the 2019 Green Carpet Fashion Awards, an event rich in innovative exchanges that celebrates both sustainability and *Made in Italy*. For the occasion, Gucci created a luxury outfit made from sustainably sourced materials featuring embroidery by I was a Sari, a social enterprise benefiting from a three-year

partnership with Gucci. The founder of I was a Sari and eight of its craftswomen were awarded the Responsible Disruption prize at the event.

In September 2019, following on from the first edition in 2018, Saint Laurent and Bottega Veneta took part in Go For Good, an innovative initiative created by Galeries Lafayette to raise public awareness of sustainable consumer goods. Saint Laurent and Bottega Veneta products meeting the Go For Good selection criteria were included in the program, including Saint Laurent's *Shopping Bag*, made by upcycling leather off-cuts. Bottega Veneta provided its sales associates with an intuitive dashboard enabling them to view an extended range of metrics (country of livestock origin, tanning location, production region, etc.) simply by entering the product code.

Balenciaga launched a capsule collection with the International Union for Conservation of Nature (IUCN) in 2019, for the first time highlighting its environmental commitment and support for endangered species in the face of biodiversity crisis. Revisiting some of the House's iconic designs, the collection showcases works of art representing the northern white rhino, the Asian elephant, the blue whale and the giant panda, all classified as endangered or vulnerable species. The House also donated €100,000 to an international nature conservation organization.

Kering Eyewear, Girard-Perregaux and Pomellato all communicate on sustainability and Group and House strategy via dedicated pages on their websites.

Supporting innovation within the Group

To significantly reduce its environmental footprint, Kering aims to stimulate disruptive innovation, transform its traditional processes and encourage the widespread adoption of more sustainable practices. An illustration of this determination is the Create pillar of its 2025 strategy, which makes innovation one of the foundations of the Group's sustainability approach.

• Partnership with Fashion for Good

In early 2017, Kering became a founding partner of Fashion for Good, an innovation platform created to accelerate innovation in the fashion industry by factoring in sustainability criteria. From this pioneering position, Kering made key contributions to developing a comprehensive industry-wide innovation eco-system. The platform today numbers 14 corporate partners (brands and suppliers) from the industry, including the Galeries Lafayette group, Target, PVH Corp. and Adidas. This accelerator program helps partners identify the most compelling innovative start-ups in the sector and support them in their development. Candidate start-ups must take a 360° approach to innovation, focusing on three priority areas: the supply of raw materials, the manufacture of fabrics

and garments (dyeing, processing, sewing) and product end-of-life (recycling, circular economy). The accent is placed on projects and technologies that can help players in the textile industry reduce their consumption of water and energy, their waste production and their use of chemicals, and help improve their working methods.

The program has helped Kering develop dialogue with start-ups on a range of innovations, such as eco-friendly dyes and alternatives to leather and polyester. The Group has approached 72% of more than 2,000 high-potential start-ups identified. Pilot operations have begun both with individual Houses, through the Materials Innovation Lab (MIL), and at the Group level, as with the initiative launched in 2018 and extended in 2019 to ensure the traceability of cotton from the farm to the consumer by charting the whole product lifecycle using blockchain technologies and physical markers borrowed from forensic science.

The partnership is also a powerful force in building commitment across Group and House teams and start-ups at the accelerator. Sustainable Innovation Exchange sessions in May and November 2019 provided start-ups in lots 5 and 6 with an opportunity to exchange with Group and House teams at Kering's headquarters in Paris and the Gucci ArtLab in Florence, respectively.

• K Generation Award

True to its motto Crafting Tomorrow's Luxury, in December 2018, Kering extended its partnership with Plug and Play in China to launch the Kering Sustainable Innovation Award, reaching out to Chinese start-ups with the potential to bring a positive social or environmental impact to the fashion industry. By developing a community around the award, the aim is to fast-track sustainable innovation in Chinese fashion. The K Generation Award covers the following themes:

- alternative raw materials;
- green supply chains;
- retail & use;
- the circular economy.

From December 2018 to August 2019, a series of events were held to communicate about the award and mobilize local stakeholders. These included conferences in Shanghai in March, Shenzhen in April and Hong Kong in June. In June, Kering held part of its leadership program module in Shanghai to provide mentorship for some of the start-ups identified by the K Generation Award.

Many Chinese start-ups took part, presenting their own sustainable innovation projects. A panel of ten personalities from the worlds of fashion, luxury, business, sustainable development and innovation closely examined entries from 50 start-ups to determine the three prizewinners. Kering and Plug and Play held the first K Generation

Award ceremony at Shanghai Fashion Week in October 2019. The three winning Chinese start-ups were as follows:

- the first prize, with a grant of €100,000, went to Melephant, which makes natural dyes from organic waste in a circular, no-waste system;
- second prize went to Heyuan, which has developed and markets an innovative water treatment technology for printing and dyeing fabrics;
- the winner of the third prize, FeiLiu Tech, offers supply chain optimization through artificial intelligence that allows for small batch runs to avoid over-production.

The winning start-ups were invited to Europe in November 2019. In Amsterdam, Paris and Milan, they visited acceleration programs and made contact with brands (including Kering brands), start-ups, suppliers and NGOs working in the sustainable fashion sector.

The award launch event on December 7 in Beijing was attended by some one hundred people from the fashion industry, and from Chinese and international associations.

• **Materials Innovation Lab (MIL)**

Kering's Houses have access to the Materials Innovation Lab (MIL), opened in 2013 at the heart of the Group's production operations in Italy. The five-strong MIL team has three main missions:

- help the Group's ready-to-wear Houses source responsible raw materials. The MIL works closely with suppliers both on improving alignment with the Kering Standards for existing fabrics, and developing new, more sustainable, fabrics. The MIL offers the Group's Houses a library of more than 3,800 certified ecological fabrics and fibers. These undergo in-depth scrutiny, and are assessed in light of both external standards and certification and a tool exclusive to the MIL, developed in line with the EP&L methodology;
- conduct change management targeting more responsible fashion through close and regular contact with in-house teams (design, production, merchandising), internal and supplier training on the Kering Standards, and participation in sector-specific conferences and working groups;
- support sustainable innovation in textiles and accessories by meeting innovative start-ups, assessing their techniques for application by the Group's Houses, and working on pilot operations. The MIL also takes part in mentoring sessions run with the Plug and Play – Fashion for Good accelerator, and welcomed the Chinese start-ups that won prizes in the K Generation Award competition run by Kering in China.

The main MIL advances in 2019 were:

- development of a collaborative approach with stakeholders in the supply chains, from raw material producers to weavers and spinners, to ensure that the availability of sustainable materials is in step with production cycles;
- deployment of an online database enabling the Houses to easily access the sustainable textiles proposed by the MIL;
- provision of information to fabric suppliers on the various existing or pending environmental and social certifications, and support in obtaining certification if necessary;
- joint R&D with suppliers and research institutes such as the Hong Kong Research Institute of Textile & Apparel (HKRITA), on sustainable textiles;
- development of innovative pilot projects in textiles, following tests on solutions developed by start-ups in Italy. For example, innovative techniques using 100% plant-based dyes have been tested with Italian dyers for the Group's brands;
- ongoing work on verifying the origin of fibers declared by suppliers, as with wide-scale deployment of Oritain technology, by Alexander McQueen and Saint Laurent in particular, which uses forensic science to prove the origin of cotton supplies;
- operational support for the Houses in checking the integrity of supply chains.

Lastly, in addition to the MIL and in keeping with the Group's commitments underpinning its 2025 Sustainability Strategy, Kering launched its Sustainable Innovation Lab (SIL) in early 2020. Based at the Group's watchmaking sites in Switzerland, the SIL deals with materials used by the Jewelry and Watches brands.

Impact Space

A new series of workshops on responsible innovation was launched in 2019 under the name "Impact Space". These workshops seek to nurture joint work on shared sustainable innovation topics across Group and House employees from different departments. This deep-dive collaborative workshop format provides a forum for educating employees on problems and developments as a way to ensure that progress is achieved on a common basis and with shared understanding. In 2019, Impact Space workshops were held on a range of subjects, such as:

- packaging and plastics, in September at Kering's LGI distribution center in Switzerland;
- alternatives to leather, in October at the Gucci ArtLab in Florence;
- sustainable innovation trends in China, in November at Kering's headquarters in Paris and in Milan.

Forthcoming Impact Space workshops will cover subjects including the circular economy, eco-design and traceability.

Innovation-oriented initiatives from Kering's Houses

In addition to Group-level initiatives, the Houses also run their own innovation-oriented initiatives, addressing their own activities and priorities, in line with the objectives of the Group's 2025 strategy.

At Balenciaga, innovation is central to creativity, and greater sustainability. The Design and Development teams work with a number of start-ups through the Plug and Play accelerator, and with others identified directly by the House for their work on innovative sustainability solutions (alternative materials, innovative processes and tools, etc.). In response to the clear need for closer cooperation across different functions, Balenciaga set up its Material Innovation Unit (MIU) to mobilize designers, developers and operations specialists around common practices and processes. This platform is also useful for training teams and putting them in touch with NGOs and experts from the academic world on responsible sourcing matters.

In addition to Plug and Play – Fashion For Good, Gucci works with incubator investment funds and acceleration programs such as H-Farm to stimulate disruptive innovation in sustainable materials and processes. In 2019, Gucci targeted projects on the following areas: elimination of solvents, bioplastics in textile coatings, more eco-friendly leather tanning, optimized recycling of leather offcuts, and improved information traceability using blockchain technology.

Saint Laurent's Sustainability Department works with the materials research and product development teams for its various ranges to increase the proportion of sustainable materials in the House's collections.

In 2018, a Bottega Veneta innovation day initiated by the General Manager for Industrial Operations put its materials research experts in direct contact with six start-ups presenting innovative sustainability solutions, most of which were for new sustainable textiles or new materials for use as a replacement for or in addition to leather in the House's products.

In Jewelry, Boucheron initiates highly supportive working relationships across its supplier network, forging partnerships with new suppliers with innovative know-how in Jewelry or other fields and providing historic suppliers with effective support for developing innovative new capabilities. The House's R&D specialists regularly take part in professional conferences on innovation, such as EPHJ (*Environnement Professionnel Horlogerie Joaillerie*) in Geneva and M2I (*Matériaux Innovants et Intelligents*).

Lastly, Kering Eyewear is seeking innovation in multiple ways. The Company is involved in a blockchain pilot project to develop a more transparent, secure, traceable and efficient business solution across all supply chain processes through a cooperative approach with partners.

5.4 Initiatives carried out by the Kering Foundation and sponsorship programs

5.4.1 The Kering Corporate Foundation remains committed to combating violence against women

The Kering Foundation, formed in 2008, combats violence against women, across all cultures and all social classes. Worldwide, one woman in three is or will be a victim of violence in her life.

The Foundation commits Kering to this key issue that ties in with its Houses' activities and customers, and an area where the Group has a vital role to play alongside governments and NGOs. It has put together an impact-focused strategy, working closely with a handful of partners in six specific countries: China, the United States, France, Italy, Mexico and the United Kingdom.

In each country, the Foundation supports local associations that help women who are victims of violence and work on ways to prevent violence. Support is provided at three levels:

- to specialist associations supplying nationwide coordination and training for staff at local associations that provide support and accommodation for women victims of domestic violence;
- to pilot initiatives run by NGOs and social enterprises developing new approaches, to test the impact of new models prior to roll-out;

- to grassroots associations and women's groups, by contributing to funds for women, and to social entrepreneurs, thereby strengthening their prevention and inclusion initiatives aimed at young people and victims of violence, respectively.

The Kering Foundation also works to nurture a lasting shift in behavior patterns, throughout the Group and in society in general.

Helping victims of violence

The Foundation has always worked with local organizations, helping them improve the services offered to women who are victims of violence.

In the United States, France, Italy and the United Kingdom, the Foundation works hand in hand with a number of specialist organizations of nationwide reach: the National Alliance to End Sexual Violence (NAESV), the National Network to End Domestic Violence (NNEDV), the *Fédération Nationale Solidarité Femmes* (FNSF), *Donne in Rete contro la violenza* (DiRe), and Women's Aid. Support for these associations comes in the form of non-earmarked financing, enabling them to strengthen their means of action efficiently and optimally.

In each of the six countries it covers, the Foundation backs pilot initiatives such as *La Maison des Femmes de Saint-Denis* in France, alongside other corporate foundations such as Raja and Sanofi Espoir. Under a partnership with the Foundation dating to 2014, *La Maison des Femmes de Saint-Denis* opened in 2016. A team of gynecologists, midwives, nurses, psychologists, sexologists, osteopaths, police officers and lawyers offer comprehensive attention, care, support and guidance addressing medical, psychological, emotional and material needs. In 2018, the center gave 8,500 consultations and received a total of 11,000 patients.

La Maison des Femmes de Saint-Denis staff observed that many of the women who call upon their services had been victims of incest as children. According to the World Health Organisation, 20% of women and between 5% and 10% of men declare having suffered sexual abuse during childhood, with incest cited in 80% of these cases. A new unit has now opened at *La Maison des Femmes de Saint-Denis* to provide therapy for women victims of incest. The Kering Foundation is continuing its support for this organization, and started a new partnership in 2019. Ten women have already benefited from a total of 53 consultations under the new service.

In 2019, the Foundation continued support for the organization *Accompagnement hospitalier des victimes de violences conjugales et intrafamiliales*, which seeks to improve medical and social care for adult and child victims of domestic and intrafamily violence at the Centre Hospitalier de Saint-Malo in Brittany. The aims here are to identify victims arriving at the hospital emergency

room, to address the needs of adult victims of violence, and provide rapid medical, psychological and social care for children. The rate of criminal charges brought by victims attending the center stands at 55%, compared to 16% in all of France.

In Italy, the Kering Foundation is partnering the social enterprise *Colori Vivi* for the second year running. This organization runs a *Made in Italy* creative workshop with the aim of affording protection for refugee women. The women receive guidance from qualified volunteer tailors and stylists, who show them the basics behind making quality clothes and accessories.

In the United Kingdom, the Foundation has renewed its support for Birmingham and Solihull Women's Aid (BSWA), an organization working to improve psychological support for victims of female genital mutilation, along the lines of the Dahlia Project in London, a pioneering institution on tackling mental health issues. Since the project started in 2017, a total of 905 professionals have been trained to deal with the consequences of female genital mutilation.

Since 2017, the Kering Foundation has also been supporting Callisto, a US-based social enterprise running an online platform for detecting repeat sexual violence offenders and providing survivors with the resources they need to take the action they deem appropriate. This initiative is now available to 162,000 students across 12 university campuses.

In 2018, the Foundation initiated a partnership with the social enterprise Chayn, which supports women victims of violence by providing easy-access interactive online resources in several languages. In all, 334,000 women in 20 countries have had access to the Chayn resources, and there have been 1.2 million page views since 2013.

For a closer community reach, the Kering Foundation also supports grassroots organizations, through the *Fonds pour les Femmes* foundation.

In 2016, the Kering Foundation's Board of Directors decided to partner the HER Fund, an organization that backs small grassroots organizations run by marginalized women who are victims of domestic violence. It provides funding and additional resources to three associations, one addressing the LGBTQI+ community, another working with migrant women, and a third running support groups and art therapy sessions for teenagers.

One of the associations, Les Corner, works with lesbian women to combat domestic violence. Over the past three years, this organization, founded by eight young Hong Kong volunteers, has been running awareness-raising courses on domestic violence, specifically addressing the LGBTQI+ community. It has also been able to engage dialogue with local authorities and the police on procedures in tackling matters that affect this community in particular.

Preventing violence

As well as providing support for victims, it is essential to tackle the origins of violence with a view to preventing it occurring in the first place. The Kering Foundation is stepping up its support for prevention initiatives to address the causes of the problem.

In New York, the Foundation continues its work with the New York City Alliance Against Sexual Assault and its Project Dream-Own-Tell (DOT), an innovative program helping young people from underprivileged communities defend themselves against sexual violence. Project DOT offers these young people, who are often overlooked by traditional prevention campaigns, a platform for creating and sharing positive messages with their communities. From January 2018 to December 2019, 87 young people took part, jointly creating social media campaigns that reached 240,000 people.

In parallel, since 2018 the Foundation has been working with the American NGO Promundo and its Manhood 2.0 program, which analyzes potentially harmful gender norms. This initiative seeks a shift in outlook among young men and adolescent boys, encouraging them to take a closer look at the unequal value system in which they have been raised, at what it really means “to be a man”, and at the impact this system has on health, relationships, violence, mental well-being, drug use and other issues. Since the project started, 13 educators have been trained and 28 young men have taken part in the program.

Gendes, a social enterprise based in Mexico, also works with men to encourage a shift in mindsets with regard to the definition of masculinity. The weekly two-hour group sessions examine the way in which each person is responsible for his actions. Some 700 men have attended these sessions so far.

Wide-scale mobilization

Through internal and external campaigns, the Kering Foundation seeks a lasting shift in behavior patterns and greater awareness of violence against women.

In November 2019, OneInThreeWomen, the first European network of companies committed to ending violence against women, co-founded by the Kering Foundation and French organization *Fondation Agir Contre l'Exclusion* (FACE), released the results of its survey entitled “How does domestic violence impact the workplace?”. Led by four international researchers, the survey involved 40,000 employees from six of the network member companies (Kering, L'Oréal, Korian, BNP Paribas, Carrefour and OuiCare) in six countries (France, Belgium, Germany, Spain, Italy and the United Kingdom). These are some of the main findings: 16% of women and 4% of men surveyed

reported current or past experiences of domestic violence, and 16% of women and 13% of men said they knew a colleague who had suffered domestic violence. Only two out of ten respondents were familiar with the resources available in their workplace in cases of domestic violence. This survey shows that companies have a key role to play in developing and implementing concrete measures to support women victims of domestic violence.

In 2011, the Kering Foundation began an employee program across the Group's Houses on understanding, listening to and helping victims of domestic violence. The program began in France, with training developed jointly with the *Fédération Nationale Solidarité Femmes* (FNSF), and was followed in Italy in 2013, in partnership with *Donne in Rete contro la violenza* (DiRe), in 2015 in the United Kingdom with Women's Aid and in 2016 in the United States with the National Alliance to End Sexual Violence (NAESV) and the National Network to End Domestic Violence (NNEDV). This training has reached a total of 1,332 employees, including the members of the Group's Executive Committee.

In 2019, the Foundation supported the International Labour Organization's adoption of the Violence and Harassment Convention, the first international treaty to explicitly recognize the impact of domestic violence on life at work.

Also in 2019, the Foundation took part in the first Grenelle summit on the prevention of domestic violence, organized by the French Minister of State for Gender Equality and the Fight against Discriminations.

On November 25, the Kering Foundation launched the “16 Days 16 Films” campaign in the United Kingdom, France and Italy, in partnership with Modern Films and with the participation of non-profit organizations *En Avant Toute(s)*, Chayn Italia and the UK SAYS NO MORE campaign. Sixteen films were posted on social media on 25 November, International Day for the Elimination of Violence Against Women and on December 10, International Human Rights Day, in connection with the UN international campaign “16 Days of Activism Against Gender-Based Violence”. The campaign reached more than a million people across the three countries, via social media.

The Kering Foundation encourages Group employees to use their professional or personal skills to support NGOs or social enterprises. Since 2014, employees who take two weeks' solidarity leave to volunteer in a foreign country have received two to four days' paid leave. In 2019, the Group provided 54 days' paid leave for volunteer work and pre-departure training, and 15 employees went on assignments in the field, accompanied by the Group's partners MovingWorlds and Nest.

5.4.2 Philanthropic actions by Kering's Houses

Alongside the initiatives undertaken by the Kering Foundation in the Group's name, each House supports causes of its own choice, by donating products (bags, shoes, jewelry, etc.), running special sales, taking part in charity dinners, seconding personnel, or forming long-term partnerships with non-profit organizations. Several such initiatives (in education, training, healthcare, culture, etc.) address women in particular, consistent with Kering group priorities. Philanthropic actions by Kering brands represented a total budget of €6,838,615 in 2019.

Support for women and children

In 2019, financial aid by Kering's Houses for programs and organizations offering support for women and children topped €1,920,000. In Italy, Brioni continued to run the psychological support and hotline service set up in 2017. Run by the women's rights organization, *Unione Donne Italiane* (Pescara section), the service is open to all employees (with special attention to women) in Penne, Civitella and Montebello with the aim of promoting workforce well-being and providing assistance in managing and resolving conflicts. Again in Italy, Pomellato continued its partnership with CADMI, a member of *DiRe*, a nationwide network of organizations offering medical, psychological, emotional and legal assistance to women victims of violence.

Product donations are another form of support offered by Kering's Houses. Balenciaga, for example, donated textiles to the Italian organization *Progetto Quid*, a cooperative that employs and trains vulnerable, marginalized or refugee women in making clothing and accessory collections. Alexander McQueen and Boucheron have run special sales for the organizations they support, including Women for Women International, and International Ladies Benevolent Society in Japan. Employees from Kering Italia, Kering Eyewear, Pomellato, Bottega Veneta and Brioni took part in Solidarity Day on July 4 in Italy, spending a day volunteering for organizations such as *Centro Veneto Progetti Donna*, which has a background of more than twenty years in providing psychological and legal assistance to women victims of violence, and *CAF Onlus*, which has been providing care for child victims of violence and support to families since 1979.

Kering Eyewear runs a "Past still Present. Lesson from Art" event for its employees, a project that takes examples from the history of art to reveal the perpetuation of violence against women through the ages. The project is run by professionals including the president of the foundation *Fondation Centro Donna*, and seeks to open dialogue on what is still often perceived as a taboo subject.

In 2019, Gucci launched a further stage in the gender equality campaign Chime For Change, begun in 2013

under the slogan "To Gather Together". This involved awarding grants to a selection of NGOs including the Ms. Foundation for Women, Women Deliver, Vital Voices, Global Fund for Women, and Equality Now. And all proceeds from sales of T-shirts in the Chime For Change collection went to *DiRe*, Global Fund for Women and International Planned Parenthood Federation. Gucci also continued its support for the organization *Telefono Azzurro*, which works to defend children's rights.

Diversified resources for education and training

Kering's Houses allocated more than €1,080,000 to education and training initiatives in 2019. Bottega Veneta employees volunteered time to the *Istituto Professionale Montagna di Vicenza*, on rolling out a new *Made In Italy* teaching program for young students, to develop Italian-bred excellence in the leather goods and textile industries. Brioni donated €25,000 to the foundation *Fondazione Formoda*, which promotes fashion culture through a training course for young tailors. Alexander McQueen dedicated more than €37,000 to education and training initiatives. For example, since 2014, the House has offered a yearly grant for study at London's prestigious Central Saint Martins fashion school. Pomellato donated €110,000 in support of this sector, through two different projects: *Pomellato Virtuosi*, which trains young people from the age of 13 with a view to continuing the House's know-how heritage and introducing a strong sustainability and responsibility emphasis, and *Fondazione Mestieri D'Arte*, which trains new generations of master craftspeople and works to safeguard craftsmanship by promoting, supporting and running a series of cultural, scientific and popular initiatives.

Boucheron offered support to the organization *AEM – Un Avenir Pour Les Enfants Du Monde*, with a product donation worth €3,000. This organization works in the areas of education, nutrition, healthcare and development aiming to offer children in Rwanda the chance of a better future.

Since March 2019, Gucci North America has announced two additional programs with Gucci Changemakers, to strengthen the community engagement initiated with the volunteer program for Gucci employees. An impact fund of around €900,000 per year over the next five years was allocated to support organizations working on social justice and equality, art and culture, and education. A further €1,300,000 was allocated to a four-year grant program enabling students to develop mentorship and leadership opportunities in the fashion industry. In 2019, Gucci also joined forces with *Fondazione Adecco per le Pari Opportunità* and UNHCR to promote the inclusion of refugees.

Ongoing support for culture and heritage

Kering's Houses contributed more than €2,460,000 to cultural projects in 2019. Bottega Veneta partnered the organization Venetian Heritage on a restoration program for the flood-damaged St Mark's Basilica in Venice. For a month starting on November 29, 2019, the House donated 30% of the proceeds from in-store and online Italian sales of a selection of four handbags. Gucci ran a number of culture and heritage operations, with donations totaling €1,618,695. It partnered *Fondazione Palazzo Strozzi* on a restoration and upkeep program for the Boboli Gardens in Florence, the Harlem Studio Museum specializing in works by artists of African descent, and *Fondazione Torlonia* for the restoration of the Villa Albani Torlonia in Rome. Saint Laurent donated €554,000 in this sector, in the form of product donations and participation in events, such as the Vogue Paris Gala Foundation and the Costume Institute gala. Boucheron took part in the gala *350 ans de l'Opéra de Paris*, making a financial contribution of €100,000.

Combating poverty

In 2019, the Group's Houses contributed more than €986,000 to combat poverty. Through product donations, Alexander McQueen supported the Miracles organization in the United Kingdom, which provides help to children and families in poverty and life-crisis situations such as serious illness. Brioni provided support for the organization Cantor Fitzgerald Charity, which helps families affected by emergencies or natural disasters, and Pomellato backed the organizations Five Acres, Food on Foot and Napa Valley Festival. Since December 2019, Balenciaga has renewed its support for the UN World Food Programme (WFP), creating a new collection of clothing and accessories to help raise awareness of the resurgence of hunger worldwide. Balenciaga will be contributing 20% of the retail price of each WFP article sold in all Balenciaga stores and online, plus 20% of the recommended retail price of products sold via partner outlets carrying the program. Saint Laurent renewed its support for NGO charity: water, which works with local associations worldwide to bring safe drinking water supplies to people in need. This organization received a donation of more than €455,000 in 2019.

Gucci made a number of donations to poverty-relief initiatives: some €112,000 were donated on the opening of a community area with canteen in Harlem, by the organization Food for Soul, which works to combat food waste and hunger. The same amount was allocated to Citymeals on Wheels, an organization that offers meals and company to socially isolated elderly people at their homes in New York.

Healthcare and disease prevention

Healthcare and disease prevention are further priorities for the Houses. In 2019, a total of €705,000 was allocated to this cause.

Alexander McQueen, Ulysse Nardin and Girard-Perregaux ran special sales campaigns with proceeds going to organizations such as Great Ormond Street Hospital (GOSH), which received €10,000 for treatment and support for seriously ill children and their families, and Only Watches, which received auction proceeds of €53,787 for charitable projects such as the combat against muscular dystrophy. Boucheron donated €10,000 to the *Bal de la Croix Rouge* in Monaco. Brioni and Balenciaga made product donations to participate in the combat against breast cancer. Brioni partnered Susan G. Komen, the largest US organization working to combat breast cancer, and Balenciaga partnered American Cancer Society – Making Strides, a walk event to honor women breast cancer patients, educate the public at large on this subject, and gather funds for the organizations working to combat the disease. Kering Eyewear took part in the 10 Pink Run in Padua on May 12, 2019. Entry fees were donated to organizations working to combat cancer and thalassemia.

Gucci contributed to various initiatives on healthcare and disease prevention, with donations topping €500,000 to organizations such as *Téléthon*, *LILT*, Celebrity Fight Night Foundation and ANT Foundation.

6. CROSS-REFERENCE TABLE

Pursuant to Articles L. 225-102-1 and R. 225-105 of the French Commercial Code/Global Compact/Global Reporting Initiative (GRI)

This chapter, entitled “Sustainability”, constitutes the Kering group’s Non-Financial Information Statement (NFIS) for 2019, and as such sets out information on the Group’s principal non-financial risks and the related policies, outcomes and performance indicators.

Kering is disclosing the information required by Article L. 225-102-1, as well as that provided for in Article R. 225-105 of the French Commercial Code (*Code de commerce*), where relevant taking into account the principal non-financial risks identified. In accordance with Article R. 225-105, Kering also presents additional information, where that information offers further insight into Group operations.

	GRI	Section of this Universal Registration Document
The Group’s vision and business model	102-1 to 102-8, 102-10	Chapter 3, section 1.3 Chapter 1
Information on the value chain	102-9	Chapter 3, section 1.3 Chapter 3, section 4.3
Materiality and main priorities, principal non-financial risks linked to NFIS categories	102-11, 102-15 102-46 & 102-47, 103-1 & 103-2	Chapter 3, section 1.4 Chapter 6
Sustainability Strategy	103-1 & 103-2	Chapter 3, section 1.4
Governance and organization of Sustainability within the Group	102-18	Chapter 3, section 1.4
Methodology for reporting non-financial information, Assurance Report	102-45 to 56	Chapter 3, sections 3.1, 3.2 and 4.4 Chapter 3, sections 6 and 7

Non-financial information

	GRI	Global Compact	Section of this Universal Registration Document
Social and societal consequences, human rights, combating corruption and tax evasion			
Employment:		#3 to 6	
Total number of employees and breakdown of employees by gender, age and region	102-8		Chapter 3, section 3.1
Hires and redundancies	401-1		Chapter 3, section 3.1
Remuneration and changes in remuneration			Chapter 3, section 3.1
Work organization:		#3 to 6	
Organization of working time			Chapter 3, section 3.1
Absenteeism	403-10		Chapter 3, section 3.1
Health and safety:		#1 to 6	
Occupational health and safety	403-1 to 403-8		Chapter 3, sections 3.1 and 4.3
Work-related accidents, in particular frequency and severity, and work-related illnesses	403-9		Chapter 3, section 3.1
Labor relations:		#3 to 6	
Organization of social dialogue, procedures for informing, consulting and negotiating with employees	402-1		Chapter 3, section 3.1
Collective bargaining agreements in place within the Group and their impacts on economic performance and working conditions of employees, including in terms of occupational health and safety	102-41		Chapter 3, section 3.1

	GRI	Global Compact	Section of this Universal Registration Document
Training:		#3 to 6	Chapter 3, section 3.1
Training policies, especially in terms of environmental protection	404-2		Chapter 3, section 3.1 Chapter 3, section 3.2
Total number of training hours	404-1		Chapter 3, section 3.1
Fair treatment:		#1 to 6	
Measures taken to promote gender equality	405-1		Chapter 3, section 3.1 Chapter 3, section 2 Chapter 3, section 5.4
Measures taken to promote the employment and integration of people with disabilities	405-1		Chapter 3, section 3.1
Anti-discrimination policy	405-1		Chapter 3, section 3.1 Chapter 3, section 2 Chapter 3, section 5.4
Societal commitments to sustainability:		#1 to 6	
Impact of the Group's operations with respect to employment and local development	203-1, 203-2		Chapter 3, sections 3.1 and 5.1
Impact of the Group's operations on neighboring or local populations	203-1, 203-2		Chapter 3, section 5.1
Relationships and dialogue with Group stakeholders			Chapter 3, section 5.2
Partnership and sponsorship initiatives			Chapter 3, section 5.4
Subcontracting and suppliers:		#1 to 10	
Incorporating social and environmental issues into the purchasing policy	413-1 to 414-2		Chapter 3, sections 2.5, 4.1, 4.3 and 4.4
Steps taken to raise awareness among suppliers and subcontractors with respect to corporate social responsibility	413-1 to 414-2		Chapter 3, sections 2.5, 4.1 and 4.3
Fair practices: measures taken to promote consumer health and safety	416-1 & 2		Chapter 3, section 4.2
Information on the fight against corruption: anti-corruption measures	102-16, 205-1 to 205-3	#10	Chapter 3, section 2
Information on steps taken for the protection of human rights	406-1 to 412-3	#1 to 6	Chapter 3, sections 2, 3.1, 4.2, 4.3, 5.2 and 5.4
Promotion and compliance with the provisions of the International Labour Organization conventions relating to:			
Compliance with freedom of association and the right to collective bargaining		#3	
Elimination of discrimination in respect of employment and occupation		#4	
Elimination of forced and compulsory labor		#6	
Effective abolition of child labor		#5	
Steps taken for the protection of human rights		#1 to 6	
Respect for animal welfare:			Chapter 3, section 4.4

	GRI	Global Compact	Section of this Universal Registration Document
Environmental consequences			
General environmental policy:		#7 to 9	
Organization of steps taken to address environmental issues and any environmental assessment or certification procedures			Chapter 3, sections 1, 3.2, 4.1 and 4.4
Resources allocated to the prevention of environmental risks and pollution			Chapter 3, sections 3.2 and 4.4
Amount of provisions and guarantees for environmental risk (provided that this information is not likely to cause serious damage to the Group in an ongoing dispute)			Data not consolidated at Group level
Pollution:		#7 to 9	
Measures taken to prevent, reduce and rectify emissions into air, water and soil that have a significant impact on the environment	303-2, 303-4		Chapter 3, sections 3.2 and 4.4
Steps taken to address noise, light and any other form of pollution relating to a specific activity			Chapter 3, sections 3.2 and 4.4
Circular economy:		301-3	Chapter 3, sections 3.2 and 4.4
Waste prevention and management:			Chapter 3, sections 3.2 and 4.4
Measures taken to prevent, recycle and reuse waste, and other means of waste recovery and elimination	306-2		Chapter 3, sections 3.2 and 4.4
Steps taken to prevent food waste			Not applicable
Sustainable use of resources:			Chapter 3, sections 3.2 and 4.4
Water consumption and supply of water in accordance with local regulations	303-1, 303-3, 303-5		Chapter 3, sections 3.2 and 4.4
Raw materials consumption and measures taken to promote more efficient use	301-1, 301-2		Chapter 3, sections 3.2 and 4.4
Energy consumption and measures taken to improve energy efficiency and use of renewable energy	302-1 to 5		Chapter 3, sections 3.2 and 4.4
Land use			Chapter 3, sections 3.2 and 4.4
Climate change:		201-2, 305-1 to 305-5	#7 to 9
			Chapter 3, sections 1, 3.2 and 4.4
Key issues regarding greenhouse gas emissions arising from the Group's activities and from use of the goods and services it produces	305-1 to 305-5		
Measures taken to adapt to the consequences of climate change			
Medium- and long-term targets set voluntarily to reduce greenhouse gas emissions and the measures put in place to achieve this			
Protection of biodiversity: measures taken to protect and restore biodiversity		304-1 to 4	#7 to 9
			Chapter 3, sections 3.2 and 4.4

7. REPORT OF ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT

For the year ended December 31, 2019

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditor of Kering, appointed as independent third party and accredited by COFRAC under number 3-1048 (scope of accreditation available at www.cofrac.fr), we hereby report to you on the consolidated non-financial information statement for the year ended December 31, 2019 (hereinafter the "Statement"), presented in the Group Management Report pursuant to the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

Company's responsibility

The Board of Directors is responsible for preparing a Statement pursuant to legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies implemented with respect to these risks as well as the results of these policies, including key performance indicators. The Statement has been prepared by applying the Company's procedures (hereinafter the "Guidelines"), summarized in the Statement and available on the Company's website.

Independence and quality control

Our independence is defined by the requirements of Article L. 822-11-3 of the French Commercial Code and the French Code of Ethics for Statutory Auditors (*Code de déontologie*). In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards and applicable legal and regulatory requirements.

Responsibility of the Statutory Auditor appointed as independent third party

Based on our work, our responsibility is to express a limited assurance conclusion on:

- the compliance of the Statement with the requirements of Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to part 3° of sections I and II of Article R. 225-105 of the French Commercial Code, i.e., the outcomes of policies, including key performance indicators, and measures relating to the main risks, hereinafter the "Information";

However, it is not our responsibility to provide any conclusion on the Company's compliance with other applicable legal and regulatory provisions, particularly with regard to the duty of vigilance, anti-corruption and taxation nor on the compliance of products and services with the applicable regulations.

Nature and scope of procedures

We performed our work in accordance with Articles A. 225-1 *et seq.* of the French Commercial Code defining the conditions under which the independent third party performs its engagement and the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes*) relating to this

We conducted procedures in order to assess the Statement's compliance with regulatory provisions, and the fairness of the Information:

- we familiarized ourselves with the Group's business activity and the description of the principal risks associated;
- we assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, neutrality and clarity, taking into account, where appropriate, best practices within the sector;
- we verified that the Statement covers each category of information stipulated in section III of Article L. 225-102-1 governing social and environmental affairs, respect for human rights and the fight against corruption and tax evasion;
- we verified that the Statement provides the information required under Article R. 225-105,II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under Article L. 225-102-1,III, paragraph 2 of the French Commercial Code;
- we verified that the Statement presents the business model and a description of principal risks associated with all the entity's activities, including where relevant and proportionate, the risks associated with its business relationships, its products or services, as well as its policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- we referred to documentary sources and conducted interviews to
 - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented, and
 - corroborate the qualitative information (measures and outcomes) that we considered to be the most important⁽¹⁾ (our work was mainly carried out on the consolidating entity);
- we verified that the Statement covers the consolidated scope, i.e., all companies within the consolidation scope in accordance with Article L. 233-16, with the limits specified in the Statement;
- we obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- we carried out, for the key performance indicators and other quantitative outcomes⁽²⁾ that in our judgment were of most significance:
 - analytical procedures that consisted in verifying the correct consolidation of collected data as well as the consistency of changes thereto,
 - substantive tests, on a sampling basis, that consisted in verifying the proper application of definitions and procedures and reconciling data with supporting documents. These procedures were conducted for a selection of contributing entities⁽³⁾ and covered between 50% and 99% of the consolidated data for the key performance indicators and outcomes selected for these tests;
- we assessed the overall consistency of the Statement in relation to our knowledge of the Company.

We believe that the procedures we have performed, based on our professional judgment, are sufficient to provide a basis for a limited assurance conclusion. A higher level of assurance would have required us to carry out more extensive procedures.

(1) Qualitative information selected: Highlights of 2019.

(2) See list in appendix.

(3) Houses or entities selected for the social and environmental indicators: Gucci, Saint Laurent, Boucheron, Kering Eyewear.

Entities selected for environmental indicators: Gucci (MPC for packaging and Blutonic Tannery for industrial water) and Kering Group Operations (Caravel Tannery for industrial water and LGI for CO₂ emissions associated with B to B transport).

Means and resources

Our work engaged the skills of six people between November 2019 and February 2020.

To assist us in conducting our work, we referred to our corporate social responsibility and sustainable development experts. We conducted around fifteen interviews with people responsible for preparing the Statement.

Conclusion

Based on our work, nothing has come to our attention that cause us to believe that the Statement does not comply with the applicable regulatory provisions and that the Information, taken as a whole, is not fairly presented in accordance with the Guidelines.

Comments

Without qualifying the conclusion expressed above and in accordance with Article A. 225-3 of the French Commercial Code, we make the following comments:

- the monitoring of the number of “managers” was subject to a change in methodology in 2019, which affects the comparison with historic data;
- the Environmental Profit & Loss presented within the Statement is a voluntary evaluation of the impacts of the Group and of its supply chains of which the quantitative results concern 2018 data and were not subject to our work, just like the associated carbon compensation.

Paris-La Défense, February 19, 2020

One of the Statutory Auditors,

Deloitte & Associés

Frédéric Moulin
Partner

Julien Rivals
Partner, Sustainability Services

Appendix:

Indicators and quantitative results selected:

- social: Workforce and breakdown, Permanent/fixed-term contract hirings, Permanent departures, Training hours (excluding safety training), Employees that participated in at least one training session (excluding safety training), Disabled employees, Frequency rate and severity rate of work-related accidents, Overall rate of absenteeism, Number of collective bargaining agreements signed, Number of social audits and breakdown by severity of anomalies, Percentage of suppliers classified as “compliant”, “partially compliant”, with “expected progress”, and “zero tolerance”;
- environmental: Energy consumption and associated CO₂ emissions, Renewable electricity proportion at Group level, Emissions associated with B to B transport, Packaging consumption, Industrial water consumption, percentage of industrial water discharged.

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CHAPTER 4

Report on corporate governance

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1. KERING GOVERNANCE

Pursuant to Articles L. 225-37 *et seq.* of the French Commercial Code (*Code de commerce*), this Report on Corporate Governance was prepared by the Company's Board of Directors and accompanies the Management Report. It notably describes membership of the Board of Directors and application of the principle of balanced representation of women and men on the Board, the conditions for preparing and organizing work performed by the Board, the Corporate Governance Code to which the Company refers, and the remuneration policy for

Directors and corporate officers, as defined by the Board. In addition, this report indicates any potential limitations set by the Board on the powers of the Chairman and Chief Executive Officer.

The Board of Directors approved the full report, including the remuneration policy for Directors and corporate officers, at its meeting on February 11, 2020 in accordance with the provisions of Articles L. 225-37 and L. 225-37-2 of the French Commercial Code.

1.1 Reference Corporate Governance Code

The Company refers to the Corporate Governance Code of Listed Corporations resulting from the consolidation of the October 2003 AFEP and MEDEF reports, the January 2007 and October 2008 AFEP-MEDEF recommendations on company officer compensation, the April 2010 recommendations concerning the strengthening of the representation of women within boards, the June 2013 recommendations on "say-on-pay" shareholder

votes, stricter "comply or explain" requirements and the establishment of the High Committee on Corporate Governance (*Haut Comité de Gouvernement d'Entreprise*), the November 2016 recommendations relating in particular to independence, CSR and company officer compensation, and the June 2018 recommendations relating notably to the tasks of the Board of Directors, as amended on January 30, 2020 (the "AFEP-MEDEF Code").

1.2 Combination of management roles

In 2005, PPR adopted a governance structure with a Board of Directors and appointed François-Henri Pinault as Chairman of the Board of Directors and Chief Executive Officer.

Further to discussions within the Appointments Committee, the Board decided to combine the roles of Chairman of the Board and Chief Executive Officer and to renew this choice after the Combined General Meeting of June 18, 2013 decided to reappoint François-Henri Pinault as a Director, considering that this arrangement was more in tune with Kering's specific characteristics. The decision to combine the roles of Chairman of the Board and Chief Executive Officer was considered best suited to the Group's organization, *modus operandi* and businesses. Following the Annual General Meeting of April 27, 2017, the Board of Directors confirmed its decision to appoint François-Henri Pinault as Chief Executive Officer.

In its decision, the Board took particular note of François-Henri Pinault's specific position as controlling shareholder and his close involvement in conducting the Group's business, of which he has in-depth operational knowledge and extensive experience. The Board also underlined the benefits of combining management roles

in the context of the Group's transformation drive on the grounds that this guarantees an effective strategic decision-making process, enables the Group's economic and financial performance to be optimized, and ensures strong, consistent communication.

This arrangement is also aligned with the Group's shareholder structure, which includes individual share ownership, a controlling shareholder and institutional shareholders, all of whom have a stake in Kering's long-term development.

François Pinault, founder of the Group, is Honorary Chairman of the Board of Directors but is not a Director.

In addition, given that the roles of Chairman of the Board and Chief Executive Officer are combined and to provide additional assurance with regard to the Board's smooth operation and balance of power, the Board of Directors decided at its meeting of February 11, 2019, on the recommendation of the Appointments and Governance Committee, to create the role of Lead Independent Director with the duties described in section 1.5 of this chapter.

1.3 Complementary nature of the duties of the Chairman and Chief Executive Officer and the Group Managing Director

Pursuant to a decision of February 26, 2008, Jean-François Palus, at that time PPR Chief Financial Officer, was appointed Group Managing Director. The Combined General Meetings of June 18, 2013 and April 27, 2017 each decided to reappoint him as a Director for four years, while the Board of Directors' meeting held after each of these Combined General Meetings decided to reappoint him as Group Managing Director for the same period, acting on a recommendation of the Chairman and Chief Executive Officer.

Alongside the Chairman and Chief Executive Officer, the Group Managing Director is directly responsible for operations at several of Kering's Houses and participates actively in defining the Group's overall strategy.

In his capacity as Group Managing Director and in compliance with the authorizations expressly granted to the Group Managing Director by the Board of Directors pursuant to the Company's Articles of Association, the Board has granted Jean-François Palus the same powers of representation and commitment with regard to third parties as those conferred upon the Chief Executive Officer.

1.4 Balance of power on the Board of Directors

With a view to achieving and maintaining an appropriate balance of power on its Board, the Group strives to ensure that membership is suitably balanced and diverse. Members of the Board have backgrounds in a variety of industries and are mainly independent (six out of the ten Board members, including the Lead Independent Director, are classified as independent Directors, excluding the Director representing employees). Seven women sit on the Board. This proportion exceeds the requirements set out in France's Copé-Zimmerman law, which states that at least 40% of Board members must be women.

The operating rules and procedures of the Board of Directors are defined by law and the Company's Articles of Association, along with the internal rules of the Board and its four specialized Committees, as described in section 2 of this chapter:

- Audit Committee;
- Remuneration Committee;
- Appointments and Governance Committee;
- Sustainability Committee.

The specific provisions of the Company's Articles of Association regarding Directors are in line with basic legal requirements. There are special provisions for the term of office of Directors (four years, renewable), the age limit (no more than one-third of the Directors may be over 70), the Directors representing employees (one appointed by the Kering Works Council and the other by the European Works Council) and the minimum number of shares (500) that must be owned by each Director, except the Directors representing employees, in accordance with Article L. 225-25 of the French Commercial Code. In light of the constant increase in the Kering share price, shareholders will be asked at the Annual General Meeting on April 23, 2020 to reduce the number of shares that each Director (excluding Directors representing employees) is required to own to 50.

In order to ensure a streamlined renewal process for membership of the Board of Directors, the Combined General Meeting on May 7, 2009 chose to introduce a staggered procedure for reappointing Directors.

Directors are expected to be diligent and fully committed to the work of the Board and its Committees, which benefit from the diverse backgrounds, skills and expertise of their members. Directors with in-depth, long-standing knowledge of the Group are a perfect complement to newly appointed Directors, who bring a fresh perspective on the Group and help it evolve.

Notwithstanding the legal provisions governing the authorizations that must be granted by the Board (related-party agreements, endorsements, suretyships and guarantees, divestments of shareholdings or sale of real estate, etc.), Article 15 of the Company's Articles of Association states that the following decisions require the prior approval of the Board:

- matters and transactions that have a substantive effect on the strategy of the Company or the Kering group more generally, its financial structure or its scope of business activity;
- except in the event of a decision by the Annual General Meeting, issues of securities of all types that are liable to cause a change in the share capital;
- the following transactions by the Company or by any entity controlled by the Group, insofar as they each exceed €500 million, an amount set annually by the Board of Directors:
 - all investments or divestments, including the acquisition, sale or exchange of holdings in all existing or future businesses,
 - all purchases or sales of Group real estate.

The internal rules of the Board provide that Directors must inform the Board of any existing or potential conflict of interest with Kering SA or any other Group company, and must not attend deliberations of or vote on any matters that concern them directly or indirectly. Each year, the

Board of Directors assesses the position of the Directors with regard to conflicts of interest.

The internal rules are revised on a regular basis to bring them into line with changes in governance recommendations and practices.

The internal rules are published in full on the Company's website.

As indicated above, each Committee has its own internal rules, which are updated on a regular basis. The most recent update concerned the internal rules of the Audit Committee, which now includes rules for the approval of non-audit services that may be provided by Statutory Auditors or their networks.

All Directors are entitled to attend, without voting rights, particular meetings of Committees of which they are not members, if they so wish.

In accordance with the recommendations of the AFEP-MEDEF Code, every three years the Board of Directors appoints an independent expert to carry out a formal assessment. Each year, the Board also organizes a discussion on its work. This annual assessment by the Board concerns its membership, organization and operation. It takes place in two stages:

- a questionnaire is issued to each Director;
- each Director meets with the Chairman of the Board or a person designated by the Chairman, using the questionnaire as the starting point for discussions.

At the end of these meetings, the Directors set new objectives for improving the quality of their organization and ensure that all important issues have been suitably prepared and addressed.

To ensure the balance of power among the Company's governance bodies, meetings are organized without the executive corporate officers at least once a year, in line with the recommendations of the AFEP-MEDEF Code.

In addition, at the initiative of its Board of Directors and in order to promote long-term value creation and establish and maintain dialogue on environmental, societal and governance (ESG) issues, the Company is increasingly seeking to meet with its shareholders. On November 26 and 27, 2019, an ESG roadshow was held in Paris and the United Kingdom with various institutional investors, representing around 27% of the free float. The presentation used at the roadshow is available from the Company's website.

The conditions of preparation and organization of the work of the Board of Directors are described in section 2.2 of this chapter.

1.5 Role and responsibilities of the Lead Independent Director

1.5.1 Appointment of the Lead Independent Director

In light of recent changes to the membership of the Board of Directors and following a discussion with the Company's shareholders in late 2018, the Board of Directors decided to include a Lead Independent Director in its membership to provide additional assurance with regard to the Board's smooth operation and balance of power.

Acting on the recommendation of the Appointments and Governance Committee, at its meeting of February 11, 2019, the Board of Directors created the role of Lead Independent Director and appointed Sophie L'Hélias, who chairs the Remuneration Committee, to carry out that role.

1.5.2 Lead Independent Director's responsibilities and powers

Organization of the work of the Board of Directors and relationship with Directors

The Lead Independent Director:

- is consulted on the agenda and schedule of Board meetings and may propose additional agenda items to the Chairman;
- acts as a liaison between the independent Directors, other Board members and Executive Management. This includes maintaining regular, open dialogue with each of the Directors, particularly the independent Directors, and organizing at least one meeting per year without the executive corporate officers;
- prevents conflicts of interest, notably by bringing to the Board's attention any potential conflicts of interest identified involving executive corporate officers or other Board members;
- ensures compliance with the Board of Directors' internal rules;
- participates in the process of assessing the Board of Directors.

A loss of independent status would immediately put an end to the Director's role as Lead Independent Director.

Relationship with shareholders

The Lead Independent Director:

- in coordination with the Chairman of the Board, represents the Board in its dealings with investors concerning environmental, societal and governance (ESG) matters. This includes meeting with certain shareholders and reporting their ESG-related questions back to the Board;
- stays informed about shareholders' requests in relation to corporate governance and ensures that responses are provided.

Resources

The Lead Independent Director:

- has access to all documents and other information he/she deems necessary for the performance of his/her duties and may request that external technical studies be carried out, at the Company's expense;

- is informed about the Company's activities on a regular basis. He/she may also meet with operational or functional executives, at his/her request and after having informed the Chairman and the Chief Executive Officer;
- may request the assistance of the Board secretary to carry out his/her duties.

Reporting

The Lead Independent Director reports to the Board of Directors on the performance of his/her duties once a year. He/she may also be asked by the Chairman to report on his/her actions during Annual General Meetings.

At the end of each Lead Independent Director's term of office, the Board of Directors reviews the role of Lead Independent Director and the associated powers in order to adapt them if necessary.

In addition, the Lead Independent Director provides the Board with a summary of the work carried out during the year.

Work carried out in 2019

Sophie L'Hélias, the Lead Independent Director appointed on 11 February 2019, spoke to all the Directors and Executive Committee members during the year. She also met with many of the Company's support teams, including the legal, human resources, investor relations and finance teams, as well as several operating teams.

Since her appointment in February 2019, she has notably:

- attended the 2019 Annual General Meeting;
- spoken regularly with the Chairman and Chief Executive Officer and the Group Managing Director;
- participated in the preparation of meeting agendas for the Board of Directors and the Remuneration Committee;
- organized and chaired several meetings with Board members without the Chairman and Chief Executive Officer and the Group Managing Director;
- contributed to dialogue with the Company's main shareholders, by meeting individually with around ten key investors, representing around 27% of the free float, to lay the foundations for constructive dialogue;
- participated in the assessment of the Board of Directors.

1.6 Dialogue with Executive Management and operational divisions

The Directors can take up matters with Executive Management at any time and with complete transparency, and Executive Management keeps the Directors regularly informed of all important events concerning the conduct of the Company's business. The Board has the resources to freely discuss all matters that concern it, particularly issues relating to the Group's strategies, the implementation of those strategies and their follow-up. The Directors also have all of the information needed to freely make informed decisions and help Executive Management draw up meeting agendas.

The Board may also call on any advisors or consultants to obtain an independent expert opinion on any topics presented to it by the Company.

The Board can meet with Group senior executives at certain meetings of the Board of Directors or its Committees.

Each Director is also entitled, if he/she so wishes, to meet the Group's senior executives outside these meetings in order to gain a better insight into the Group's businesses or certain operational issues.

The Board's membership and role ensures that it acts in compliance with the Group's best interests at all times. It provides a platform for reflection and is an invaluable source of support for Executive Management, while ensuring that it protects the interests of all stakeholders.

As part of the regular procedure for reviewing agreements, including those entered into in the ordinary course of business and at arm's length conditions, as described in section 2.2.1 of this chapter, the Directors may be required to consult the Legal Department and, where necessary, the Finance Department.

2. MEMBERSHIP OF THE BOARD OF DIRECTORS AND INFORMATION ON DIRECTORS AND CORPORATE OFFICERS

2.1 Membership of the Board of Directors as of February 11, 2020

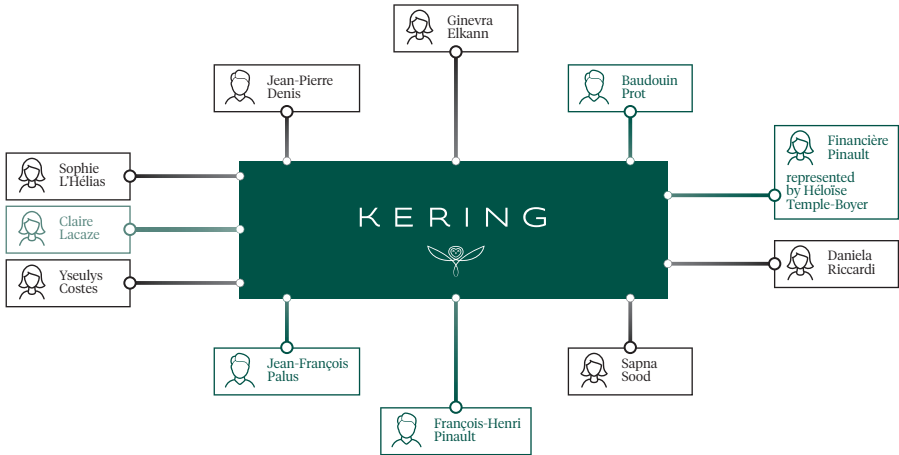
The Board is composed of Directors with wide and diversified experience, relating in particular to corporate strategy, finance, governance, insurance, economics, social and environmental responsibility, the retail sector, industry, accounting, management and supervision of commercial and financial corporations. The Articles of Association provide for a renewable four-year term of office for Directors.

In order to avoid reappointing the entire Board simultaneously and to facilitate a smooth renewal process, the Combined General Meeting on May 7, 2009 adopted an amendment to Article 10 of the Company's Articles of Association introducing a staggered procedure for reappointing Directors.

After reviewing the Board of Directors' report and the favorable opinion issued by the Company's Works Council, the Combined General Meeting on May 6, 2014 decided to amend Article 10 of the Articles of Association in order to establish the procedure for appointing Directors representing employees in accordance with the French law dated June 14, 2013 in relation to job security.

As of February 11, 2020, the Board of Directors was composed of eleven members, six of whom are independent Directors according to the AFEP-MEDEF Code and the Board of Directors' criteria (see section 2.2.5 of this chapter), and one of whom was appointed by Kering's Works Council to represent employees.





- Non-independent Director
- Independent Director
- Director representing employees



François-Henri Pinault

Chairman of the Board of Directors and Chief Executive Officer

- Member of the Sustainability Committee



Yseulys Costes

Director

- Member of the Remuneration Committee
- Member of the Appointments and Governance Committee
- Member of the Audit Committee



Jean-Pierre Denis

Director

- Chairman of the Audit Committee
- Member of the Remuneration Committee



Ginevra Elkann

Director

- Member of the Appointments and Governance Committee
- Member of the Remuneration Committee



Financière Pinault, represented by Héroïse Temple-Boyer

Director

- Chair of the Appointments and Governance Committee
- Member of the Audit Committee
- Member of the Remuneration Committee



Sophie L'Hélias

Lead Independent Director

- Chair of the Remuneration Committee
- Member of the Audit Committee



Claire Lacaze

Director representing employees

- Member of the Remuneration Committee



Jean-François Palus

Group Managing Director

- Member of the Sustainability Committee



Baudouin Prot

Director

- Member of the Appointments and Governance Committee



Daniëla Riccardi

Director

- Member of the Sustainability Committee



Sapna Sood

Director

- Chair of the Sustainability Committee
- Member of the Appointments and Governance Committee

Name	Position	Age	Participation in a Committee					Start of 1 st term of office	End of current term of office	Nationality
			Independent Director ⁽¹⁾	Audit	Remuneration	Appointments and Governance	Sustainability			
François-Henri Pinault	Chairman and Chief Executive Officer	57					✓	1993 ⁽²⁾	2021	French
Jean-François Palus	Group Managing Director	58					✓	2009	2021	French
Yseulys Costes	Director	47	✓	✓	✓	✓		2010	2022	French
Jean-Pierre Denis	Director	59	✓	✓	✓			2008	2020	French
Ginevra Elkann	Director	40	✓		✓	✓		2018	2020	Italian
Financière Pinault, represented by Héroïse Temple-Boyer	Director	42		✓	✓	✓		2018	2021	French
Sophie L'Hélias	Lead Independent Director	56	✓	✓	✓			2016	2020	French
Claire Lacaze	Director representing employees	48			✓			2018	2022	French
Baudouin Prot	Director	68				✓		1998 ⁽³⁾	2021	French
Daniela Riccardi	Director	59	✓				✓	2014	2022	Italian
Sapna Sood	Director	46	✓			✓	✓	2016	2020	British and Australian
		Average age	DI*:	DI*:	DI*:	DI*:	DI*:	Average seniority		
		53 years	60%	75%	80%	60%	50%	9 years		

* *DI: Degree of independence (in accordance with the provisions of the AFEP-MEDEF Code, the Director representing employees is not included in the calculation of the degree of independence).*

(1) *According to the criteria of the AFEP-MEDEF Code and the Board of Directors.*

(2) *Member of the Executive Board from 1993 to 2001 and the Supervisory Board from 2001 to 2005.*

(3) *Member of the Supervisory Board until 2005.*

Three non-voting Directors appointed by the Board of Directors for a term of four years pursuant to Article 18 of the Company's Articles of Association attended meetings of the Board of Directors, as required, on a consultative basis. Acting on the recommendation of the Appointments and Governance Committee, at its meeting of February 11, 2020, the Board of Directors discussed the role of non-voting Director, notably taking into account the reservations expressed by certain investors as to the merits of such a role. During the meeting, the Board decided to eliminate the role of non-voting Director as of the meeting date. At the same time, it noted that, depending on the topics addressed, the presence of the House CEOs as guests at certain Board meetings would provide Directors with very useful insight from an operational perspective.

The Board has set up four Committees responsible for assisting it in performing its duties: the Audit Committee, the Remuneration Committee, the Appointments and Governance Committee, and the Sustainability Committee. Each of these Committees is described in section 2.3.3 of this chapter.

List of members of the Board of Directors with information on their positions in other companies

The following information is presented separately for each Director:

- professional experience and expertise in the area of business management;
- directorships and positions held in 2019;
- directorships and positions held in the last five years.

Among Kering's Directors and corporate officers holding directorships or positions in 2019, only François-Henri Pinault, Jean-François Palus and H lo se Temple-Boyer, permanent representative of Financiere Pinault, hold or have held legal representative or corporate functions in the Group's subsidiaries.

Director expertise



Leadership



Finance and accounting



Economics



Technology/Digital



Industry



Marketing



Corporate social responsibility



Risk management



Corporate governance



François-Henri Pinault



Chairman and Chief Executive Officer

Number of shares held: 36,201



Born on May 28, 1962 (57 years old)
French citizen

Kering
40 rue de Sèvres
75007 Paris
France

First appointed in 1993

Term of office last renewed on April 27, 2017

Term of office expires at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2020

A graduate of HEC, François-Henri Pinault joined the Pinault group in 1987 where he had various responsibilities in the main subsidiaries of the Group. After starting off as a salesman in the Evreux branch of Pinault Distribution, a subsidiary specialized in wood importation and distribution, in 1988 he set up that company's purchasing group for which he was responsible until September 1989.

Appointed Chief Executive Officer of France Bois Industries, the company comprising the industrial activities of the Pinault group, he managed the 14 plants of this subsidiary until December 1990, when he returned to Pinault Distribution to become Chairman. In 1993, his responsibilities were broadened upon his appointment as Chairman of Cfao and as a member of the Executive Board of Pinault Printemps Redoute. Four years later, he was appointed Chairman and Chief Executive Officer of Fnac, a position he held until February 2000. He was then appointed Deputy Chief Executive Officer of Pinault Printemps Redoute with responsibility for developing the Group's internet activities. François-Henri Pinault became the co-legal manager of Financière Pinault in 2000. In 2003, he was appointed Chairman of the Artémis group and subsequently Chairman and Chief Executive Officer in January 2018. In 2005, he was appointed Chairman of the Executive Board and then Chairman and Chief Executive Officer of PPR, since renamed Kering.

After serving as Chairman of the Executive Board of PPR (from March 21, 2005 to May 19, 2005), Vice-Chairman of the Supervisory Board (from May 22, 2003 to March 21, 2005), and member of the Supervisory Board (from January 17, 2001) and the Executive Board (from June 1993 to January 2001), François-Henri Pinault has been the Chairman and Chief Executive Officer of Kering since May 19, 2005. Following the Combined General Meeting on April 27, 2017, the Board of Directors renewed his term of office as Chairman and Chief Executive Officer for the duration of his directorship, which will expire at the end of the Annual General Meeting called to approve the financial statements for the year ending December 31, 2020.

François-Henri Pinault is a member of the Sustainability Committee. He attended eight of the nine Board meetings held in 2019 and the meeting of the Committee on which he sits, representing an attendance rate of 90%.

François-Henri Pinault is legal manager and managing partner of Financière Pinault, which indirectly held 51,737,783 Kering shares as of December 31, 2019.

Directorships and positions held as of December 31, 2019:

Position	Company	Country	Start of 1 st term of office
<i>at the level of the majority shareholder group:</i>			
Legal manager	Financière Pinault SCA	France	June 2000
Chairman	Artémis SAS	France	July 2018
Member of the Management Board	SC Château Latour	France	July 1993
Chairman of the Board of Directors	Collection Pinault-Paris (SAS)	France	May 2016
Chairman	Sonova Management (SAS)	France	July 2015
Representative of Sonova Management	Sonova SCS	France	September 2015
Chairman	Artémis 28 (SAS)	France	January 2018
Chairman	RRW France (SAS)	France	May 2018

within the Kering group:

Chairman of the Strategy Committee	Boucheron Holding SAS	France	May 2005
Director	Kering International Ltd	United Kingdom	May 2013
Director	Kering UK Services Ltd	United Kingdom	May 2014
Director	Kering Eyewear SpA	Italy	November 2014
Chairman of the Board of Directors	Yves Saint Laurent SAS	France	June 2013

Directorships and positions held in the last five years:

Position	Company	Country	Dates
Director	Stella McCartney Ltd	United Kingdom	until July 2019
Director	Manufacture et fabrique de montres et chronomètres Ulysse Nardin le Locle SA	Switzerland	until November 2019
Manager	Volcom LLC	United States	until April 2019
Director	Sapardis SE	France	until 2018
Vice-Chairman of the Supervisory Board	PUMA SE ⁽¹⁾	Germany	until April 2017
Chairman of the Board of Directors	Sowind Group SA	Switzerland	until October 2015
Director	Brioni SpA	Italy	until May 2015
Non-executive Director	Kering Holland NV	Netherlands	until October 2016
Non-executive Director	Kering Netherlands BV	Netherlands	until October 2016
Director	Bouygues ⁽¹⁾	France	until April 2016
Director	Soft Computing ⁽¹⁾	France	until September 2017
Chairman of the Board of Directors	Artémis SA	France	until December 2017

(1) Listed companies (as of the date the position was held).

Jean-François Palus



**Director and
Group Managing Director**
Number of shares held: 69,426



Born on October 28, 1961 (58 years old)
French citizen

Kering
40 rue de Sèvres
75007 Paris
France

First appointed in 2009

Term of office last renewed on April 27, 2017

Term of office expires at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2020

A graduate of HEC (class of 1984), Jean-François Palus began his career in 1985 with Arthur Andersen, where he carried out audit and financial advisory duties.

Before joining Artémis in 2001 as a corporate officer and Director, he spent ten years within the PPR group, holding successively the positions of Deputy Chief Financial Officer of the wood industry branch of Pinault SA (1991 to 1993), Group Financial Control Director (1993 to 1997), then store manager at Fnac (1997 to 1998) and lastly Corporate Secretary and member of the Executive Board of Conforama (1998 to 2001).

Since March 2005, Jean-François Palus has been responsible for mergers and acquisitions at PPR, reporting to François-Henri Pinault, Chairman and Chief Executive Officer of the Group.

He was Chief Financial Officer of the PPR group from December 2005 to January 2012 and has been Group Managing Director of PPR (since renamed Kering) since February 26, 2008. Jean-François Palus has been a Director of Kering since May 7, 2009. His term of office was renewed by the Combined General Meeting on April 27, 2017 and will expire at the end of the Annual General Meeting called to approve the financial statements for the year ending December 31, 2020. Following the Combined General Meeting held on April 27, 2017, the Board of Directors decided to re-appoint him as Group Managing Director for a term of four years.

Jean-François Palus also headed Kering's Sport & Lifestyle activities until the payment of the exceptional stock dividend in the form of PUMA shares in May 2018. He continues to serve as Chairman of the Supervisory Board of PUMA SE.

Jean-François Palus is a member of the Sustainability Committee. He attended all nine Board meetings held in 2019 and the meeting of the Committee on which he sits, representing an attendance rate of 100%.

Directorships and positions held as of December 31, 2019:

Position	Company	Country	Start of 1 st term of office
<i>at the level of the majority shareholder group:</i>			
Group Managing Director	Artémis SAS	France	December 2017
Member of the Supervisory Board	Financière Pinault	France	January 2018
Group Managing Director	Artémis 28	France	January 2018
Director	Sonova Management	France	July 2016
Non-executive Director	Christie's International	United Kingdom	February 2018

within the Kering group:

Director	Sowind Group SA	Switzerland	December 2013
Director	Kering Americas Inc.	United States	June 2011
Director	Kering Tokyo Investment	Japan	November 2013
Director	Guccio Gucci SpA	Italy	June 2014
Director	Gucci America Inc.	United States	May 2014
Director	Kering Asia Pacific Ltd	Hong Kong	May 2014
Director	Yugen Kaisha Gucci	Japan	May 2014
Director	Kering South East Asia	Singapore	October 2014
Director	Birdswan Solutions Ltd	United Kingdom	May 2014
Director	Paintgate Ltd	United Kingdom	May 2014
Director	Kering Eyewear SpA	Italy	November 2014
Director	Tomas Maier Distribution LLC	United States	July 2017
Director	Tomas Maier Holding LLC	United States	July 2017
Director	Altuzarra LLC	United States	September 2016

outside the Kering group:

Chairman of the Supervisory Board	PUMA SE ⁽¹⁾	Germany	December 2012
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(1) Listed companies (as of the date the position was held).

Directorships and positions held in the last five years:

Position	Company	Country	Dates
Director	Pomellato SpA	Italy	until May 2019
Chairman	Volcom LLC	United States	until April 2019
Director	Christopher Kane Ltd	United Kingdom	until February 2019
Director	Manufacture et fabrique de montres et chronomètres Ulysse Nardin le Locle SA	Switzerland	until November 2019
Director	Tomas Maier LLC	United States	until February 2019
Director	Stella McCartney Ltd	United Kingdom	until July 2019
Director	Brioni SpA	Italy	until October 2015
Chairman of the Board of Directors	Brioni SpA	Italy	until October 2015
Chairman of the Board of Directors	LGI SA	Switzerland	until June 2016

Yseulys Costes



Independent Director

Number of shares held: 500



Born on December 5, 1972 (47 years old)
French citizen

Numberly (1000mercis Group)
28 rue de Châteaudun
75009 Paris
France

First appointed in 2010

Term of office last renewed on April 26, 2018

Term of office expires at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2021

Yseulys Costes holds a Master's degree in Management Sciences from Paris I Panthéon University, a postgraduate degree in marketing and strategy from Paris IX Dauphine University and an MBA from Robert O. Anderson School (US).

Author of a number of works and articles on the topics of online marketing and databases, she was also the coordinator of IAB France (Interactive Advertising Bureau) for two years before founding 1000mercis.com in February 2000, of which she is now the Chair and Chief Executive Officer.

Numberly (1000mercis Group), present in Paris and in London, and listed on the Alternext market of NYSE Euronext Paris since January 2006, offers innovative solutions to companies seeking to optimize their advertising and marketing campaigns on interactive media (internet, cellphones, etc.).

A researcher in interactive marketing, Yseulys Costes was received as a guest researcher at Harvard Business School and is a lecturer in interactive marketing at several prestigious French higher education establishments (HEC, ESSEC, Paris IX Dauphine University).

Yseulys Costes has been a Director of Kering since May 19, 2010. Her term of office was renewed by the General Meeting on April 26, 2018 and will expire at the end of the Annual General Meeting called to approve the financial statements for the year ending December 31, 2021.

Yseulys Costes is a member of the Audit, Appointments and Governance, and Remuneration Committees. She attended all nine Board meetings held in 2019 and all meetings of the Committees on which she sits (five Audit Committee meetings, one Appointments and Governance Committee meeting, and six Remuneration Committee meetings), representing an attendance rate of 100%.

Directorships and positions held as of December 31, 2019:

Position	Company	Country	Start of 1 st term of office
Chair and Chief Executive Officer	Numberly (1000mercis Group) ⁽¹⁾	France	October 2000
Chair of the Supervisory Board	Ocito SAS (Numberly (1000mercis Group))	France	2010
Director	SEB group ⁽¹⁾	France	May 2013

Directorships and positions held in the last five years:

Position	Company	Country	Dates
Member of the Supervisory Board	Vivendi ⁽¹⁾	France	until 2017
Member of the Supervisory Board	Numergy	France	until 2014

(1) Listed companies (as of the date the position was held).

Jean-Pierre Denis



Independent Director

Number of shares held: 500



Born on July 12, 1960 (59 years old)
French citizen

Arkéa group
29808 Brest Cedex 09
France

First appointed in 2008

Term of office last renewed on April 29, 2016

Term of office expires at the Annual General Meeting called to approve the financial statements for the year ended December 31, 2019

Jean-Pierre Denis is a Finance Inspector and a graduate of HEC and ENA. He served as Chairman and Chief Executive Officer of the Oséo group from 2005 to 2007, and member of the Executive Board of Vivendi Environnement, which became Veolia Environnement (2000 to 2003), Chairman of Dalkia (Vivendi group then Veolia Environnement) (1999 to 2003), Advisor to the Chair of CGE, which became Vivendi (1997 to 1999) and Deputy General Secretary of the French President's cabinet (1995 to 1997). He is currently Chairman of Crédit Mutuel Arkéa and Crédit Mutuel de Bretagne.

Jean-Pierre Denis has been a Director of Kering since June 9, 2008. His term of office was renewed by the Combined General Meeting on April 29, 2016 and will expire at the end of the next Annual General Meeting, called to approve the financial statements for the year ended December 31, 2019. As of the Annual General Meeting on April 23, 2020, Jean-Pierre Denis will have been a Director of the Company for more than 12 years and will therefore lose his status as an independent Director.

Jean-Pierre Denis is Chairman of the Audit Committee and a member of the Remuneration Committee. He attended all nine Board meetings held in 2019 and all meetings of the Committees on which he sits (five Audit Committee meetings and six Remuneration Committee meetings), representing an attendance rate of 100%.

Directorships and positions held as of December 31, 2019:

Position	Company	Country	Start of 1 st term of office
Chairman	Fédération du Crédit Mutuel de Bretagne	France	September 2008
Chairman	Crédit Mutuel Arkéa	France	September 2008
Director	Avril Gestion	France	December 2014
Director	Caisse de Crédit Mutuel du Cap Sizun	France	May 2008
Chairman	Château Calon-Séguir SAS	France	December 2012
Director	Nexity ⁽¹⁾	France	August 2015
Director	Paprec Holding	France	November 2010
Director	JLPP Invest SAS	France	October 2012
Non-voting Director	Tikehau Capital ⁽¹⁾	France	May 2018
Non-voting Director	Altrad Investment Authority	France	July 2018

Directorships and positions held in the last five years:

Position	Company	Country	Dates
Director	Soprol	France	until 2015
Director	Newport	France	until 2015
Director and General Treasurer	Ligue de Football Professionnel (association)	France	until 2016
Acting Chairman	Ligue de Football Professionnel (association)	France	until 2016
Director	Altrad Investment Authority	France	until 2018
Member of the Supervisory Board	Tikehau Capital ⁽¹⁾	France	until 2018

(1) Listed companies (as of the date the position was held).

Ginevra Elkann



Independent Director
Number of shares held: 500



Born on September 24, 1979 (40 years old)
 Italian citizen

Asmara Films
 Via Giuseppe Sacconi 4/B
 00196 – Rome
 Italy

First appointed in 2018

Term of office expires at the Annual General Meeting called to approve the financial statements for the year ended December 31, 2019

Ginevra Elkann is President of film production company Asmara Films and notably directed the film *If Only* in 2019. She is also President of the Pinacoteca Giovanni & Marella Agnelli in Turin, a Director of Exor, a member of the European Advisory Board at Christie's and a trustee of the American Academy in Rome.

Ginevra Elkann has lived in the United Kingdom, France and Brazil. She is a graduate of the American University of Paris and the London Film School.

The Board of Directors appointed Ginevra Elkann as a Director at its meeting in October 2018 (appointment ratified at the Annual General Meeting of April 24, 2019). Her term of office will expire at the end of the next Annual General Meeting, called to approve the financial statements for the year ended December 31, 2019.

Ginevra Elkann is a member of the Appointments and Governance and Remuneration Committees.

She attended seven of the nine Board meetings in 2019 and two of the six meetings of the Remuneration Committee, representing an attendance rate of 56%.

Directorships and positions held as of December 31, 2019:

Position	Company	Country	Start of 1 st term of office
Director	Exor ⁽¹⁾	Netherlands	December 2016
Member of the European Advisory Board	Christie's	France	June 2006
Trustee	American Academy	Italy	January 2014
President	Asmara Films	Italy	2010
President	Pinacoteca Giovanni & Marella Agnelli	Italy	April 2011

(1) Listed companies (as of the date the position was held).

Directorships and positions held in the last five years:

Ginevra Elkann has not held any other corporate office in the past five years.

Financière Pinault represented by H lo se Temple-Boyer



Director
Permanent representative of Financ re Pinault

Number of shares held by Financ re Pinault: 500



Born on March 22, 1978 (42 years old)
 French citizen

Financ re Pinault
 12 rue Fran ois 1^{er}
 75008 Paris
 France

First appointed in 2018

Term of office expires at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2020

Financ re Pinault is the Pinault family holding company. In addition to Luxury group Kering, Financ re Pinault owns auction house Christie's, a number of prestigious vineyards including Ch teau Latour, polar cruise specialist Compagnie du Ponant, the Stade Rennais Football Club, weekly magazine *Le Point*, an investment fund to support French tech companies in the United States, a vast collection of contemporary art, and numerous other assets in a variety of areas.

H lo se Temple-Boyer has been Deputy Chief Executive Officer of Art mis since February 2018. She joined Art mis in 2013 as an Investment Director. Prior to that, she held the positions of Executive Assistant to the CEO and then Director of International Purchasing at Groupe Casino. She began her career in finance, where she spent more than five years, first as an associate with Rothschild & Cie's M&A team and later as an associate with private equity firm Advent International.

H lo se Temple-Boyer is a graduate of Institut d'Etudes Politiques de Paris and ESSEC, and holds an MBA from Harvard Business School.

Financ re Pinault, represented by H lo se Temple-Boyer, was appointed as a Director of Kering on 14 December 2018 (appointment ratified at the Annual General Meeting of April 24, 2019). Its term of office will expire at the end of the Annual General Meeting called to approve the financial statements for the year ending December 31, 2020.

Financ re Pinault, represented by H lo se Temple-Boyer, is Chair of the Appointments and Governance Committee and a member of the Audit and Remuneration Committees.

H lo se Temple-Boyer attended all nine Board meetings in 2019, in addition to meetings of the Committees on which she sits (one Appointments and Governance Committee meeting, four of the five Audit Committee meetings, and six Remuneration Committee meetings), representing an attendance rate of 95%.

Directorships and positions held by Financ re Pinault as of December 31, 2019:

Position	Company	Country	Start of 1 st term of office
Director	Garuda	France	October 1998

Directorships and positions held by Financ re Pinault in the last five years:

Financ re Pinault has not held any other corporate office in the past five years.

Directorships and positions held by H lo se Temple-Boyer as of December 31, 2019:

Position	Company	Country	Start of 1 st term of office
Deputy Chief Executive Officer	Art�mis SAS	France	February 2018
Chair and Chief Executive Officer	Arok International SA	France	February 2018
Chair and Chief Executive Officer	TER Obligations	France	May 2015
Deputy Chief Executive Officer	Art�mis 28	France	January 2018
Member of the Executive Board	Compagnie du Ponant	France	December 2015
Director	Giambattista Valli	France	June 2017
Director	Sebdo <i>Le Point</i>	France	May 2018
Non-executive Director	Christie's International	United Kingdom	March 2014
Director	Palazzo Grassi	Italy	March 2018
Member of the Supervisory Board	Royalement v�tre Editions	France	July 2018
Director	ACHP	United Kingdom	September 2018
Permanent representative of Art�mis	Collection Pinault – Paris	France	January 2018
Member of the Supervisory Board	Point Communication	France	November 2019

Directorships and positions held by H lo se Temple-Boyer in the last five years:

Position	Company	Country	Dates
Director	Fnac Darty	France	until March 2017
Member of the Executive Board	Compagnie du Ponant Holding	France	until November 2015
Director	Groupe Courr�ges	France	until April 2017

Sophie L'Hélias



Lead Independent Director
Number of shares held: 881



Born on December 30, 1963 (56 years old)
 French citizen

1614 Foxhall Rd NW
 Washington DC 20007
 United States

First appointed in 2016

Term of office expires at the Annual General Meeting called to approve the financial statements for the year ended December 31, 2019

A qualified attorney, Sophie L'Hélias worked for US business law firms in New York and Paris for several years before entering the world of finance as Managing Director of a New York hedge fund. She subsequently created an investor advisory firm. An expert on governance issues, she is co-founder of the International Corporate Governance Network (www.icgn.org), the leading international network of institutional investors for corporate governance. She is the Founder and President of LeaderXXchange™, an organization that advises and promotes diversity and sustainability in governance, leadership, and investment. She is also a Senior Fellow with the Conference Board ESG Center in New York and a member of the Editorial Board of the Hawkamah Institute for Corporate Governance in Dubai.

Sophie L'Hélias regularly publishes articles and speaks about finance, governance, sustainability and diversity issues at international conferences. She was the winner of the ESG category at the 2019 Women in Asset Management Awards in New York.

She holds an MBA from INSEAD, an LLM degree from the University of Pennsylvania Law School, a Master of Law degree from Pantheon-Sorbonne University and studied at the European Law Institute at the University of Saarbrücken in Germany.

Sophie L'Hélias has been an independent member of the Board of Directors of Africa50, an investment fund for infrastructure development in Africa, since 2018. She is also an independent Director of the Positive Impact Fund managed by La Financière de l'Echiquier, which invests in companies that make a positive contribution to achieving the UN Sustainable Development Goals.

Sophie L'Hélias has been a Director of Kering since April 29, 2016. Her term of office will expire at the end of the next Annual General Meeting, called to approve the financial statements for the year ended December 31, 2019.

On February 11, 2019, the Board of Directors designated Sophie L'Hélias as Lead Independent Director. In coordination with the Chairman, Sophie L'Hélias represents the Board in its dealings with investors concerning environmental, societal and governance (ESG) matters.

She is Chair of the Remunerations Committee and a member of the Audit Committee. She attended all nine Board meetings in 2019, as well as six Remuneration Committee meetings and five Audit Committee meetings, representing an attendance rate of 100%.

Directorships and positions held as of December 31, 2019:

Position	Company	Country	Start of 1 st term of office
Director	Africa50	Morocco	2018
Director	Echiquier Positive Impact	France	2018

Directorships and positions held in the last five years:

Sophie L'Hélias has not held any other corporate office in the past five years.

Claire Lacaze

Director representing employees



Born on September 18, 1971 (48 years old)
French citizen

Kering
40 rue de Sèvres
75007 Paris
France

First appointed in 2018

Term of office expires at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2022

Claire Lacaze is Event Production Manager within the Human Resources department at Kering SA. She joined the Group in 2000 as an Assistant to Financial Communications for Printemps Pinault Redoute, before holding several positions at Kering.

Claire Lacaze was elected as a Director representing employees by the Kering Works Council on July 12, 2018.

She is a member of the Remuneration Committee. She attended all nine Board meetings in 2019 and the six meetings of the Committee on which she sits, representing an attendance rate of 100%.

Claire Lacaze did not hold any other directorships or positions at December 31, 2019, and has not held any other corporate office over the past five years.

Baudouin Prot



Director

Number of shares held: 600



Born on May 24, 1951 (68 years old)
French citizen

BNP Paribas
33 rue du Quatre Septembre
75002 Paris
France

First appointed in 1998

Term of office last renewed on April 27, 2017

Term of office expires at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2020

After graduating from HEC in 1972 and from ENA in 1976, Baudouin Prot joined the French Ministry of Finance where he spent four years before serving as Deputy Director of Energy and Raw Materials at the French Ministry of Industry for three years. He joined BNP in 1983 as Deputy Director of Banque Nationale de Paris Intercontinentale, before becoming the Director for Europe in 1985. He joined the Central Networks Department in 1987 and was promoted to Central Director in 1990 then Deputy Chief Executive Officer of BNP in charge of networks in 1992. He became Chief Executive Officer of BNP in 1996 and Deputy Chief Executive Officer of BNP Paribas in 1999. In March 2000, he was appointed Director and Deputy Chief Executive Officer of BNP Paribas, then Director and Chief Executive Officer of BNP Paribas in May 2003. From December 2011 to December 2014, he served as non-executive Chairman of BNP Paribas. He is an Officer of the National Order of Merit and a Knight of the Legion of Honor.

Baudouin Prot has been a Director of Kering since May 19, 2005, after having served as a member of the Supervisory Board (from March 11, 1998 to May 19, 2005). His term of office was renewed by the Combined General Meeting on April 27, 2017 and will expire at the end of the Annual General Meeting called to approve the financial statements for the year ending December 31, 2020.

Baudouin Prot is a member of the Appointments and Governance Committee. He attended seven of the nine Board meetings held in 2019, representing an attendance rate of 70%.

Directorships and positions held as of December 31, 2019:

Position	Company	Country	Start of 1 st term of office
Chairman of the Supervisory Board	Foncia ⁽¹⁾	France	March 2017
Director	Finastra	France	November 2017
Director	BGL BNP Paribas ⁽¹⁾	Luxembourg	April 2015
Director	Alstom ⁽¹⁾	France	July 2018

Directorships and positions held in the last five years:

Position	Company	Country	Dates
Director	Veolia Environnement SA ⁽¹⁾	France	until April 2019
Chairman of the Board of Directors	BNP Paribas SA ⁽¹⁾	France	until December 2014
Director	Lafarge SA ⁽¹⁾	France	until August 2016

(1) Listed companies (as of the date the position was held).

Daniela Riccardi



Independent Director

Number of shares held: 500



Born on April 4, 1960 (59 years old)
Italian citizen

Baccarat
11 place des États-Unis
75116 Paris
France

First appointed in 2014

Term of office last renewed on April 26, 2018

Term of office expires at the Annual General Meeting called to approve the financial statements for the year ending December 31, 2021

Daniela Riccardi is the Chief Executive Officer of Baccarat. She has recognized experience in business development and branding in the consumer retail and distribution sectors. She joined Baccarat in May 2013 after having served as Chief Executive Officer of the international Lifestyle brand Diesel since 2010. Daniela Riccardi was responsible for the creation and implementation of a strategic plan at Diesel, which resulted in greater revenue growth and product exposure through an ambitious distribution policy. Prior to Diesel, Daniela Riccardi served for 25 years at Procter & Gamble in various senior management roles around the world, including Vice-President of P&G Columbia, Mexico and Venezuela. From 2001 and 2004, she was Vice-President and General Manager of P&G Eastern Europe and Russia, based in Moscow. Between 2005 and 2010, she was President of Procter & Gamble in China. She has been an independent Director of global communications and advertising agency WPP since 2013 and a member of the Colbert Committee since June 2015.

Daniela Riccardi studied political science and international relations at Sapienza University of Rome, in Italy.

She has been a Director of Kering since May 6, 2014. Her term of office was renewed by the General Meeting on April 26, 2018 and will expire at the end of the Annual General Meeting called to approve the financial statements for the year ending December 31, 2021.

Daniela Riccardi is a member of the Sustainability Committee. She attended all nine Board meetings in 2019 and the meeting of the Committee on which she sits, representing an attendance rate of 100%.

Directorships and positions held as of December 31, 2019:

Position	Company	Country	Start of 1 st term of office
Chief Executive Officer	Baccarat ⁽¹⁾	France	May 2013
Director	WPP Plc ⁽¹⁾	United Kingdom	September 2013

(1) Listed companies (as of the date the position was held).

Directorships and positions held in the last five years:

Daniela Riccardi has not held any other corporate office in the past five years.

Sapna Sood



Independent Director

Number of shares held: 500



Born on June 4, 1973 (46 years old)
Australian and British citizen

Compass Group Plc
Compass House, Guildford Street
Chertsey, Surrey KT16 9BQ
United Kingdom

First appointed in 2016

Term of office expires at the Annual
General Meeting called to approve the
financial statements for the year ended
December 31, 2019

Sapna Sood has an Executive MBA from IMD Business School, a Graduate Certificate of Change Management from the Australian Graduate School of Management, and a Bachelor of Engineering from the University of Sydney.

In 2018, Sapna Sood joined the Compass Group, where she is currently Executive Director, International Clients & Market Development and member of the Executive Board. She previously held the position of Chief Executive Officer at LafargeHolcim Philippines.

Sapna Sood began her career as an Applications Engineer with Fisher-Rosemount. In 1997, she joined the Linde group (formerly known as BOC), taking on various senior roles in Australia, the US, Singapore, Germany and China. She joined the Lafarge group in 2013 as Senior Vice President of Health and Safety in Paris. She was also co-chair of the Health and Safety Taskforce for the WBCSD's Cement Sustainability Initiative.

Sapna Sood has been a Director of Kering since April 29, 2016. Her term of office will expire at the end of the next Annual General Meeting, called to approve the financial statements for the year ended December 31, 2019.

Sapna Sood is Chair of the Sustainability Committee and a member of the Appointments and Governance Committee. She attended eight of the nine Board meetings in 2019 and the two meetings of the Committees on which she sits, representing an attendance rate of 91%.

She did not hold any other position or corporate office as of December 31, 2019.

Directorships and positions held in the last five years:

Position	Company	Country	Dates
Non-executive Director	Lafarge Malaysia Berhad	Malaysia	until 2016

2.2 Conditions of preparation and organization of the work of the Board of Directors

2.2.1 Duties of the Board of Directors

The Board of Directors performs the duties and exercises the powers granted to it by law and the Articles of Association.

It determines and assesses the strategy, objectives and performance of the Company and ensures their implementation. Subject to the powers expressly granted to Annual General Meetings and within the limit of the corporate purpose, the Board reviews all issues concerning the smooth running of the Company and acts on all matters over which it has authority.

The Board carries out the controls and verifications it deems appropriate.

In compliance with AMF recommendation no. 2012-05, the Board has adopted internal guidelines on the identification, control and evaluation of related-party and ordinary agreements, enabling it to ensure that agreements entered into in the ordinary course of business and at arm's length conditions effectively meet the required criteria, in accordance with Article L. 225-39 of the French Commercial Code.

In addition to reiterating the regulations applicable to the identification and classification of related-party and ordinary agreements (notably by the Company's Legal Department, with the assistance, where necessary, of the Finance Department), the guidelines also provide for regular control and evaluation of related-party and ordinary agreements by the Audit Committee and the Board of Directors. Anyone directly or indirectly involved in an agreement cannot participate in its evaluation.

The conditions of preparation and organization of the work of the Board of Directors are defined by law, the Company's Articles of Association, the internal rules of the Board and the work of its specialized Committees. The Board has established internal rules for each Committee.

Pursuant to its internal rules and the law, the Board of Directors meets at least four times a year. To enable Directors to prepare in the best possible way for the topics to be examined during the meeting, a comprehensive pack of information is sent to them in due time ahead of the meeting; it includes the necessary information on all items on the agenda.

In line with the relevant regulatory requirements, the internal rules also set the rules applicable to Directors in relation to restrictions on trading in the securities of the Company, or more generally the Group, by establishing black-out periods:

- the Directors must refrain from trading directly or indirectly in the listed securities and financial instruments of the Company and the Group for a period of 30 calendar days preceding each of the periodic publications relating to the annual and half-year consolidated financial statements and 15 calendar days preceding each of the quarterly publications relating to consolidated revenue and ending at the close of the trading day following the publication of the relevant official press release. In no way does this black-out period replace the legal and regulatory provisions regarding insider trading with which each member of the Board must comply at the time he/she decides to trade, no matter when this might occur outside the defined black-out periods;
- the same obligations apply to each Director insofar as he/she has knowledge of inside information. In compliance with current regulations, the internal rules also require Directors to declare trading in these securities.

The internal rules set the frequency and conditions of Board meetings and provide for meeting participation by videoconference and/or conference call.

They also establish the principle of regular assessment of the functioning of the Board and set the terms and conditions by which Directors' fees are allocated.

According to the internal rules, Directors are required to inform the Chairman of the Board of any conflicts of interest, even potential conflicts, between their duties towards the Company and their private interests and/or other duties, and they may not vote on any matters that concern them directly or indirectly.

The Chairman of the Board of Directors may ask the Directors at any time for a written statement confirming that they do not have any conflicts of interest.

To reinforce its methods of functioning and in the interests of good governance, the internal rules of the Board of Directors set forth and formally lay down the rules governing the organization and operating methods of the Board as well as the role of its four specialized Committees: the Audit Committee, the Remuneration Committee, the Appointments and Governance Committee, and the Sustainability Committee.

Executive Management may in all circumstances be heard within said Committees.

The Board sets gender diversity targets for the Group's management bodies, on the recommendation of Executive Management. The diversity principles applied to membership of the Board of Directors are also applied more broadly across the Group via a gender diversity policy for its management bodies. Pursuant to this policy, women currently account for 33% of Kering's Executive Committee members and hold around 39% of the Group's top management positions. The recent recruitment of a Chief Diversity, Inclusion and Talent Officer marks a new milestone in the Group's commitment to diversity, along with the preparation of dedicated action plans.

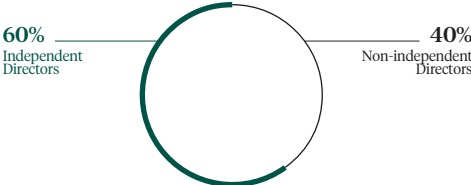

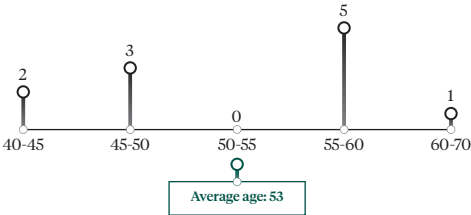
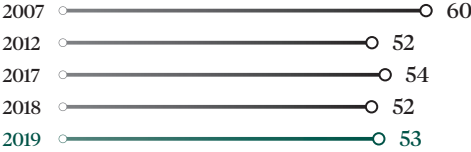
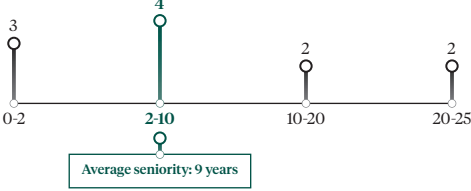
2.2.2 Principles relating to membership of the Board of Directors

The Board of Directors regularly reflects upon the desirable balance of its membership and that of the Board Committees, particularly in terms of diversity (gender representation, nationalities, age, qualifications, professional experience, etc.).

Pursuant to Article L. 225-37-4 of the French Commercial Code and the recommendations of the AFEP-MEDEF Code, the table below describes the diversity policy applied to members of the Board of Directors. It indicates the criteria taken into consideration, the objectives set by the Board, the measures implemented and the results achieved during 2019.

Diversity policy applied to the Board of Directors

Criteria	Objectives	Measures implemented and results achieved in 2019												
Board membership	Balanced representation of women and men on the Board	<p>Proportion of women</p> <table border="1"> <caption>Proportion of women on the Board of Directors</caption> <thead> <tr> <th>Year</th> <th>Proportion of women</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>11%</td> </tr> <tr> <td>2012</td> <td>33%</td> </tr> <tr> <td>2017</td> <td>60%</td> </tr> <tr> <td>2018</td> <td>60%</td> </tr> <tr> <td>2019</td> <td>60%</td> </tr> </tbody> </table> <p><i>In accordance with the recommendations of the AFEP-MEDEF Code, these percentages do not include the Director representing employees.</i></p>	Year	Proportion of women	2007	11%	2012	33%	2017	60%	2018	60%	2019	60%
Year	Proportion of women													
2007	11%													
2012	33%													
2017	60%													
2018	60%													
2019	60%													
	Review of the avenues to be explored in order to ensure the best possible balance, via profiles that are complementary and diverse in terms of nationality, expertise and experience	<p>Experience:</p> <p>Finance/Executive Management: Jean-Pierre Denis, Financière Pinault, represented by Héloïse Temple-Boyer, and Baudouin Prot</p> <p>Industry knowledge: Daniela Riccardi and Ginevra Elkann</p> <p>Digital and Innovation: Yseulys Costes</p> <p>Corporate governance: Sophie L'Hélias</p> <p>Corporate social responsibility: Sapna Sood</p>												
	Appointment of two Directors representing employees	<p>Inclusion of a Director representing employees since 2014</p> <p>In 2020, appointment of a second Director representing employees by the European Works Council, in compliance with the Company's Articles of Association and with the new requirements of France's PACTE law</p>												

Criteria	Objectives	Measures implemented and results achieved in 2019																								
<p>Independence of Directors</p>	<p>One-third independent members, in line with the AFEP-MEDEF Code's recommendations for controlled companies</p>	<p>Degree of independence⁽¹⁾ of the Board of Directors</p>  <p>60% Independent Directors 40% Non-independent Directors</p> <p><i>(1) In accordance with the recommendations of the AFEP-MEDEF Code, these percentages do not include the Director representing employees.</i></p>  <table border="1"> <caption>Percentage of Independent Directors (2007-2019)</caption> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>56%</td> </tr> <tr> <td>2012</td> <td>50%</td> </tr> <tr> <td>2017</td> <td>60%</td> </tr> <tr> <td>2018</td> <td>60%</td> </tr> <tr> <td>2019</td> <td>60%</td> </tr> </tbody> </table>	Year	Percentage	2007	56%	2012	50%	2017	60%	2018	60%	2019	60%												
Year	Percentage																									
2007	56%																									
2012	50%																									
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2019	60%																									
<p>Age profile of the Board of Directors</p>	<p>No more than one-third of members over 70</p>	<p>Average age</p>  <table border="1"> <caption>Number of Directors by Age Group</caption> <thead> <tr> <th>Age Group</th> <th>Number of Directors</th> </tr> </thead> <tbody> <tr> <td>40-45</td> <td>2</td> </tr> <tr> <td>45-50</td> <td>3</td> </tr> <tr> <td>50-55</td> <td>0</td> </tr> <tr> <td>55-60</td> <td>5</td> </tr> <tr> <td>60-70</td> <td>1</td> </tr> </tbody> </table> <p>Average age: 53</p>  <table border="1"> <caption>Average Age of the Board (2007-2019)</caption> <thead> <tr> <th>Year</th> <th>Average Age</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>60</td> </tr> <tr> <td>2012</td> <td>52</td> </tr> <tr> <td>2017</td> <td>54</td> </tr> <tr> <td>2018</td> <td>52</td> </tr> <tr> <td>2019</td> <td>53</td> </tr> </tbody> </table>	Age Group	Number of Directors	40-45	2	45-50	3	50-55	0	55-60	5	60-70	1	Year	Average Age	2007	60	2012	52	2017	54	2018	52	2019	53
Age Group	Number of Directors																									
40-45	2																									
45-50	3																									
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2007	60																									
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<p>Average seniority on the Board of Directors</p>	<p>No more than one-third of members over 70</p>	 <table border="1"> <caption>Number of Directors by Seniority Range</caption> <thead> <tr> <th>Seniority Range</th> <th>Number of Directors</th> </tr> </thead> <tbody> <tr> <td>0-2</td> <td>3</td> </tr> <tr> <td>2-10</td> <td>4</td> </tr> <tr> <td>10-20</td> <td>2</td> </tr> <tr> <td>20-25</td> <td>2</td> </tr> </tbody> </table> <p>Average seniority: 9 years</p>	Seniority Range	Number of Directors	0-2	3	2-10	4	10-20	2	20-25	2														
Seniority Range	Number of Directors																									
0-2	3																									
2-10	4																									
10-20	2																									
20-25	2																									

2.2.3 Executive Management

After the Combined General Meeting on May 19, 2005 adopted the new Articles of Association of Kering (then PPR), introducing governance by a Board of Directors, the Board of Directors opted to combine the duties of Chairman and Chief Executive Officer, and maintained this option in May 2009. This choice has contributed to efficient governance in light of the organization of the Kering group, within which François-Henri Pinault is the Chairman and Chief Executive Officer of Kering, the Group's parent company. He is related to the controlling shareholder, is closely involved in conducting the Group's business, and has specific operational knowledge and in-depth experience of this business. On the proposal of the Chairman and Chief Executive Officer, the Board of Directors appointed a Group Managing Director (*Directeur général délégué*) whose term of office was renewed on April 27, 2017 and who has the same powers with regard to dealings with third parties as the Chief Executive Officer. The Group Managing Director was appointed as a Director by the Combined General Meeting on May 7, 2009 for a four-year term, renewed on April 27, 2017 for another four years.

The Chairman and Chief Executive Officer and the Group Managing Director both participate, on an equal footing, in the work of the Board of Directors, 60% of whose members are independent Directors. The Board operates smoothly as a result of frequent meetings, the regular attendance of its members, the assistance of its specialized Committees, and the presence of a Lead Independent Director.

Until February 11, 2020, the Chief Executive Officers of the Group's main Houses (Gucci and Yves Saint Laurent), who are also members of Kering's Executive Committee, attended Board of Directors' meetings as non-voting Directors. As mentioned in section 2.1 of this chapter, acting on the recommendation of the Appointments and Governance Committee, the Board decided at its meeting of February 11, 2020 to eliminate the role of non-voting Director as of the meeting date. At the same time, it noted that, depending on the topics addressed, the presence of the House Chief Executive Officers as guests at certain Board meetings would provide Directors with very useful insight from an operational perspective.

2.2.4 Limitations by the Board of Directors on the powers of the Chief Executive Officer and Group Managing Director

In connection with the Board of Directors' statutory role of determining the business orientation of the Company and ensuring its implementation, and without prejudice to the legal provisions governing the authorizations that must be granted by the Board (related-party agreements, endorsements, suretyships and guarantees, divestments of shareholdings or sale of real estate, etc.), the Company's Articles of Association provide that certain decisions of the Chief Executive Officer and Group Managing Director, by virtue of their nature or significance, require the prior approval of the Board of Directors:

- a) matters and transactions that have a substantive effect on the strategy of the Group, its financial structure or its scope of business activity;
 - b) except in the event of a decision by the Annual General Meeting, issues of securities of all types, that are liable to cause a change in the share capital;
 - c) the following transactions by the Company or any entity controlled by the Group, insofar as they each exceed an amount set annually by the Board of Directors (€500 million in 2019):
 - all investments or divestments, including the acquisition, sale or exchange of holdings in all existing or future businesses,
 - all purchases or sales of Company real estate.
- These transactions are regularly submitted to the Board of Directors, which examines them carefully.

2.2.5 Independence of Directors

In order to assess the independence of a Director and to avoid possible risks of conflicts of interest, the Board applies the criteria defined in the AFEP-MEDEF Code, whereby a Director cannot:

- be an employee or executive corporate officer of the Company, or have been in such position in the past five years;
- be an employee, executive corporate officer or Director of the Company's parent company or of a company that the latter consolidates, or have been in such a position in the past five years;
- be an executive corporate officer of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or a Director or corporate officer of the Company (currently in office or having held office within the past five years) is a Director;
- be a significant customer, supplier, investment banker or commercial banker of the Company or the Group, or for which the Company or the Group represents a significant portion of the activity;
- have any close family ties with a Director or corporate officer;
- have been the auditor of the Company within the past five years;
- be a Director of the Company for more than twelve years, the maximum period for which a Director is considered independent.

Each year, the Appointments and Governance Committee reviews the independence of each Director in light of the criteria set out in the AFEP-MEDEF Code. In reviewing independence with regard to the direct or indirect business relationship criteria, an additional quantitative and

qualitative analysis is performed, if necessary, in order to determine the independence of individual Directors where any such business relationship exists.

In 2019, further to a review by the Appointments and Governance Committee, the Board of Directors meticulously analyzed – along with all other criteria – any business relationships that may exist between the Kering group and the entities or groups in which independent Directors exercise their duties. Based on the Board's analysis, with the exception of Yseulys Costes, no independent Directors and none of the entities or groups in which they exercise their duties have a business relationship with the Company, its Group or its management team. The Board of Directors carried out a qualitative and quantitative review of the situation of Yseulys Costes, Chair and Chief Executive Officer of Numberly (1000mercis Group), along with the business relationships existing between Numberly (1000mercis Group) and Kering in 2019. Global business between these two companies for all activities and for each of the parties is well below the 1% materiality threshold set by the Board of Directors. The Board of Directors therefore considers Yseulys Costes to be an independent Director, particularly because there is no relationship of economic dependence, and sees value in continuing to benefit from her renowned expertise.

As of the date of this report on corporate governance, six of the ten⁽¹⁾ Directors serving on the Board are therefore classified as independent Directors (Yseulys Costes, Daniela Riccardi, Sophie L'Hélias, Sapna Sood, Genevra Elkann and Jean-Pierre Denis). The Group thus satisfies the recommendations of the AFEP-MEDEF Code, namely that "at least one-third" of Board members should be independent Directors in companies with controlling shareholders, which is the case for Kering.

(1) The AFEP-MEDEF Code does not include Directors representing employees when calculating the percentage of independent Directors on the Board. This is why the proportion of independent Directors on the Board is calculated based on ten Directors instead of eleven.

2.2.6 Succession plan

In collaboration with the Company's management, the Appointments and Governance Committee periodically reviews the succession plan for the Group's senior executives and for the current or prospective members of its Executive Committee. This enables it to establish and update a succession plan that covers different time frames:

- short term: unplanned succession (resignation, death, sudden inability to perform role);
- medium term: accelerated succession (performance problem, management error);
- long term: planned succession (retirement, end of term of office).

The overall coherence of the succession plan and the monitoring of key positions is ensured by the joint efforts of the Appointments and Governance Committee and the Company's management. The effectiveness of the approach has been demonstrated, when the arrival of executives or Creative Directors of certain Houses has led to a rebound or an acceleration in organic growth for the Houses concerned.

The Appointments and Governance Committee continues to apply the same method to prepare a succession plan for the Executive Committee and for a certain number of key positions within the Group. In addition, the Company's management has initiated a process for defining a management succession plan, which will be reviewed by the Appointments and Governance Committee in 2020. The method selected takes into account the Group's specific characteristics, particularly in terms of governance. Various phases have been defined. The first involves determining the potential changes in governance that would be required in the event of a change at the Company's helm, based on an extensive study of organizational practices in the industry and among Kering's CAC 40 peers. The next phase involves identifying the key characteristics required to implement the strategic plan defined by the Board and the principles that govern the relationship between the Corporate and House teams ("Help, Protect, Challenge"). This will serve as the groundwork for the final phase, which consists in drawing up a list of potential candidates.

2.2.7 Director induction and training

Upon joining the Board, new Directors may receive training adapted to their specific needs within the Board, should they deem it necessary. Meetings are organized with the Group Managing Director and with the Group's executive corporate officers to give them an insight into the Group and into each of its businesses.

In accordance with the provisions of French law no. 2019-486 of May 22, 2019 on business growth and transformation (known as the PACTE Law) on the time needed for Directors representing employees to carry out their duties and the basis for their instruction within the Company, the Board of Directors decided (i) to allow

Directors representing employees sufficient time to prepare for each Board meeting and (ii) to provide them with a minimum of 40 hours' instruction per year during their term of office. In this respect, since joining Kering's Board of Directors, Claire Lacaze has attended a training course organized by the French Institute of Directors (*Institut Français des Administrateurs* – IFA), as well as internal training sessions given by some of the Company's functional divisions.

In addition, the Board of Directors is regularly subjected to an assessment, as described in section 2.3.2 of this chapter.

2.3 Activity of the Board of Directors and its specialized Committees

2.3.1 Activity of the Board of Directors in 2019 and up to February 11, 2020

Activity of the Board of Directors in 2019

During 2019, the Board met nine times with an average attendance rate of 94%; the Chairman of the Board chaired eight of the nine Board meetings.

Agenda and attendance rate of Board of Directors' meetings

Date	Main items on the agenda	Attendance rate
February 11, 2019	Report on the work of the Remuneration and Appointments Committees Revision of the Board's internal rules Allocation of Directors' fees Management Report and the report on corporate governance Proposed resolutions to be submitted to the next Annual General Meeting Assessment of the Board's work Review and approval of the 2018 financial statements Report on the work of the Audit Committee Statutory Auditors' report Proposed appropriation of net income/dividend amount/payment date Related-party agreements	91%
March 14, 2019	Approval of the Group's Code of Ethics Notice of the Annual General Meeting 2019 budget Renewal of the EMTN program	91%
April 24, 2019 (prior to the Annual General Meeting)	Preparation for the Annual General Meeting Review of business operations	91%
April 24, 2019 (after the Annual General Meeting)	Membership of the Committees Endorsements, suretyships and guarantees in favor of third parties and authorizations to carry out certain transactions Implementation of the stock repurchase program	91%
May 9, 2019	Tax situation in Italy	100%
July 25, 2019	Approval of the 2019 interim financial statements Report on the work of the Audit Committee Report on the work of the Statutory Auditors	100%
September 24, 2019	Proposed offering of bonds exchangeable into existing ordinary shares of PUMA	91%
October 22, 2019	Presentation of the "Kering 2028" financial modeling process External growth strategy and market perceptions Discussions about various diversification options Risk map	100%
December 12, 2019	Share ownership structure <ul style="list-style-type: none"> • Activism: presentation by the banks of the action plan implemented by the Company • Report on the ESG roadshow Assessment of the Board's work Interim dividend	91%

The following persons attended Board meetings:

- the Directors;
- the Board secretary (the Head of the Legal Department);
- the Social and Economic Committee representative;
- at some meetings and in accordance with the topics addressed, the Statutory Auditors, the Chief Financial Officer, the Internal Audit Director, the Chief Sustainability Officer, the non-voting Directors and external speakers.

Board meeting agendas are drawn up by the secretary following discussions with the Chairman and Chief Executive Officer and the Group Managing Director and taking into account the agendas of specialized Committee meetings, as well as proposals from the Lead Independent Director, who can add specific items to the agenda of Board meetings.

Several days before each Board meeting, each Director receives, via a secure file-sharing system, a copy of the agenda, the draft minutes of the previous meeting, and documentation relevant to the items on the agenda.

The minutes of each Board meeting are submitted for explicit approval at the subsequent meeting.

In compliance with the Board's internal rules, certain matters undergo preliminary examination by the relevant Committees, which can therefore issue their opinions for submission to the Board of Directors. The relevant Committee Chair reports on these preliminary meetings at each Board meeting.

In addition, at the Lead Independent Director's initiative, members of the Board met several times during 2019 without the Company's executive corporate officers (the Chairman and Chief Executive Officer and the Group Managing Director).

2.3.2 Assessment of the Board of Directors

Since 2004, in accordance with its internal rules, the Board of Directors has dedicated one item on its agenda, at least once a year, to a discussion of its work. Every three years, this discussion is backed up by a formal assessment of the Board, carried out by an independent member or a third-party expert.

An assessment of this kind, conducted by a third-party expert with recognized experience in the corporate governance of listed companies, was carried out in early 2019 and was presented and discussed at the Board's meeting of February 11, 2019.

The assessment showed a generally very positive and improved view of how the Board operates, with the prevailing freedom of expression and positive momentum

To maintain ongoing dialogue with its investors, the Company continued to organize meetings with its shareholders and other members of the financial community in 2019.

At the initiative of its Board of Directors, the Company had strengthened dialogue with investors in 2018, particularly on governance issues. Given that the approach was unanimously applauded by the investors involved, the Company decided to pursue the initiative in 2019, broadening the scope to environmental, societal and governance (ESG) issues. A roadshow program dedicated to ESG matters was therefore prepared by the Lead Independent Director (whose role is described in detail in section 1.5 of this chapter), with support from the Board secretary, the Chief Sustainability Officer and the Director of Financial Communications and Market Intelligence. The program is described in section 1.4 of this chapter.

Activity of the Board of Directors in 2020, up to February 11, 2020

Since the beginning of 2020, the Board of Directors has met once, on February 11, 2020, to approve the 2019 annual financial statements and reports to be submitted to the Annual General Meeting, as well as this report. It also heard a report on the Group's financial position. The Board then granted and allocated the Directors' fees for 2019 in accordance with the criteria adopted in March 2014. Also during this meeting, acting on the recommendation of the Remuneration Committee, the Board decided on the method for allocating the Directors' fees for 2020, in line with its current membership structure. The method is described below, in the section on the remuneration policy for corporate officers.

particularly appreciated by its members. The balance of power within the Board and the commitment and contribution of the Directors were identified as key strengths. Its members also appreciate the trust-based relationship established with the Company's management team.

The assessment also showed a positive view of how the Committees operate and the work carried out by the Committee Chairs. All of the avenues for improvement that emerged during the 2017 self-assessment have been taken into consideration. New areas of improvement were identified during the formal assessment, relating primarily to the Board's diversity in terms of skills and expertise, the organization of the Board's strategy meeting, and the content of Board packs.

Following this external assessment, Lead Independent Director Sophie L'Hélias carried out an internal assessment of the Board of Directors during 2019, based on individual interviews with each Director. She reported on this assessment to the Board of Directors at its meeting of February 11, 2020. The summary presented by the Lead Independent Director revealed a generally very positive view of how the Board and its Committees operate. The Board members particularly noted the quality of the discussions during meetings and the high level of freedom

of expression, which allows spontaneous discussion of any topics the participants wish to address. All members said they were pleased about the creation of the role of Lead Independent Director. The strategy meeting and site visit are also highly appreciated, both for the quality of the information provided and for the opportunity they create to interact with management. The assessment also brought to light several improvement avenues, such as further increasing the diversity of expertise among Board members.

2.3.3 Specialized Committees

Audit Committee

Duties

Set up in December 2002, the main role of the Audit Committee, within the limit of the duties of the Board of Directors, is to review the annual and interim financial statements, to verify the relevance, continuity and reliability of accounting methods applied within the Company and the main subsidiaries and the implementation of internal control and risk management procedures in the Group, to be familiar with the policies implemented within the Group in relation to sustainability and respect for the environment, and to hear and question the Statutory Auditors. The Committee is notified of the main issues identified by the Kering group's Internal Audit Department.

The Audit Committee reports to the Board on a regular basis and provides it with opinions or recommendations on all matters within its scope of duties. Meetings of the Audit Committee give rise to a written and approved report.

The Committee may call on external experts and hear any person.

Each year, it reviews the fees charged by the Company's Statutory Auditors and assesses their independence. The Committee also considers potential Statutory Auditors for appointment.

Composition

As of December 31, 2019, the Kering Audit Committee was made up of four Directors:

- Jean-Pierre Denis, Chairman, independent Director;
- Yseulys Costes, independent Director;
- Sophie L'Hélias, independent Director;
- Héloïse Temple-Boyer, representing Financière Pinault.

The four members of the Audit Committee all have recognized financial or accounting skills, combining their expertise in general and operational management of banks and businesses as confirmed by their professional careers (see section 2.1 of this chapter).

In accordance with the AFEP-MEDEF Code, two-thirds of the members of the Committee are independent Directors, and no member is an executive corporate officer.

Activity of the Audit Committee in 2019 and up to February 11, 2020

In 2019, the Committee met five times, with an average attendance rate of 95%.

During 2019, the Chief Financial Officer and Group Internal Audit Director were regularly invited to present their work and answer questions at meetings of the Committee.

On January 14, 2019, the Audit Committee reviewed Internal Audit activities (audit missions and action plan tracking) and Group risk exposure, and heard the Internal Audit Director's presentation of the 2019 audit plan. With a view to submitting its recommendations to the Board of Directors, it also reviewed the accounting options for the annual financial statements, the off-balance-sheet commitments, the scope of the Statutory Auditors' engagement, the independence of the Statutory Auditors, and their general program for audit work.

On February 7, 2019, the Committee met prior to the Board meeting held to adopt the 2018 financial statements, a topic to which it devoted most of its work (with a presentation of the financial statements by the Group Chief Financial Officer), and heard the Statutory Auditors in relation to their reports on the financial statements. It also discussed tax issues and disputes, reviewed the services provided by Artémis in 2018, and approved the report on corporate governance for 2018. The Committee also discussed the Group's financing and cash management and the performance of the Kering share.

At its meeting on June 4, 2019, the Committee began by reviewing the interim financial statements, on the basis of a presentation by the Group Chief Financial Officer. This was followed by a presentation of Group Internal Audit missions by the Audit Director. The Committee also heard a report on the development of the Group compliance program given by the Chief Compliance Officer, who reports directly to the Board of Directors, via

the Audit Committee. The Chief Compliance Officer is thus fully independent, an important factor in any compliance program.

With a view to the meeting of the Board on July 25, 2019 to approve the interim financial statements, the Committee met on July 23, 2019 to review the financial statements. This meeting was attended by the Chief Financial Officer, the Financial Control Director, the Financing and Treasury Director and the Director of Financial Communications and Market Intelligence. The Committee also heard the Statutory Auditors' reports on the interim financial statements and an overview of the Group's tax issues. It then discussed the Company's financing and cash management and the performance of the Kering share.

On September 24, 2019, the Committee heard a presentation of the Group's tax risks and a progress report on the Tax Department's organization and projects from the Chief Financial Officer and the Tax Director.

Since the beginning of 2020, the Audit Committee has met twice, with all of its members present.

With a view to submitting its recommendations to the Board of Directors, on January 14, 2020 the Committee reviewed the accounting options for the annual financial statements, off-balance sheet commitments, the scope of the Statutory Auditors' engagement, the independence of the Statutory Auditors, and their general program for audit work. The Committee was also given a progress report on the initiatives being undertaken to comply with the General Data Protection Regulation (GDPR) and reviewed the implementation, as part of the Board of Directors' assessment procedure, of guidelines on the identification, control and evaluation of related-party and ordinary agreements, as described in section 2.2.1 of this chapter.

On February 6, 2020, the Committee met before the meeting of the Board to approve the 2019 financial statements, a topic to which it devoted most of its work, and heard the Statutory Auditors in relation to their reports on the financial statements. It also reviewed the services provided by Artémis in 2019, and heard a report on the performance of the Kering share.

On February 11, 2020, the Committee informed the Board of its work and recommendations.

Remuneration Committee

Duties

The Remuneration Committee's role is to review and make proposals to the Board of Directors on all components and terms of remuneration of the Chairman and Chief Executive Officer and the Group Managing Director (as explained in section 4 of this chapter), as well as the remuneration policy for corporate officers, the method for allocating the Directors' fees granted to the Board by the Annual General Meeting, the remuneration policy for senior executives, and the remuneration and benefits received or deferred, stock options, free share grants and/or similar benefits, including retirement benefits and any other benefits, granted to members of the Kering group Executive Committee.

Composition

As of December 31, 2019, the Remuneration Committee was made up of six Directors:

- Sophie L'Hélias, Chair, independent Director;
- Yseulys Costes, independent Director;
- Jean-Pierre Denis, independent Director;
- Ginevra Elkann, independent Director;
- Claire Lacaze, Director representing employees;
- Héroïse Temple-Boyer, representing Financière Pinault.

Accordingly, with regard to the criteria of the AFEP-MEDEF Code, independent Directors represented the majority of the Remuneration Committee's members.

Activity of the Remuneration Committee in 2019 and up to February 11, 2020

The Committee met six times in 2019, with an attendance rate of 89%.

On January 14, 2019, the Committee met to initiate preliminary discussions on the remuneration policy for corporate officers, and notably to assess the clarity of the existing remuneration system and the pertinence of the non-financial performance criteria.

On February 5, 2019, the Committee met to review and determine the variable remuneration for 2018 of the executive corporate officers, after noting the achievement rate of the performance targets based on the Group's 2018 results. Also during this meeting, the Committee discussed the principles of remuneration of executive corporate officers for 2019, proposing changes to the current structure of the long-term remuneration system and thus modifying the performance criteria to make them cumulative and progressive. A review of the total amount of Directors' fees was also proposed at this meeting.

On March 14, 2019, the Remuneration Committee reviewed the variable remuneration for 2018 and the principles of remuneration for 2019 for Executive Committee members, as well as the remuneration of the Chief Compliance Officer.

The Committee met on July 25, 2019 to review the analysis of a potential change to the multi-annual variable remuneration system. The analysis was carried out by an independent firm, which presented its conclusions to the Committee during this meeting.

Discussions on this topic continued on September 24 and October 2, 2019. During these meetings, the introduction of free and/or performance share plans was proposed, to replace the existing system based on Kering Monetary Units (KMUs).

In 2020, the Committee met on January 14 and February 5.

During the meeting in January, the Committee heard about the new system for managing the remuneration of Directors and corporate officers and the establishment of a fairness ratio. A potential update of the total remuneration allocated to Directors was also reviewed at this meeting.

The February meeting was dedicated to the review of the variable components of remuneration for 2019 and the principles of remuneration for 2020 of the executive and non-executive corporate officers. The Committee's review was carried out based on the Group's 2019 results.

The Remuneration Committee reported on its work and recommendations to the Board of Directors.

Appointments and Governance Committee

Duties

Set up in March 2003, the Appointments and Governance Committee reviews the proposed appointment of Directors as well as their situation with regard to the independence criteria defined by the Board. This review must be carried out prior to each appointment and may otherwise be conducted at any time deemed appropriate. The Committee provides its opinions and recommendations on these matters to the Board.

Composition

As of December 31, 2019, the Appointments and Governance Committee was made up of five Directors:

- Héloïse Temple-Boyer, representing Financière Pinault, Chair;
- Yseulys Costes, independent Director;
- Ginevra Elkann, independent Director;
- Baudouin Prot;
- Sapna Sood, independent Director.

Accordingly, with regard to the criteria of the AFEP-MEDEF Code, independent Directors represented the majority of the Appointments and Governance Committee's members.

Activity of the Appointments and Governance Committee in 2019 and up to February 11, 2020

The Committee met once in 2019, with an attendance rate of 60%.

On February 5, 2019, it reviewed the Director independence criteria and discussed the membership of the Board and its Committees. It also discussed the appointment of a Lead Independent Director and his/her role on the Board. Lastly, it reviewed the succession plan for the Group's senior executives.

On February 5, 2020, after reviewing this report on corporate governance, included in the 2019 Universal Registration Document, and the Director independence criteria, the Committee analyzed the process for implementing the succession plan for the Group's senior executives. The Committee reported to the Board of Directors on its work and issued its recommendations.

Sustainability Committee

Duties

The Sustainability Committee's role is to support the Company and the Group in establishing, implementing and monitoring good corporate governance, taking into account the aim of the Board of Directors and Executive Management to maintain a high level of sustainability in their economic, social and environmental context, the Group's clear ambitions in terms of ethics and the corporate citizenship policies and practices upheld by the Group, its senior executives and employees.

Composition

The Committee comprises four Directors:

- Sapna Sood, Chair, independent Director;
- François-Henri Pinault;
- Jean-François Palus;
- Daniela Riccardi, independent Director.

Activity of the Sustainability Committee in 2019 and up to February 11, 2020

The Committee met once in 2019, with an attendance rate of 100%.

The meeting was held on November 13, 2019. The Committee was given a progress report on the Advance 2025 plan.

The Chief Sustainability Officer attended the meeting.

The Remuneration Committee Chair also attended the meeting, in a strictly advisory capacity, to discuss the link with the sustainability targets set in relation to the remuneration of corporate officers.

The Committee did not meet in early 2020.

2.4 Other information on the Company's Board of Directors

Honorary Chairman of the Board of Directors

In accordance with the option provided for under the Company's Articles of Association, at its meeting on April 26, 2018, which followed the Combined General Meeting, the Board of Directors decided to confirm François Pinault, founder of the PPR group, since renamed Kering, as Honorary Chairman of the Board of Directors. In this capacity, François Pinault is invited to attend the meetings of the Board of Directors on a consultative basis.

He did not attend any of these meetings in 2019.

Non-voting Directors

Until February 11, 2020, the Group had the following non-voting Directors:

- Francesca Bellettini, President and Chief Executive Officer of Saint Laurent (appointed by the Board of Directors at its meeting on April 27, 2017);
- Albert Bensoussan, Chief Executive Officer of Kering's Watches and Jewelry Division, whose term of office ended on December 31, 2019 further to his departure from the Group;
- Marco Bizzarri, President and Chief Executive Officer of Gucci (reappointed by the Board of Directors at its meeting on April 27, 2017).

As mentioned in section 2.1 of this chapter, the Board of Directors decided to eliminate the role of non-voting Director as of February 11, 2020. At the same time, it noted that, depending on the topics addressed, the presence of the House CEOs as guests at certain Board meetings would provide Directors with very useful insight from an operational perspective.



2.5 Group management

Group management is composed of the Group Executive Committee headed by François-Henri Pinault, Chairman and Chief Executive Officer, and Jean-François Palus, Group Managing Director.

The Executive Committee meets regularly with the Chief Executive Officers of the Group's major brands and Kering's main operating officers.

With 12 members, the Committee is the Group's key operational body and reflects Kering's transformation into a more integrated group. It affords the Chief Executive Officers of the Group's activities and major brands the opportunity to be more closely involved in key strategic decision-making processes, alongside Kering's main operating officers.

Members of the Executive Committee as of December 31, 2019:



François-Henri Pinault
Chairman and Chief Executive Officer



Jean-François Palus
Group Managing Director



Marie-Claire Daveu
Chief Sustainability Officer and Head of International Affairs



Gregory Boutté
Chief Client and Digital Officer

Activity and budget review meetings

The Executive Management of Kering and the Chief Executive Officers of the major Houses hold regular meetings to assess business developments based on operational and financial metrics.



Bartolomeo Rongone
Chief Executive Officer, Bottega Veneta



Francesca Bellettini
President and Chief Executive Officer,
Yves Saint Laurent



Marco Bizzarri
President and Chief Executive Officer,
Gucci



Cédric Charbit
Chief Executive Officer
of Balenciaga



Jean-Marc Duplaix
Chief Financial Officer



Valérie Dupont
Chief Communications
and Image Officer



Béatrice Lazat
Chief People Officer



Roberto Vedovotto
President and Chief Executive Officer,
Kering Eyewear



2.6 Compliance with the AFEP-MEDEF Code of Corporate Governance of Listed Corporations

On October 22, 2008, the Board of Directors announced that it had examined and adopted the AFEP-MEDEF recommendations of October 6, 2008 on the remuneration of corporate officers of listed companies as a reference corporate governance framework, and had deemed that the corporate governance policies already implemented by the Company complied with all the aforementioned recommendations.

Accordingly, the Company refers to the Corporate Governance Code of Listed Corporations resulting from the consolidation of the October 2003 AFEP and MEDEF reports, the aforementioned January 2007 and October 2008 AFEP-MEDEF recommendations and the April 2010 AFEP-MEDEF recommendation concerning the strengthening of the representation of women within boards, as revised in June 2013, November 2015, November 2016 and June 2018 and amended in January 2020 (the "AFEP-MEDEF Code") and its December 2016 implementing guidelines, and has done so, in particular, for the preparation of this report. The AFEP-MEDEF Code is available in English on the AFEP website at <http://www.afep.com>.

In accordance with Article L. 225-37-4, 8° of the French Commercial Code, Kering refers to the AFEP-MEDEF Code, and complies with all of its recommendations.

Attendance at Annual General Meetings

All shareholders are entitled to attend Annual General Meetings in accordance with the conditions provided for by law. The terms and conditions of said attendance are specified in the provisions of Article 20 of the Articles of Association and are set out in Chapter 8 of this Universal Registration Document.

Information likely to have an impact in the event of a public offer

No information other than that related to (i) the current shareholding structure (Artémis being the majority shareholder, with 40.97% of the capital and 57.72% of the theoretical voting rights of Kering as of December 31, 2019), (ii) the double voting right provided for under the Articles of Association, (iii) the Company's stock repurchase program, and (iv) the authorizations given by the Annual General Meeting to increase the capital, as expressly described in this Universal Registration Document, is liable to have an impact in the event of a public offer or could have the effect of delaying, deferring or preventing a change of control.

To the Company's knowledge, there are no agreements between shareholders that could restrict the transfer of shares or the exercise of voting rights.

3. REGULATORY INFORMATION ON DIRECTORS AND CORPORATE OFFICERS

To the Company's knowledge:

- none of the Directors or corporate officers has been convicted for fraud in the last five years;
 - none of the Directors or corporate officers has been associated in the last five years with insolvency, receivership, liquidation or court-ordered administration proceedings as a member of an administrative, management or supervisory body or as Chief Executive Officer or managing partner;
 - no court order has been made over the last five years against any of the Directors or corporate officers that prohibits them from acting as a member of an administrative, management or supervisory body of an issuer or from intervening in the management or running of the business of an issuer;
 - no charge and/or official public penalty has been made or ordered against any of the Directors or corporate officers by statutory or regulatory authorities (including designated professional bodies);
 - none of the Directors or corporate officers has been given a commitment by the Company or any of its subsidiaries corresponding to components of remuneration, indemnities or benefits payable or potentially payable on account of the commencement, termination or change of his/her duties or subsequent thereto;
- none of the Directors or corporate officers has indicated the existence of an agreement with a main shareholder, customer or supplier of the Company pursuant to which he/she was designated as Director or corporate officer.

Moreover, no service contract providing for the granting of benefits binds the Directors to the Kering group.

No assets belonging directly or indirectly to the Company's senior executives are used in Group operations.

To the Company's knowledge, none of the Directors or corporate officers is in a position of potential conflict of interest between their duties with regard to the Company and their private interests or other duties or has existing family ties with another Director or corporate officer of the Company.

Trading in Kering securities by senior executives, their families and similar parties

Pursuant to the provisions of Article 223-26 of the AMF's General Regulations, trading in the Company's securities reported to the AMF in 2019 by management executives and equivalent as well as persons closely related to them, as referred to in Article L. 621-18-2 of the French Monetary and Financial Code (*Code monétaire et financier*), are summarized below:

	Type of transaction	Transaction date	Average price
Ginevra Elkann Company Director	Purchase of 500 shares	April 16, 2019	€532.65
Artémis	Purchase of 15,000 shares	May 6, 2019	€511.76
Artémis	Purchase of 15,000 shares	May 7, 2019	€507.78
Artémis	Purchase of 37,500 shares	August 30, 2019	€455.14
Artémis	Pledge 1,850,000 shares	October 16, 2019	
Artémis	Release of pledge 1,550,000 shares	October 23, 2019	
Jean-François Palus Group Managing Director and Company Director	Sale and purchase of 66,306 shares	October 29, 2019	€509.80
Jean-François Palus Group Managing Director and Company Director	Sale and purchase of 3,823 shares	October 29, 2019	€510.50
Artémis	Purchase of 20,000 shares	November 19, 2019	€547.69

Related-party agreement

The support agreement between Kering and Artémis, which was approved in a previous fiscal year, remained in force in 2019. This agreement is described in the Statutory Auditors' report in Chapter 5 of this Universal Registration Document.

4. REMUNERATION OF DIRECTORS AND EXECUTIVE CORPORATE OFFICERS

The information contained in this section sets out Kering's remuneration policy for corporate officers, which is defined by the Board of Directors based on recommendations from the Remuneration Committee. The policy takes account of the recommendations set out in the AFEP-MEDEF Corporate Governance Code of Listed Corporations as revised in June 2018 and amended on January 30, 2020,

as well as the reports of the French financial markets authority (*Autorité des marchés financiers* – AMF) on corporate governance and executive remuneration in listed companies and those of the High Committee on Corporate Governance (*Haut Comité de Gouvernement d'Entreprise*). The remuneration policy for all corporate officers is an integral part of Kering's report on corporate governance.

4.1 Remuneration policy applicable to the Chairman and Chief Executive Officer and the Group Managing Director (executive corporate officers) for 2020, subject to approval by the Annual General Meeting of April 23, 2020 (*ex-ante* vote)

Acting on a recommendation of the Remuneration Committee, on February 11, 2020, the Board of Directors approved the remuneration policy applicable to the Chairman and Chief Executive Officer and the Group Managing Director for 2020.

In compliance with the provisions of Articles L. 225-37-2 and R. 225-29-1 of the French Commercial Code (*Code de*

commerce), the 2020 remuneration policy described below includes the general principles and criteria for determining, allocating and awarding the fixed, variable and exceptional components making up total remuneration and benefits in kind granted to executive corporate officers in respect of their duties. It will be submitted to the approval of Kering's Annual General Meeting, to be held on April 23, 2020.

4.1.1 General principles of the remuneration policy for the Chairman and Chief Executive Officer and the Group Managing Director

The Company's remuneration policy for executive corporate officers is defined by the Board of Directors, based on recommendations from the Remuneration Committee, and approved each year by shareholders at the Annual General Meeting. The remuneration structure and the criteria on which it is based are defined and modified over time to ensure that the amounts paid are closely aligned with the extent to which the Group's strategic financial and non-financial objectives have been met. A large proportion of the remuneration of executive corporate officers is subject to performance conditions (77% for the Chairman and Chief Executive Officer and 72% for the Group Managing Director), reflecting their obligation to create long-term value.

The annual variable portion of executive corporate officers' remuneration is subject to performance conditions that relate, on the one hand, to the Group's recurring operating income and free cash flow from operations and, on the other hand, to their personal commitment to achieving the Group's ambitious objectives in the areas of sustainability, corporate social responsibility, and organization and talent management.

The relative weight of long-term incentive components in the variable portion of executive corporate officers' remuneration (50% for the Chairman and Chief Executive Officer and 44% for the Group Managing Director) and the associated performance conditions are designed to encourage executive corporate officers to base their decisions and actions on ensuring long-term profitability. The decision to replace Kering Monetary Units (KMUs) with performance shares in the long-term incentive component of executive corporate officers' remuneration illustrates the Group's desire to make the alignment between executive remuneration and shareholder interests even clearer.

The performance criteria for the executive corporate officers' annual and multi-annual variable remuneration are clear, specific and varied. They include both financial criteria – recurring operating income (ROI), free cash flow from operations (FCF) and recurring operating margin (ROM) – and non-financial criteria, relating in particular to sustainability, corporate social responsibility and organization and talent management.

The level of achievement of the financial targets is determined by the Group's Finance Department. The level of achievement of the non-financial targets is determined by the Remuneration Committee, which reports its assessment to the Board of Directors. This assessment is based on information provided by the Legal, Sustainability and Human Resources Departments, which may be present during the meeting to provide commentary.

Decisions about the composition of the executive corporate officers' remuneration and its modification over time – whether in relation to the balance between fixed and variable components or the choice of performance criteria – are based on proposals made by the Remuneration Committee. These proposals are based, in turn, on analyses and recommendations provided by the Group's Human Resources, Remuneration and Employee Benefits, and Legal Departments.

A review of the existing system is carried out annually to assess whether changes should be made, based on continuous monitoring of market practice and in line with any legislative developments. External consultants may be called on to assist in the review process, where necessary. When market practices are benchmarked (both in terms of remuneration levels and the principles for determining and managing remuneration), comparisons are made with reference companies selected from the French and international markets on the basis of their size and sector of activity.

The criteria on which payment of variable remuneration is conditional are selected with three objectives in mind: (i) simplicity and clarity, (ii) alignment with the Group's interest and the interests of shareholders, and (iii) consistency with the values upheld by Kering.

The decision-making process for the remuneration policy is also designed to avoid or address conflicts of interest. The remuneration policy applicable to the Chairman and Chief Executive Officer and the Group Managing Director and the payment of the variable components due to them based on the principles applied are discussed and decided on by the Board of Directors, based on recommendations from the Remuneration Committee and following the approval of the financial statements for the previous fiscal year.

The components that make up the remuneration policy are approved by shareholders at the Annual General Meeting, in compliance with Article L. 225-37-2 of the French Commercial Code.

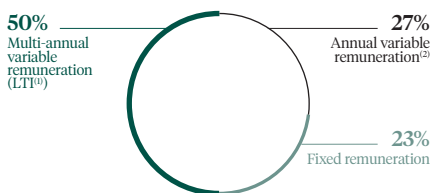
The Chairman and Chief Executive Officer and the Group Managing Director do not participate in either the discussion or the vote during Remuneration Committee or Board meetings on these topics.

4.1.2 Components of the remuneration policy for the Chairman and Chief Executive Officer and the Group Managing Director

For 2020, the remuneration structure for executive corporate officers will continue to comprise three components: fixed remuneration, annual variable remuneration and multi-annual variable remuneration.

The relative weight of each component is as follows:

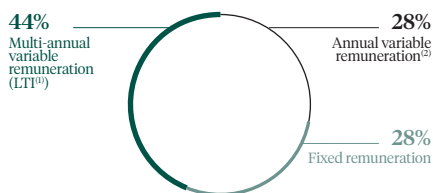
Chairman and Chief Executive Officer



(1) LTI = 100% of the fixed remuneration for the year Y + annual variable remuneration for year Y-1.

(2) Annual variable remuneration: 120% of the fixed remuneration.

Group Managing Director



(1) LTI = 80% of the fixed remuneration for the year Y + annual variable remuneration for Y-1.

(2) Annual variable remuneration: 100% of the fixed remuneration.

Fixed remuneration

The fixed remuneration of the Chairman and Chief Executive Officer and the Group Managing Director reflects the responsibilities associated with these roles.

It is determined by taking into account various factors, including:

- the level and complexity of the tasks and responsibilities associated with their roles, it being noted that the Chairman and Chief Executive Officer and the Group Managing Director are vested with the broadest powers to act in all circumstances in the name of the Company and to represent it in its dealings with third parties;
- the incumbents' experience, background and level of expertise;
- market research and analyses relating to the remuneration of people in similar positions in comparable companies. The proposed amount of fixed remuneration is in line with executive pay practices implemented by the Group's CAC 40 and (international) luxury market peers. The companies selected for the benchmarking study are:
 - CAC 40 (11 companies): Accor, Capgemini, Danone, EssilorLuxottica, Legrand, L'Oréal, LVMH, Pernod Ricard, Publicis Groupe, Safran, Vivendi,
 - international market (11 companies): Burberry, Coach, Estée Lauder, Hermès, Hugo Boss, L'Oréal, LVMH, Prada, Ralph Lauren, Richemont, Swatch.

Fixed remuneration serves as the basis for calculating annual variable remuneration and determining the value of long-term remuneration. In line with recommendation 25.3.1 of the AFEP-MEDEF Code, it is not reviewed systematically each year.

The Board of Directors therefore proposes to maintain the annual fixed remuneration of the Chairman and Chief Executive Officer and the Group Managing Director at €1,200,000 each, unchanged since 2017.

Circumstances of the Group Managing Director:

By decision of the Board of Directors, acting on a recommendation from the Remuneration Committee, the Group Managing Director had an employment agreement with Kering International Ltd based on English law, effective from January 1, 2017. The agreement set annual

remuneration at €600,000 and GBP 546,000 for 2019, and included an annual adjustment clause for the amount paid in GBP to ensure EUR/GBP parity.

Following the relocation of the Group Managing Director's activities to Paris, the employment agreement was terminated on December 31, 2019. As a result, the Group Managing Director has not had any employment agreements with Kering since that date.

Annual variable remuneration

Variable remuneration is designed to align the reward accruing to executive corporate officers with the Group's annual performance and its strategic long-term objectives on environmental, societal and governance (ESG) issues. Variable remuneration is expressed as a percentage of annual fixed remuneration.

When targets are exactly met, annual variable remuneration is equal to 120% of fixed remuneration for the Chairman and Chief Executive Officer and 100% of fixed remuneration for the Group Managing Director.

When targets are exceeded, annual variable remuneration may equal up to 162% of fixed remuneration for the Chairman and Chief Executive Officer and up to 135% of fixed remuneration for the Group Managing Director, provided that the achievement of the financial and non-financial targets meets or exceeds 150% and 100%, respectively.

To align the executive corporate officers' annual variable remuneration with market practice and encourage long-term value creation, the performance criteria have been reviewed to include a range of indicators that reflect the Group's situation and the effects of its strategy.

In 2015, there were two targets, each accounting for 50% of the variable portion of remuneration: consolidated recurring operating income (ROI) and consolidated free cash flow from operations (FCF).

In 2016, in line with the Group's long-term strategy on ESG issues, the Board decided, at the recommendation of the Remuneration Committee, to introduce new equally-weighted non-financial performance criteria that would account for 30% of annual variable remuneration. The criteria are based on three key areas: organization and talent management, corporate social responsibility, and sustainability.

As a result, the variable remuneration of the Chairman and Chief Executive Officer and of the Group Managing Director is predominantly based on financial factors and determined as follows:

Financial targets 70%	Consolidated recurring operating income (35%)	Targets met	Chairman and Chief Executive Officer	120% of financial targets
	Consolidated free cash flow from operations (35%)		Group Managing Director	100% of financial targets
		Targets exceeded (achievement rate of 125% or more)	Chairman and Chief Executive Officer & Group Managing Director	150% of financial targets (maximum)
Non-financial targets 30%	Organization and talent management (10%)	Targets met or exceeded	Chairman and Chief Executive Officer & Group Managing Director	100% of non-financial targets (maximum)
	Corporate social responsibility (10%)			
	Sustainability (10%)			

The financial criteria used to assess the Group's performance (free cash flow from operations and recurring operating income – each determining 35% of the award) ensure that amounts paid are aligned with the extent to which the Group's strategic goals have been achieved. This also applies to non-financial performance targets (sustainability – 10%, corporate social responsibility – 10% and organization and talent management – 10%), which reflect Kering's goals in these areas.

Criteria for the non-financial targets defined for 2020 are listed below. For confidentiality reasons, the targets associated with financial criteria are not disclosed.

On the recommendation of the Remuneration Committee, non-financial targets are assessed each year by the Board, which takes into account the performance of the Chairman and Chief Executive Officer and of the Group Managing Director based on reports and presentations that describe the level of achievement of each target and justify the corresponding remuneration awarded to the executive corporate officers.

This assessment is based on a detailed proposal prepared by the Remuneration Committee, which relies in particular on objective information reported by the Chief People Officer, the Head of Remuneration and Employee Benefits, the Chief Sustainability Officer and the Chief Compliance Officer, in relation to the strategic goals defined at the beginning of the year and to the way in which the remuneration and employment conditions of the Company's employees are taken into account, in accordance with Article R. 225-29-1 of the French Commercial Code.

Financial criteria (<i>quantifiable</i>)	Weighting
Consolidated recurring operating income	35%
Consolidated free cash flow from operations	35%
SUB-TOTAL	70%

Non-financial criteria (qualitative)	2020 targets	Weighting
Sustainability	<p><i>Objective: Sustainability and, more particularly, a reduction in Kering's environmental impact, with the aim of being on track to meet the 2025 target of reducing the EP&L by 40%</i></p> <ul style="list-style-type: none"> • Continue to instill an active Sustainability culture across all Group entities and supply chains • Promote and use the EP&L • Initiate and support the implementation of measures in favor of Sustainability • Lead the Fashion Pact, which positions Kering as the international leader in its industry <p><i>Objective: Ethics</i></p> <ul style="list-style-type: none"> • Strengthen the culture of ethics within the Group • Conduct internal communication initiatives to promote this culture • Inform suppliers about the creation of an ethics hotline • Increase the number of employees who have completed the new Code of Ethics e-learning module 	10%
Corporate social responsibility	<p>Organization of on-site training to continue raising awareness of compliance issues</p> <p>Implementation of the action plan developed through the anti-corruption risk assessment</p> <p>Third party due diligence</p> <p>Continued involvement of brand CEOs thanks to regular communication about compliance issues</p> <p>Global deployment of the new anti-corruption policy and associated procedures updating of competition law policies</p> <p>E-learning module on ethics and corruption</p> <p>Anti-corruption audits</p>	10%
Organization and talent management	<p>Promote, support and implement actions to:</p> <ul style="list-style-type: none"> • Increase diversity in the workforce, with a particular emphasis on achieving gender balance • Ensure succession plans are in place for Executive Committee members and key positions, as well as talent development overall • Enhance organizational efficiency and ensure the Group remains in step with new business constraints and changing external conditions 	10%
Sub-total		30%
TOTAL		100%

Annual variable remuneration is calculated and decided on by the Board of Directors after the end of the financial year to which it refers. For this purpose, the Board of Directors meets during the first quarter of each year and, based on recommendations from the Remuneration Committee, reviews the various objectives, their weighting and the expected performance levels, and sets:

- the minimum achievement rate under which no variable remuneration is paid;
- the target annual variable remuneration due when each objective has been met; and
- the criteria for assessing quantitative performance.

The principles applied in 2019 aligning the criteria defining the annual variable remuneration for senior executives with those measuring the Group's performance (from both a financial and a non-financial perspective) would therefore be maintained, subject to the approval of the shareholders at the next Annual General Meeting.

Total variable remuneration due for 2020 will be paid in 2021, following the Annual General Meeting's approval of the financial statements. Payment is also subject to the Annual General Meeting's approval of the 2020 remuneration policy.

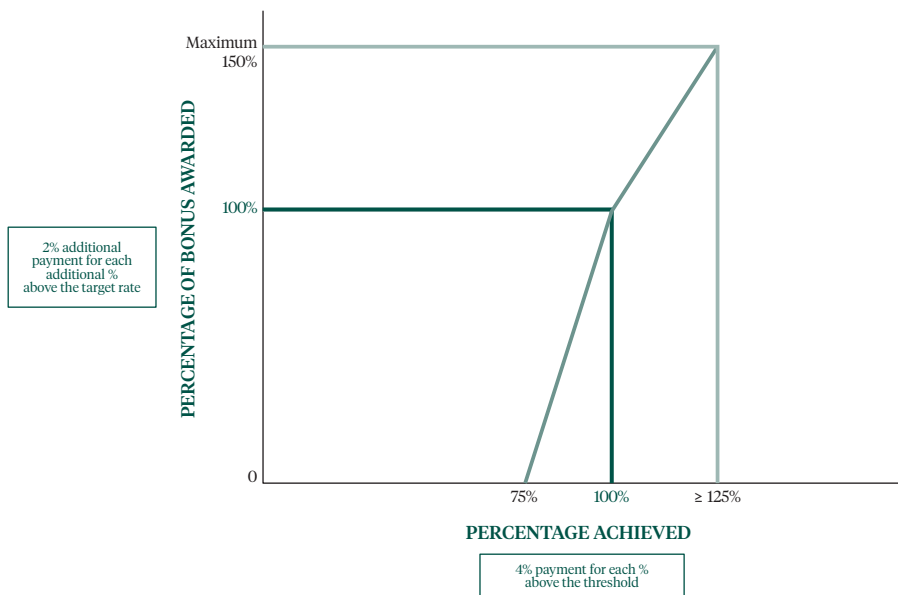
Factors determining the payment of annual variable remuneration

The factors determining payment of annual variable remuneration are the same as for 2019 and function as described in the table below, it being specified that for confidentiality reasons, specific quantified targets will only be disclosed *a posteriori* at the time of payment.

For each financial target, the achievement rate must be at least 75% for variable remuneration to be paid. If targets are met exactly, the variable remuneration awarded corresponds to 100% of the target amount. If targets are exceeded by 125%, the variable remuneration awarded is increased to 150% of the target amount.

Achievement rate of financial targets	Percentage of bonus awarded
≤ 75%	0%
100%	100%
≥ 125%	150% (maximum)

Any achievement falling between the minimum (75%) and the target (100%) achievement rates or between the target and the maximum (125%) achievement rates will give rise to annual variable remuneration calculated on a straight-line basis between the relevant thresholds. For example, if an executive corporate officer were to achieve 90% of the target, he would receive 60% of his annual variable remuneration; if he were to achieve 110% of the target, he would receive 120% of the remuneration.



Achievement rate of non-financial targets	Percentage of bonus awarded
0 to 100%	0 to 100%

Multi-annual variable remuneration

Long-term incentive

Acting on the recommendation of the Remuneration Committee, at its meeting of February 11, 2020, the Board of Directors proposed a modification of the executive corporate officers' long-term remuneration, effective from 2020, by replacing Kering Monetary Units (KMUs) with performance share awards.

The Board of Directors believes that a system for awarding performance shares to executive corporate officers is particularly well suited to the roles of Chairman and Chief Executive Officer and Group Managing Director, given the expected level of their direct contribution to long-term performance. The system is based on the achievement of recurring operating income, free cash flow from operations and recurring operating margin targets measured at Group level over several years and on changes in the value of the Kering share price relative to its reference market (Burberry, Ferragamo, Hermès, LVMH, Moncler, Prada, Richemont and Swatch). It therefore serves as an additional incentive for executive corporate officers, while also aligning their interests with the interests of shareholders.

The performance share award plan for executive corporate officers is accompanied by a share award plan for other employees in key positions within the Group. In addition, the annual award of performance shares to the Chairman and Chief Executive Officer and the Group Managing Director is capped by the Board of Directors at 20% of the total shares granted by the Board of Directors during each fiscal year.

Performance conditions

The number of performance shares awarded to executive corporate officers that ultimately vest is dependent on the Group's fulfillment of performance conditions measured over a period of three years. The level of achievement of these conditions is communicated per criterion once the Board of Directors has completed its performance assessment.

The selected criteria (consolidated recurring operating income, consolidated free cash flow from operations and consolidated recurring operating margin – the same criteria used in the previous mechanism for multi-annual variable remuneration) are designed to measure overall performance, as follows:

- if all three performance criteria increase over the vesting period, 100% of the beneficiary's performance shares will vest;
- if two out of three performance criteria increase over the vesting period, 75% of the beneficiary's performance shares will vest;

- if only one out of the three performance criteria increases over the vesting period, 50% of the beneficiary's performance shares will vest; and
- if none of the performance criteria increase over the vesting period, none of the beneficiary's performance shares will vest.

Provided that the performance conditions described above and the service condition described below have been met, the number of vested performance shares will be adjusted upward or downward depending on the performance of the Kering share price between the initial award date and the day preceding the vesting date, relative to the performance of a reference index over the same period. The reference index comprises the shares of the following listed companies: Burberry, Ferragamo, Hermès, LVMH, Moncler, Prada, Richemont and Swatch.

Service conditions

The vesting of the performance shares awarded to the Chairman and Chief Executive Officer and the Group Managing Director is also subject to their continued presence within the Group on the vesting date.

Lock-in obligation

In compliance with the provisions of Article L. 225-197-1 of the French Commercial Code, the Chairman and Chief Executive Officer and the Group Managing Director must hold a number of the performance shares awarded in this way throughout their term of office, in registered form, corresponding to the amount set by the Board of Directors, which is two years of their annual fixed and variable remuneration at the date of delivery of the shares.

In addition, the Chairman and Chief Executive Officer and the Group Managing Director undertake to refrain from using hedging instruments, throughout their term of office, on any of the shares awarded to them under the performance share award mechanism.

Exceptional remuneration

Executive corporate officers will not be awarded any exceptional remuneration for 2020.

Annual fixed remuneration (formerly known as Directors' fees)

The remuneration policy applicable to Board members for their role as Directors is described in section 4.2 of this chapter. The Group Managing Director would also receive remuneration for some of the offices he holds within the Group.

Benefits for taking up a position or termination payments

Executive corporate officers will not be eligible for any benefits for taking up a position or termination payments.

Supplementary pension plan

Executive corporate officers will not be eligible for any supplementary pension plans.

Non-competition indemnities

Executive corporate officers will not be eligible for any such indemnities.

Benefits in kind

The Chairman and Chief Executive Officer and the Group Managing Director will each continue to benefit from a company car with a driver.

Draft resolution regarding remuneration of executive corporate officers**Thirteenth resolution****Approval of the remuneration policy for executive corporate officers**

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having reviewed the Board of Directors' report on corporate governance, the Annual General Meeting, in application of the provisions of Article L. 225-37-2 of the French Commercial Code, approves the remuneration policy for executive corporate officers as described in the aforementioned report, which is included in the 2019 Universal Registration Document, Chapter 4 "Report on corporate governance", section 4.1. "Remuneration policy applicable to the Chairman and Chief Executive Officer and the Group Managing Director (executive corporate officers) for 2020, subject to approval by the Annual General Meeting of April 23, 2020 (*ex-ante* vote)".



4.2 Remuneration policy applicable to the members of the Board of Directors for 2020, subject to approval by the Annual General Meeting of April 23, 2020 (*ex-ante* vote)

4.2.1 General principles of the remuneration policy for members of the Board of Directors

In accordance with the recommendations of the AFEP-MEDEF Code, the remuneration policy applicable to Directors provides for variable remuneration to make up the majority of the total (60%, versus 40% for fixed remuneration). This is also in line with the Company's strategy of aligning Directors' remuneration with the corporate interest.

The variable remuneration allocated to Directors is notably based on their actual presence at meetings of the Board and its specialized Committees and on the investment required of them to prepare for and participate in these meetings. The Lead Independent Director receives additional remuneration, which is subject to the achievement of predefined objectives relating to his/her duties. The Lead Independent Director's duties are described in section 1.5.2 of this chapter.

The Remuneration Committee prepares and monitors the remuneration policy for Directors. The total amount of remuneration allocated to Directors and the allocation criteria are approved by shareholders at the Annual General Meeting.

The Board and Remuneration Committee meetings that deal with the remuneration policy are carried out in strict compliance with the procedures for preventing and managing conflicts of interest, which are described in the Board's internal rules, and Directors do not participate in discussions or votes on resolutions that relate to their own remuneration.

Corporate Board member (and controlling company) Financière Pinault has waived all remuneration in respect of its duties as a Director or Committee member within the Group.

The Director representing employees has a permanent employment contract with the Company.

4.2.2 Components of the remuneration policy for members of the Board of Directors

Acting on the recommendation of the Remuneration Committee, at its meeting of February 11, 2020, the Board of Directors proposed a modification of the total remuneration allocated to Directors from €877,000, unchanged since 2017, to €1,400,000. The proposed increase notably takes into account the additional remuneration allocated to the Lead Independent Director, the special portion allocated to the Sustainability Committee Chair and plans to increase the number of members on the Board of Directors. Directors' remuneration is allocated on the basis of the actual presence of members at meetings of the Board and its specialized Committees during the year. In accordance with applicable legislation, members may not use videoconferencing or other remote communication technologies to attend meetings discussing the annual financial statements and the Management Report. Accordingly, Directors not physically in attendance at the Board meeting approving the financial statements are deemed absent and are not eligible for the related remuneration.

The breakdown between fixed and variable remuneration remains unchanged, at 40% fixed and 60% variable.

Directors' remuneration is thus allocated in the following manner:

- a fixed portion, minus (i) a special portion corresponding to the remuneration of the Chairs of the Audit, Remuneration, Appointments and Governance, and Sustainability Committees, respectively (€23,000 each), (ii) a special portion corresponding to the remuneration of the Committee Vice-Chair (€11,500), and (iii) a special portion allocated to the Lead Independent Director for his/her role on the Board (€75,000 for 2020), the balance being allocated with a coefficient of 1 by Board membership, increased by 0.5 per Committee;
- a variable portion, allocated with a coefficient of 1 per presence at each meeting of the Board and 0.5 for each attendance of a Committee meeting.

The remuneration allocated to the Lead Independent Director will be subject to the achievement of objectives defined in advance by the Board of Directors. The Lead Independent Director's objectives for 2020 will be the following:

- promote and maintain a good relationship between the Board and its shareholders and investors;
- participate in the assessment of the Board and its members;
- ensure that information is provided to non-executive Directors and facilitate communication among them by organizing meetings or discussions outside Board and Committee meetings, where necessary;
- ensure the effective implementation of mechanisms to prevent and resolve potential conflicts of interest.

Draft resolution regarding remuneration of corporate officers

Fourteenth resolution

Approval of the remuneration policy for corporate officers in respect of their duties as Directors

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having reviewed the Board of Directors' report on corporate governance, the Annual General Meeting, in application of the provisions of Article L. 225-37-2 of the French Commercial Code, approves the remuneration policy for corporate officers in respect of their duties as Directors as described in the aforementioned report, which is included in the 2019 Universal Registration Document, Chapter 4 "Report on corporate governance", section 4.2 "Remuneration policy applicable to the members of the Board of Directors for 2020, subject to approval by the Annual General Meeting of April 23, 2020 (*ex-ante* vote)" (non-executive corporate officers).



4.3 Report on the remuneration paid during or awarded for 2019 to corporate officers in respect of their duties (*ex-post* vote)

4.3.1 Remuneration paid during or awarded for 2019 to the Chairman and Chief Executive Officer and the Group Managing Director (executive corporate officers) in respect of their duties

The remuneration of executive corporate officers for 2019 includes a fixed portion and a variable portion. The Board of Directors establishes the rules for setting the remuneration each year based on the recommendations of the Remuneration Committee.

The components of remuneration – including the way in which they contribute to the Company's long-term performance and the way performance criteria have been applied – have been established in compliance with the

remuneration policy for the Chairman and Chief Executive Officer and the Group Managing Director approved by shareholders at the Annual General Meeting of April 24, 2019 (8th and 9th resolutions).

The table below sets out the components of remuneration paid during or awarded for 2019 by any companies included in the scope of consolidation within the meaning of Article L. 233-16 of the French Commercial Code.

Table summarizing the remuneration of the Chairman and Chief Executive Officer (AMF Table 2)

François-Henri Pinault, Chairman and Chief Executive Officer Gross amounts (in euros)	2019		2018	
	Amounts awarded for the year ⁽¹⁾	Amounts paid during the year	Amounts awarded for the year ⁽¹⁾	Amounts paid during the year
Fixed remuneration	1,200,000	1,200,000	1,200,000	1,200,000
Annual variable remuneration	947,088	1,944,000 ⁽³⁾	1,944,000	1,944,000 ⁽⁴⁾
Multi-annual variable remuneration:				
2014 Plan: 11,372 KMUs awarded at €144 per unit (corresponding to a value of €1,637,568 at the date of the award) Performance condition not met		-	-	0
2015 Plan: 11,153 KMUs awarded at €167 per unit (corresponding to a value of €1,862,551 at the date of the award) Exercised at €885 per unit		-	-	9,870,405
2016 Plan: 9,526 KMUs awarded at €166 per unit (corresponding to a value of €1,581,316 at the date of the award) Exercised at €988 per unit		9,411,688	-	-
Exceptional remuneration				
2014 Plan: 9,900 KMUs awarded at €166 per unit (corresponding to a value of €1,643,400 at the date of the award) Exercised at €885 per unit		-	-	8,761,500
2018 Plan: 5,000 KMUs awarded at €581 per unit (corresponding to a value of €2,905,000 at the date of the award) Exercised at €988 per unit		4,940,000 ⁽²⁾	-	-
Directors' fees (Kering)	67,006	66,704 ⁽³⁾	66,704	67,121 ⁽⁴⁾
Directors' fees (subsidiaries)	-	-	-	14,527 ⁽⁴⁾
Benefits in kind ⁽⁵⁾	10,933	10,933	16,421	16,421
Total	2,225,027	17,573,325	3,227,125	21,873,974

(1) The amounts payable for the year correspond to components of remuneration for services rendered during the year. Multi-annual variable remuneration components are due at the end of a vesting period (of three years, in general), subject to the achievement of certain performance conditions. They are therefore not included in this section.

The 10,471 KMUs relating to the 2017 Plan will be payable from April 2020 (first window) and may be cashed in until October 2021 (second window), as the performance condition has been met. Based on a value of €1,168 per KMU at December 31, 2019 (versus €249 at the award date, corresponding to a total value of €2,607,279), the value of this award is €12,230,128.

(2) Exceptional remuneration awarded to executive corporate officers following the major transformation of the Group: 10,000 KMUs were awarded to the Chairman and Chief Executive Officer in 2018, with no performance conditions attached. As indicated above, the first tranche was cashed in during 2019, in October. The second tranche may be cashed in as from April 2020, based on a value of €1,168 per KMU at December 31, 2019 (versus €581 at December 31, 2017, corresponding to a total value of €2,905,000 at the award date); the value of this award is €5,840,000.

(3) For 2018.

(4) For 2017.

(5) François-Henri Pinault is entitled to a company car.

Table summarizing the remuneration of the Group Managing Director (AMF Table 2)

Jean-François Palus Group Managing Director Gross amounts (in euros)	2019		2018 (Restated data ⁽³⁾)	
	Amounts awarded for the year ⁽⁴⁾	Amounts paid during the year	Amounts awarded for the year ⁽⁴⁾	Amounts paid during the year
Fixed remuneration ⁽¹⁾	1,223,045	1,223,045	1,221,296	1,221,296
Annual variable remuneration ⁽⁵⁾	816,699	1,685,818 ⁽⁶⁾	1,685,818	1,597,998 ⁽⁷⁾
Multi-annual variable remuneration:				
<i>2014 Plan: 9,426 KMUs awarded at €144 per unit (corresponding to a value of €1,357,344 at the date of the award) Performance condition not met</i>		-	-	0
<i>2015 Plan: 9,758 KMUs awarded at €167 per unit (corresponding to a value of €1,629,586 at the date of the award) Exercised at €885 per unit</i>		-	-	8,635,830
<i>2016 Plan: 8,448 KMUs awarded at €166 per unit (corresponding to a value of €1,402,368 at the date of the award) Exercised at €988 per unit</i>		8,346,624	-	-
Exceptional remuneration				
<i>2018 Plan: 3,000 KMUs awarded at €581 per unit (corresponding to a value of €1,743,000 at the date of the award) Exercised at €988 per unit</i>		2,964,000 ⁽²⁾	-	-
Directors' fees (Kering)	71,901	66,704 ⁽⁶⁾	66,704	60,412 ⁽⁷⁾
Directors' fees (subsidiaries)	120,000	125,000 ⁽⁶⁾	125,000	128,333 ⁽⁷⁾
Benefits in kind ⁽⁴⁾⁽⁸⁾	1,089,975	1,089,975	1,089,975	1,089,975
Total	3,321,620	15,501,166	4,188,793	12,733,844

(1) The amounts payable for the year correspond to components of remuneration for services rendered during the year. Multi-annual variable remuneration components are due at the end of a vesting period (of three years, in general), subject to the achievement of certain performance conditions. They are therefore not included in this section.

The 7,196 KMUs relating to the 2017 Plan will be payable from April 2020 (first window) and may be cashed in until October 2021 (second window), as the performance condition has been met. Based on a value of €1,168 per KMU at December 31, 2019 (versus €249 at the award date, corresponding to a total value of €1,791,804), the value of this award is €8,404,928.

(2) Exceptional remuneration awarded to executive corporate officers following the major transformation of the Group: 6,000 KMUs were awarded to the Group Managing Director in 2018, with no performance conditions attached. As indicated above, the first tranche was cashed in during 2019, in October. The second tranche may be cashed in as from April 2020, based on a value of €1,168 per KMU at December 31, 2019 (versus €581 at December 31, 2017, corresponding to a total value of €1,743,000 at the award date); the value of this award is €3,504,000.

(3) Data restated to reflect the 2019 exchange rate in order to provide information at comparable exchange rates.

(4) Translated into euros at the average 2019 exchange rate (0.87777). The Group Managing Director's fixed remuneration (€1,200,000) is paid half in euros (€) and half in pounds sterling (GBP). The exchange rate used for translation is that applied to the budget approved in March each year. At the end of the year, the amount in pounds is restated in euros using the average exchange rate for the year (i.e., 0.87777 for 2019). This explains why the reported amount may differ from the €1,200,000 set as the Group Managing Director's fixed remuneration.

(5) Translated into euros at the December 31, 2019 closing exchange rate (0.8508).

(6) For 2018.

(7) For 2017.

(8) Benefits in kind correspond to an annual allowance for a residence in London to which the Group Managing Director has been entitled since July 1, 2013 (amounting to GBP 900,000 for the relevant fiscal year). Following the relocation of the Group Managing Director's activities to Paris, this residence allowance was discontinued on December 31, 2019.

In the 2018 Reference Document, this data was presented as follows:⁽¹⁾

Gross amounts (in euros) Jean-François Palus Group Managing Director	2018	
	Amounts payable for the year	Amounts paid during the year
Fixed remuneration	1,216,443	1,216,443
Annual variable remuneration	1,634,010	1,559,476 ⁽²⁾
Multi-annual variable remuneration	N/A	8,635,830
Exceptional remuneration	-	-
Directors' fees (Kering)	66,704	60,412 ⁽²⁾
Directors' fees (subsidiaries)	125,000	128,333
Benefits in kind	1,081,582	1,081,582
Total	4,123,739	12,682,076

(1) Table provided by reference to restated data in the table above.

(2) For 2017.

Fees payable to Directors in respect of their duties as members of the Board of Directors of Kering for 2018 were paid in February 2019 and those payable for 2019 were paid in February 2020.

Details relating to annual variable remuneration for 2019

Achievement rate of targets in 2019 – François-Henri Pinault, Chairman and Chief Executive Officer

Type	Indicator	Target weighting	Target (in € millions)
Financial criteria			
	Consolidated recurring operating income	35%	4,672
	Consolidated free cash flow from operations	35%	2,307
	TOTAL FINANCIAL CRITERIA	70%	
Non-financial criteria			
	Sustainability	10%	See
	Corporate social responsibility	10%	description
	Organization and talent management	10%	on page 252
	TOTAL NON-FINANCIAL CRITERIA	30%	
TOTAL VARIABLE REMUNERATION PAID			
Variable remuneration achieved (in €)			
Variable remuneration achieved (as a % of fixed remuneration)			
Target variable remuneration (in €)			
Target variable remuneration (as a % of fixed remuneration)			

Achievement rate of targets in 2019 - Jean-François Palus, Group Managing Director

Type	Indicator	Target weighting	Target (in € millions)
Financial criteria			
	Consolidated recurring operating income	35%	4,672
	Consolidated free cash flow from operations	35%	2,307
	TOTAL FINANCIAL CRITERIA	70%	
Non-financial criteria			
	Sustainability	10%	See
	Corporate social responsibility	10%	description
	Organization and talent management	10%	on page 252
	TOTAL NON-FINANCIAL CRITERIA	30%	
TOTAL VARIABLE REMUNERATION PAID			
Variable remuneration achieved (in €)			
Variable remuneration achieved (as a % of fixed remuneration)			
Target variable remuneration (in €)			
Target variable remuneration (as a % of fixed remuneration)			

Thresholds						Achieved	Rate of payment	Corresponding amount in €
Minimum achievement rate	Payment	Target	Payment	Maximum achievement rate	Payment			
<i>as a % of the target</i>	<i>as a % of the index</i>	<i>as a % of the target</i>	<i>as a % of the index</i>	<i>as a % of the target</i>	<i>as a % of the index</i>	<i>as a % of the target</i>		
75%	0%	100%	100%	125%	150%	101.1%	102.2%	515,088
75%	0%	100%	100%	125%	150%	51.6%	0%	0
						76%	51%	515,088
		100%	100%	100%	100%	100%	100%	144,000
		100%	100%	100%	100%	100%	100%	144,000
		100%	100%	100%	100%	100%	100%	144,000
						100%	100%	432,000
								947,088
							€947,088	
							79%	
							€1,440,000	
							120%	

Thresholds						Achieved	Rate of payment	Corresponding amount in €
Minimum achievement rate	Payment	Target	Payment	Maximum achievement rate	Payment			
<i>as a % of the target</i>	<i>as a % of the index</i>	<i>as a % of the target</i>	<i>as a % of the index</i>	<i>as a % of the target</i>	<i>as a % of the index</i>	<i>as a % of the target</i>		
75%	0%	100%	100%	125%	150%	101.1%	102.2%	444,174
75%	0%	100%	100%	125%	150%	51.6%	0%	0
						76%	51%	444,174
		100%	100%	100%	100%	100%	100%	124,175
		100%	100%	100%	100%	100%	100%	124,175
		100%	100%	100%	100%	100%	100%	124,175
						100%	100%	372,525
								816,699
							€816,699	
							67%	
							€1,223,045	
							100%	

Achievement of non-financial targets in 2019

For each target, the Committee concerned drew up a list of criteria to help determine the achievement rate of the non-financial targets. These were presented to and reviewed by the Remuneration Committee in order to align the remuneration of executive corporate officers with the Group's long-term strategy.

On this basis, the Board of Directors then assessed the achievement rate of each of the targets.

Non-financial criteria

(qualitative)

used to calculate annual variable remuneration

2019 targets	Weighting
Organization and talent management Promote, support and implement actions to increase diversity in the workforce, with a particular emphasis on achieving gender balance Implement recruitment, training, remuneration and internal promotion programs aimed at increasing gender parity Prepare succession plans for Executive Committee members and key positions Promote and facilitate talent development	10%
Corporate social responsibility <i>Risk management:</i> Training provided to employees worldwide by the Compliance Department Regular Risk Committee meetings and effective implementation of action plans Revision of anti-corruption risk map Rigorous third-party due diligence Implementation of crisis management procedures <i>Implementation of anti-corruption policies and assessment of employee awareness of these policies:</i> Heightened involvement of brand CEOs Update of all compliance policies and procedures Ongoing awareness initiatives for employees exposed to corruption risks Performance of anti-corruption audits Active support for the internal control and compliance teams within the Group	10%
Sustainability Instill an active Sustainability culture across all Group entities Promote and use the Environmental Profit & Loss account (EP&L) Initiate and support the implementation of measures in favor of Sustainability Promote a culture of ethics across the Group Disseminate the Company's culture and values	10%
Sub-total	30%
TOTAL	100%

History of annual variable remuneration payments

Chairman and Chief Executive Officer – François-Henri Pinault

(in euros)	2015 (for 2014)	2016 (for 2015)	2017 (for 2016)	2018 (for 2017)	2019 (for 2018)
	1,560,900	1,158,960	1,407,318	1,944,000	1,944,000

Group Managing Director – Jean-François Palus

(in euros)	2015 (for 2014) ⁽¹⁾	2016 (for 2015) ⁽¹⁾	2017 (for 2016) ⁽¹⁾	2018 (for 2017) ⁽¹⁾	2019 (for 2018) ⁽¹⁾
	1,181,944	877,587	1,070,276	1,597,998	1,685,818

(1) Data restated to reflect the exchange rate as of December 31, 2019 (0.8508) in order to provide information at comparable exchange rates.

Details relating to multi-annual variable remuneration (long-term incentive) for 2019

From 2013 to 2019, a long-term incentive system based on Kering Monetary Units (known as KMUs) was used by the Group. The value of KMUs is indexed equally to both absolute changes in the Kering share price and to changes in the Kering share price relative to a basket of seven luxury stocks (Burberry, Ferragamo, LVMH, Prada, Richemont, Swatch and Tod's).

KMUs have a vesting period of three years as from January 1 of the year in which they are granted, after which they may be cashed in by the beneficiaries over a two-year period (during two windows each year), when the beneficiaries may receive the cash equivalent of their KMUs based on the last assessed value. Past awards of KMUs to the Chairman and Chief Executive Officer and the Group Managing Director, which have become available or are still vesting, are presented in the tables on pages 255 and 256.

The value of this multi-annual variable remuneration at the award date is equal, for the Chairman and Chief Executive Officer and the Group Managing Director respectively, to 100% and 80% of their total annual cash-based remuneration paid in year Y (total annual cash-based remuneration is determined by adding together annual fixed remuneration and variable remuneration for Y-1).

Accordingly, in 2019, a total of 4,175 and 3,047 KMUs, with a unit value of €753 as of December 31, 2018, were awarded to the Chairman and Chief Executive Officer and to the Group Managing Director, respectively, corresponding to a respective award of €3,143,775 and €2,294,391.

To align the multi-annual variable remuneration system with the Group's long-term performance, since 2017, vesting of the KMUs awarded to the Chairman and Chief Executive Officer and the Group Managing Director has been subject to performance criteria based on three financial indicators assessed at Group level:

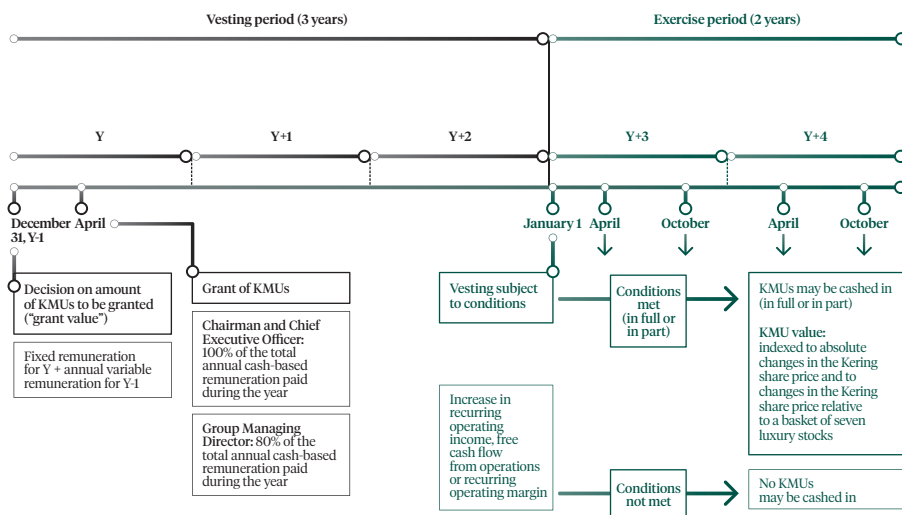
- recurring operating income (ROI);
- free cash flow from operations (FCF);
- recurring operating margin (ROM).

Under this system, if an increase is observed in at least one of these three indicators between the average amount over the three-year vesting period and the amount shown in Kering's consolidated financial statements for the year preceding the year of the grant, 100% of the KMUs granted may be cashed in (the change in each indicator is measured at constant scope and as reported). Failing this, no KMUs may be cashed in.

Starting in 2019, in line with the remuneration policy approved by shareholders at the Annual General Meeting of April 24, 2019, the following system will apply:

- three criteria met: 100% of the KMUs vest;
- two of three criteria met: 75% of the KMUs vest;
- one of three criteria met: 50% of the KMUs vest;
- no criteria met: no KMUs may be cashed in.

The financial criteria are based on the indicators used to assess the Group's performance. The mechanism in place meets stricter requirements, since the KMU value is not in itself a performance condition but influences the amount actually paid at the exercise date.



Kering Monetary Units (KMUs) in practice

The Chairman and Chief Executive Officer and the Group Managing Director were eligible to participate in the long-term remuneration plans set up by the Company for Group employees and executives between 2013 and 2019.

The long-term component of executive remuneration is aligned with the Group's long-term strategic goals and consists of KMUs, which are paid on the same basis as the long-term remuneration plans for other managerial-grade employees of the Group eligible for such remuneration. However, the exercise of KMUs is subject to the performance conditions outlined above.

Prior to 2020, the long-term remuneration plan was therefore based on KMUs whose initial unit value of €100 (at December 31, 2011) was indexed to changes in the Kering share price relative to a basket of seven luxury stocks. This principle and criterion for determining long-term remuneration has been maintained. However, following the major transformation of the Group and in particular the distribution of a large portion of the PUMA shares held by Kering, the basket of stocks was adapted to reflect only Luxury activities, excluding Sport & Lifestyle activities. Adidas and Nike were therefore removed from the basket of stocks used as the benchmark.

KMUs have a vesting period of three years as from their grant date, after which they may be cashed in by the beneficiaries over a two-year period (during two windows each year), based on the value determined during the last opened window.

In accordance with the recommendations of the AFEP-MEDEF Code and of the Remuneration Committee, the Board of Directors decided on March 10, 2017 to remove the lock-in obligation on Kering shares obtained by cashing in KMUs, because these instruments provide exclusively for a cash settlement.

Method applied to value KMUs

Changes in the KMU value are assessed on a six-monthly basis (at June 30 and December 31 each year), based on the Kering share price during the last 30 trading days. This value is then weighted for the performance of the Kering share relative to the basket of other stocks.

At the end of each six-month period, the value of a KMU is calculated as follows:

$$UVs+1 = UVs \times \left(\frac{[1+VKs+1] + ([1+VKs+1] \times [1+VPVs+1])}{[1+VPVs+1]} \right) / 2$$

Where:

UV = Unit of Value.

s+1 = the six-monthly closing date at which the unit of value is assessed (06/30 or 12/31).

s = the previous six-monthly closing.

VK = the change in the Kering share price over the six-month period, using the average share price over the 30 days preceding the six-monthly closing as the reference price.

VPV = the change in the price of a basket of stocks over the six-month period, equal to the arithmetic average change in these stocks, using the average share price over the 30 days preceding the six-monthly closing as the reference price.

The following companies were used to compile the benchmark: Burberry, Ferragamo, LVMH, Prada, Richemont, Swatch and Tod's.

Since December 31, 2011, based on the valuation method described above, changes in the value of KMUs are as follows:

Date	KMU value
December 31, 2011	€100
June 30, 2012	€102
December 31, 2012	€131
July 21, 2013 ⁽¹⁾	€152
December 31, 2013	€144
June 30, 2014	€166
December 31, 2014	€167
June 30, 2015	€160
December 31, 2015	€166
June 30, 2016	€157
December 31, 2016	€249
June 30, 2017	€401
December 31, 2017	€581
June 30, 2018	€885
December 31, 2018	€753
June 30, 2019	€988
December 31, 2019	€1,168

(1) Date of the first award of KMUs.

The following four scenarios illustrate the sensitivity of the KMUs to the Kering share price and the value of the basket of stocks:

Option	KMU impact
-15% (<i>Kering</i>) vs -15% (basket)	15% decrease in KMU value
-10% (<i>Kering</i>) vs +5% (basket)	16.4% decrease in KMU value
+10% (<i>Kering</i>) vs -5% (basket)	18.7% increase in KMU value
+15% (<i>Kering</i>) vs +15% (basket)	15% increase in KMU value

KMU value would fall significantly in the event of a collapse in the Kering share price (e.g., of around 80%).

Summary of KMUs granted to each executive corporate officer that have become available or are still vesting

François-Henri Pinault, Chairman and Chief Executive Officer

KMUs

Plan	KMUs granted ⁽¹⁾	Unit value (in €) ⁽²⁾	Grant value (in €)	Vesting date ⁽³⁾	Target/Threshold ⁽⁴⁾	Value as of Dec. 31, 2019 (€1,168)	Minimum required
2017	10,471	249 ⁽⁵⁾	2,607,279	January 2020	Increase in at least one of: ROI, FCF or ROM	12,230,128	Achieved
2018	5,411	581 ⁽⁶⁾	3,143,791	January 2021	Increase in at least one of: ROI, FCF or ROM	6,320,048	TBD
	5,000	581 ⁽⁶⁾	2,905,000	January 2020	No performance condition required ⁽⁷⁾	5,840,000	N/A
2019	4,175	753 ⁽⁸⁾	3,143,775	January 2022	Increase in the following three criteria: ROI, FCF or ROM	4,876,400	TBD

Given that the performance condition has been achieved, the 10,471 KMUs relating to the 2017 Plan will be payable from April 2020 (first window) and may be cashed in until October 2021 (second window). Based on a value of €1,168 per KMU at December 31, 2019 (versus €249 at the award date), the value of this award is €12,230,128.

With regard to the exceptional remuneration awarded to executive corporate officers in 2018 following the major transformation of the Group, the first tranche was cashed in during the year, in October 2019. The second tranche may be cashed in as from April 2020. This corresponds to the 5,000 remaining KMUs awarded in 2018 to the Chairman and Chief Executive Officer, with no performance conditions attached. Based on a value of €1,168 per KMU at December 31, 2019 (versus €581 at December 31, 2017, corresponding to a total value of €2,905,000 at the award date), the value of this award is €5,840,000.

Jean-François Palus, Group Managing Director

KMUs

Plan	KMUs granted ⁽¹⁾	Unit value (in €) ⁽²⁾	Grant value (in €)	Vesting date ⁽³⁾	Target/Threshold ⁽⁴⁾	Value as of	Minimum required
						Dec. 31, 2019 (€1,168)	
2017	7,196	249 ⁽⁵⁾	1,791,804	January 2020	Increase in at least one of: ROI, FCF or ROM	8,404,928	Achieved
	5,000	249 ⁽⁵⁾	1,245,000	January 2020	No performance condition required ⁽⁷⁾	5,840,000	N/A
2018	3,809	581 ⁽⁶⁾	2,213,029	January 2021	Increase in at least one of: ROI, FCF or ROM	4,448,912	TBD
	3,000	581 ⁽⁶⁾	1,743,000	January 2020	No performance condition required ⁽⁷⁾	3,504,000	N/A
2019	3,047	753 ⁽⁸⁾	2,294,391	January 2022	Increase in the following three criteria: ROI, FCF or ROM	3,558,896	TBD

Given that the performance condition has been achieved, the 7,196 KMUs relating to the 2017 Plan will be payable from April 2020 (first window) and may be cashed in until October 2021 (second window). Based on a value of €1,168 per KMU at December 31, 2019 (versus €249 at the award date), the value of this award is €8,404,928.

The exceptional award of 5,000 KMUs made in 2017 to the Group Managing Director to reflect the Group's progress in various areas (performance of PUMA, integration of the Luxury activities, profitable organic growth momentum, etc.) will also be payable as from April 2020. Based on a value of €1,168 per KMU at December 31, 2019 (versus €249 at the award date), the value of this award is €5,840,000.

With regard to the exceptional remuneration awarded to executive corporate officers in 2018 following the major transformation of the Group, the first tranche was cashed in during the year, in October 2019. The second tranche may be cashed in as from April 2020. This corresponds to the 3,000 remaining KMUs awarded in 2018 to the Group Managing Director, with no performance conditions attached. Based on a value of €1,168 per KMU at December 31, 2019 (versus €581 at December 31, 2017, corresponding to a total value of €1,743,000 at the award date), the value of this award is €3,504,000.

(1) From 2017, the value of the KMUs awarded was equal to 100% of the total annual cash-based remuneration paid to the Chairman and Chief Executive Officer and 80% of the total annual cash-based remuneration paid to the Group Managing Director.

(2) The value of the KMUs is indexed equally to both absolute changes in the Kering share price and to changes in the Kering share price relative to a basket of seven luxury stocks.

(3) The KMU vesting period is set at three years as from January 1 of the year in which they are granted.

(4) For 2017 and 2018, 100% of the KMUs may be cashed in if, for recurring operating income, free cash flow from operations or recurring operating margin, an increase is observed between the average amount over the three-year vesting period and the amount shown in Kering's consolidated financial statements for the year preceding the year of the grant. Failing this, no KMUs may be cashed in.

From 2019, the performance criteria become progressive and cumulative, as follows:

- three criteria met: 100% of the KMUs vest;
- two of three criteria met: 75% of the KMUs vest;
- one of three criteria met: 50% of the KMUs vest;
- no criteria met: no KMUs may be cashed in.

(5) Unit value at December 31, 2016.

(6) Unit value at December 31, 2017.

(7) Exceptional bonus awarded to executive corporate officers following the major transformation of the Group: following the Group's exit from retail activities, build an integrated group generating value for the brands across the Group and, once the Luxury Division has confirmed its ability to deliver profitable organic growth, focus the portfolio on luxury brands.

(8) Unit value at December 31, 2018.

Exceptional remuneration

As agreed with the Board of Directors, management defined a strategy to be implemented once the disposal of the retail activities was complete. The aim of this strategy was to build an integrated group creating value for the brands across the Group and to then focus the portfolio on luxury brands, once the Luxury activities had confirmed their ability to deliver profitable organic growth.

The payment of a stock dividend representing a large portion of the PUMA shares held by Kering was part of this strategy: alongside the ability of the luxury brands to deliver healthy and profitable growth, the turnaround at PUMA was sufficiently advanced for the Group to leverage its growth trajectory to improve profitability, and thus bolster its appeal to the financial markets.

This strategy, devised by Kering's two executive corporate officers and rolled out at an optimum time, has led to a major transformation of the Group.

In this context, and further to the approval of the shareholders granted at the Annual General Meeting of April 26, 2018, a total of 10,000 and 6,000 KMUs, with a unit value of €581 as of December 31, 2017, were awarded in 2018 to the Chairman and Chief Executive Officer and to the Group Managing Director, respectively, corresponding to a respective value of €5,810,000 and €3,486,000. As indicated on pages 247 and 248, the first tranche was cashed in during 2019, in October, resulting in an award of €4,940,000 for the Chairman and Chief Executive Officer and €2,964,000 for the Group Managing Director.

The second tranche may be cashed in as from April 2020, based on a value of €1,168 per KMU at December 31, 2019 (versus €581 at December 31, 2017, corresponding to a total value at the award date of €2,905,000 and €1,743,000, respectively). If cashed in during April 2020, the value of this award would be €5,840,000 for the Chairman and Chief Executive Officer and €3,504,000 for the Group Managing Director.

Summary of the benefits awarded to executive corporate officers (AMF Table II)

	Employment contract		Supplementary pension plan		Indemnities or benefits owed or that may be payable on termination or change of duties		Indemnities relating to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Executive corporate officer								
François-Henri Pinault								
Chairman and Chief Executive Officer								
Start of term of office: May 19, 2005								
Expiry of term of office: 2021 AGM		X		X		X		X
Jean-François Palus								
Group Managing Director								
Start of term of office: February 26, 2008								
Expiry of term of office: 2021 AGM		X ⁽¹⁾		X		X		X

(1) Employment contract terminated on December 31, 2019.

Other information and commitments

No stock subscription or purchase options were granted to the executive corporate officers in 2019, and no stock options are outstanding for François-Henri Pinault or Jean-François Palus.

The executive corporate officers have formally undertaken not to use hedges on their stock options or performance shares and no such hedges are currently in place.

Further to the decision by the Board of Directors to maintain the long-term incentive system based on monetary instruments, no performance shares have been granted to executive corporate officers since 2012.

Summary of remuneration, options and performance shares awarded to each executive corporate officer (AMF Table 1)

Gross amounts (in €)

François-Henri Pinault Chairman and Chief Executive Officer	Amounts for 2019	Amounts for 2018
Remuneration payable ⁽¹⁾	2,225,027	3,227,125
Value of multi-annual variable remuneration granted during the year ⁽²⁾	3,143,775	8,953,791
TOTAL	5,368,802	12,180,916

(1) The amounts payable for the year correspond to components of remuneration for services rendered during the year. Multi-annual variable remuneration components are due at the end of a vesting period (of three years, in general), subject to the achievement of certain performance conditions. They are therefore not included in this section. However, they are included in the table summarizing multi-annual variable remuneration presented on page 255.

In October 2019, the 9,526 KMUs relating to the 2016 Plan and the 5,000 KMUs relating to half of the exceptional bonus awarded in 2018 were cashed in, based on a value of €988 per KMU at June 30, 2019, for a total amount of €14,351,688.

(2) This amount is based on the number of KMUs awarded during the year, at their grant value. In the consolidated financial statements, this amount is spread over the KMU vesting period, in accordance with IFRS 2.

Jean-François Palus Group Managing Director	Amounts for 2019	Amounts for 2018
Remuneration payable ⁽¹⁾	3,321,620	4,123,739
Value of multi-annual variable remuneration granted during the year ⁽²⁾	2,294,391	5,699,029
TOTAL	5,616,011	9,822,768

(1) The amounts payable for the year correspond to components of remuneration for services rendered during the year. Multi-annual variable remuneration components are due at the end of a vesting period (of three years, in general), subject to the achievement of certain performance conditions. They are therefore not included in this section. However, they are included in the table summarizing multi-annual variable remuneration presented on page 256.

In October 2019, the 8,448 KMUs relating to the 2016 Plan and the 3,000 KMUs relating to half of the exceptional bonus awarded in 2018 were cashed in, based on a value of €988 per KMU at June 30, 2019, for a total amount of €11,310,624.

(2) This amount is based on the number of KMUs awarded during the year, at their grant value. In the consolidated financial statements, this amount is spread over the KMU vesting period, in accordance with IFRS 2.

Fairness ratio between the level of remuneration of the Chairman and Chief Executive Officer and the Group Managing Director and the mean and median remuneration of Company employees

The analysis presented below was carried out in accordance with French law no. 2019-486 of May 22, 2019 on business growth and transformation (known as the PACTE Law), to ensure immediate compliance with the new requirements on the transparency of executive remuneration.

The ratios presented below are calculated on the basis of the fixed and variable remuneration paid over the past five years, the multi-annual variable remuneration allocated in the form of Kering Monetary Units (KMUs) during the same period and valued at the award date, and any Directors' fees paid during the period.

The scope of analysis corresponds to the employees of the Kering group holding companies.

François-Henri Pinault and Jean-François Palus held the positions of Chairman and Chief Executive Officer and Group Managing Director, respectively, during the five-year period in question.

The relative decline in the value of the mean and median ratios for 2016 is due to a decrease in the variable remuneration paid to the two executive corporate officers in respect of the 2015 results, which were below target.

Conversely, the increase in the ratios for 2018 reflects the exceptional bonus awarded to the two executive corporate officers in the form of KMUs as a way of recognizing the achievement of the final stage in the creation of a fully integrated luxury group, following the distribution of a large portion of the PUMA shares held by Kering.

François-Henri Pinault Chairman and Chief Executive Officer	2015	2016	2017	2018	2019
Ratio versus mean remuneration	41.3	35.5	43.3	96.2	53.6
Ratio versus median remuneration	70.5	57.0	78.0	168.9	88.4

Jean-François Palus Group Managing Director	2015	2016	2017	2018	2019
Ratio versus mean remuneration	37.1	31.3	44.1	68.3	45.5
Ratio versus median remuneration	63.4	50.2	79.3	120.0	75.0

In €m	2015	2016	2017	2018	2019
Recurring operating income ⁽¹⁾	1,647	1,886	2,948	3,944	4,778

(1) Reported data.

Draft resolutions regarding the remuneration paid during or awarded for 2019 to executive corporate officers in respect of their duties (*ex-post* vote)

Eleventh resolution

Approval of the fixed, variable and exceptional components of total remuneration and benefits in kind paid during or awarded for the year ended December 31, 2019 to François-Henri Pinault, Chairman and Chief Executive Officer

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having reviewed the Board of Directors' report on corporate governance, the Annual General Meeting approves the fixed, variable and exceptional components of total remuneration and benefits in kind paid or awarded to François-Henri Pinault, Chairman and Chief Executive Officer, for the year ended December 31, 2019. These components are presented in the 2019 Universal Registration Document in Chapter 4, "Report on corporate governance", section 4.3.1, "Remuneration paid during or allocated for 2019 to the Chairman and Chief Executive Officer and the Group Managing Director (executive corporate officers) in respect of their duties".

Twelfth resolution

Approval of the fixed, variable and exceptional components of total remuneration and benefits in kind paid during or awarded for the year ended December 31, 2019 to Jean-François Palus, Group Managing Director

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and having reviewed the Board of Directors' report on corporate governance, the Annual General Meeting approves the fixed, variable and exceptional components of total remuneration and benefits in kind paid or awarded to Jean-François Palus, Group Managing Director, for the year ended December 31, 2019. These components are presented in the 2019 Universal Registration Document in Chapter 4, "Report on corporate governance", section 4.3.1, "Remuneration paid during or allocated for 2019 to the Chairman and Chief Executive Officer and the Group Managing Director (executive corporate officers) in respect of their duties".

4.3.2 Remuneration paid during or awarded for 2019 to the members of the Board of Directors in respect of their duties

At the Annual General Meeting held on May 6, 2014, the shareholders decided to increase the total amount of Directors' fees to be allocated to the members of the Board of Directors for 2014 from €809,000 to €877,000, due to the appointment of an additional Director. This amount remained unchanged in 2018 and 2019.

Based on recommendations of the Remuneration Committee, the Board of Directors decided on February 11, 2020 to allocate Directors' fees on the basis of the actual presence of members at meetings of the Board and its specialized Committees in 2019. In accordance with applicable legislation, members may not use videoconferencing or other remote communication technologies to attend meetings discussing the annual financial statements and Management Report. Accordingly, Directors not physically in attendance at the Board meeting approving the financial statements for the year ended December 31, 2019 are deemed absent and are not eligible for the related Directors' fees.

Out of the total amount set at the Annual General Meeting, the rule followed by the Board in order to comply with the AFEP-MEDEF Code recommendation for a significant variable component with respect to Directors' fees is to divide the total amount between a 40% fixed portion and a 60% variable portion. The Directors' fees are thus

allocated in the following manner (Financière Pinault has waived its fee):

- a fixed portion, minus a special portion corresponding to the remuneration of the Chairs of the Audit, Remuneration, and Appointments and Governance Committees, respectively (€23,000 each), the balance being allocated with a coefficient of 1 by Board membership, increased by 0.5 per Committee;
- a variable portion, allocated with a coefficient of 1 per presence at each meeting of the Board and 0.5 for each attendance of a Committee meeting.

For 2019, a total amount of €877,700 will be paid to the Directors, allocated as follows:

- €350,800 for the fixed portion, of which €46,000 for the special portion (40% of the total remuneration awarded to Directors);
- €526,200 for the variable portion (60% of the total remuneration awarded to Directors).

Non-voting Directors do not collect any Directors' fees in respect of their participation in those meetings of the Board of Directors that they are invited to attend.

The table below breaks down the remuneration paid to Directors in 2018 and 2019 for fiscal years 2017 and 2018.

Member of the Board of Directors		Amounts paid during the year (in €)	
		2019	2018
François-Henri Pinault	Directors' fees	66,704	67,121
	Committee Chair	-	-
	Fixed portion	22,444	26,838
	Variable portion	44,260	40,283
Jean-François Palus	Directors' fees	66,704	60,412
	Committee Chair	-	-
	Fixed portion	22,444	20,129
	Variable portion	44,260	40,283
Sophie L'Hélias	Directors' fees	104,562	100,192
	Committee Chair	23,000	23,000
	Fixed portion	29,926	26,838
	Variable portion	51,636	50,354
Jean-Pierre Denis	Directors' fees	104,562	100,192
	Committee Chair	23,000	23,000
	Fixed portion	29,926	26,838
	Variable portion	51,636	50,354
Yseulys Costes	Directors' fees	74,186	69,639
	Committee Chair	-	-
	Fixed portion	29,926	26,838
	Variable portion	44,260	42,801
Baudouin Prot	Directors' fees	49,492	62,086
	Committee Chair	-	-
	Fixed portion	22,444	26,838
	Variable portion	27,048	35,248
Sapna Sood	Directors' fees	69,268	69,639
	Committee Chair	-	-
	Fixed portion	29,926	26,838
	Variable portion	39,342	42,801
Daniela Riccardi	Directors' fees	66,704	64,604
	Committee Chair	-	-
	Fixed portion	22,444	26,838
	Variable portion	44,260	37,766
Ginevra Elkann	Directors' fees	9,905	-
	Committee Chair	-	-
	Fixed portion	4,988	-
	Variable portion	4,918	-
Claire Lacaze	Directors' fees	17,317	-
	Committee Chair	-	-
	Fixed portion	7,481	-
	Variable portion	9,836	-
Patricia Barbizet⁽¹⁾	Directors' fees	153,845	162,291
	Committee Chair	23,000	23,000
	Fixed portion	37,407	33,548
	Variable portion	93,437	105,744
Laurence Boone⁽²⁾	Directors' fees	50,564	72,157
	Committee Chair	-	-
	Fixed portion	11,222	26,838
	Variable portion	39,342	45,319
Sophie Bouchillou⁽³⁾	Directors' fees	43,188	48,667
	Committee Chair	-	-
	Fixed portion	11,222	13,419
	Variable portion	31,965	35,248
TOTAL		877,000	877,000

(1) The term of office of Vice-Chair Patricia Barbizet expired on December 14, 2018.

(2) The term of office of Laurence Boone expired on July 26, 2018.

(3) The term of office of Sophie Bouchillou expired in July 2018.

Neither the Company, nor any company that it controls, has made any commitment to its Directors or corporate officers on account of the commencement, termination or change of duties or subsequent thereto.

No non-executive corporate officer or Director benefits from any particular benefit or specific pension plan. They are not entitled to any conditional or deferred remuneration.

Claire Lacaze, the Director representing employees, has a permanent employment contract with the Company.

Draft resolution regarding the remuneration paid during or awarded for 2019 to corporate officers

Tenth resolution

Approval of the information referred to in Article L. 225-37-3, I of the French Commercial Code relating to remuneration paid during or awarded for the year ended December 31, 2019 to corporate officers in respect of their duties as Directors

Deliberating in accordance with the rules of quorum and majority applicable to ordinary general meetings and in application of the provisions of Article L. 225-100, II of the French Commercial Code, the Annual General Meeting, having

reviewed the Board of Directors' report on corporate governance, approves the information referred to in Article L. 225-37-3, I of the French Commercial Code relating to the remuneration and benefits in kind paid during or awarded for the year ended December 31, 2019 to corporate officers in respect of their duties as Directors, as described in the aforementioned report, which is included in the 2019 Universal Registration Document, Chapter 4 "Report on corporate governance", section 4.3 "Report on the remuneration paid during or awarded for 2019 to corporate officers in respect of their duties (*ex-post* vote)".

The Board of Directors

CHAPTER 5

Financial information

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1. ACTIVITY REPORT

1.1 Changes in Group structure and highlights of 2019

Strategic redeployment and discontinued operations

On April 2, 2019, Kering announced that it had completed the sale of its US sports and lifestyle brand Volcom. US company Authentic Brands Group (ABG) purchased the intellectual property rights of Volcom, effective from April 1, 2019. The current Volcom management team has acquired the operating license of Volcom and will continue the development of its operations based in the United States, France, Australia and Japan.

On July 15, 2019, Kering finalized the sale of its stake in Stella McCartney, following a transition phase and carve-out process that began on March 28, 2018 (see Note 13 – Discontinued operations, to the consolidated financial statements).

Italy tax settlement

On May 9, 2019, Kering announced that it had concluded a settlement with the Italian Revenue Agency relating to claims vis-à-vis its Swiss subsidiary Luxury Goods International (LGI). The settlement, concluded after in-depth analysis and with a collaborative spirit, acknowledged that the claims raised during the tax audit pertained both to the existence of a permanent establishment in Italy in the period 2011-2017 with the associated profits, and to the transfer prices applied by LGI in the same period with its related party Guccio Gucci S.p.A. (see Note 12 – Income taxes, to the consolidated financial statements).

Logistics activities: restructuring and transfer

Against a backdrop of rapid change in the industry and strong growth, Kering is undertaking a complete restructuring of its logistics activities, using the latest technologies, in order to meet the Luxury Houses' new needs in terms of volumes, lead time and omni-channel integration.

Already initiated in the United States with the construction of a new site in New Jersey, the project will be gradually implemented by 2022. It will include the transfer of most of the logistics activities currently located in Switzerland to a new hub in Italy, close to Novara.

The new Italian hub will be designed to handle the Group's future growth and will have greater storage capacity, reflecting increased volumes. It will also meet the growing demand for interconnectivity with the main transportation hubs.

Stock repurchase program

On October 29, 2018, Kering announced that it had set up a stock repurchase program covering up to 1.0% of its share capital over a 12-month period.

Between October 29, 2018 and February 28, 2019, a total of 603,406 shares were repurchased under a first tranche of the program. A further 658,000 shares were repurchased under a second tranche between June 17 and July 31, 2019. The repurchased shares will be canceled during 2020.

Placement of bonds exchangeable into PUMA shares

On September 25, 2019 Kering completed a placement of bonds exchangeable into existing ordinary shares of PUMA. Following strong demand, the nominal amount of the issuance was increased from €500 million to €550 million. The net proceeds of the issuance will be used for Kering's general corporate purposes. The bonds were issued at a principal amount of €100,000 per bond and bear no interest (zero coupon). They were offered at an issue price equal to 108.75% of the principal amount, namely €108,750, corresponding to an annual yield-to-maturity of -2.78%. They will be redeemed at their principal amount on September 30, 2022 (save in the event of early redemption). Throughout the life of the bonds and at their maturity, Kering has an option to redeem them in PUMA shares, cash or a combination of shares and cash.

Appointments and corporate governance at Kering

At its meeting on February 11, 2019, the Board of Directors of Kering appointed Sophie L'Hélias as lead independent director. In coordination with the Chairman of the Board, Sophie L'Hélias will notably represent the Board in its dealings with investors concerning ESG (Environmental, Societal, Governance) matters.

Kering also announced the appointment of Cédric Charbit, CEO of Balenciaga, to the Group's Executive Committee, effective from July 1, 2019.

In addition, Bartolomeo Rongone succeeded Claus-Dietrich Lahrs as CEO of Bottega Veneta, effective from September 1, 2019. He reports to François-Henri Pinault, Chairman and Chief Executive Officer of Kering, and is a member of the Group's Executive Committee.

Lastly, on December 17, 2019 Kering announced the appointment of Mehdi Benabdji as CEO of Brioni, with effect from January 1, 2020. Taking over from Fabrizio Malverdi, Mehdi Benabdji reports to Jean-François Palus, Group Managing Director of Kering.

1.2 2019 business review

General information – First-time application of IFRS 16 – Leases

Kering has applied IFRS 16 – *Leases* for the first time in its consolidated financial statements for the year ended December 31, 2019. Applying this new standard – which supersedes IAS 17 – *Leases* – had a material impact on Kering's consolidated financial statements due to the size of the network of stores operated directly by its Luxury Houses.

The Group elected to use the “modified retrospective” approach for its transition to IFRS 16, under which entities are not required to restate prior-period comparative financial information. Consequently, the 2019 income statement is presented differently to the Group's prior year income statements. Instead of the expense that was previously recognized on a straight-line basis for fixed lease payments under IAS 17, a depreciation expense is now recognized on a straight-line basis for right-of-use assets and an interest expense is recognized on lease liabilities. In the statement of financial position, right-of-use assets are recognized under non-current assets and lease liabilities under current and non-current liabilities, corresponding to the present value of fixed future lease payments.

In order to assist users of the Group's financial statements to understand the impact of its transition to IFRS 16, and to help provide meaningful comparisons between the financial data for 2019 and 2018 presented below, the Group has chosen to present two types of data in this activity report, for which reconciliations have been performed:

- **IFRS 16-restated financial data for 2018:** the data for 2018 has been restated in order to present the impact of IFRS 16 on that period and to provide meaningful comparisons with the 2019 data to which IFRS 16 has been applied. The method used to prepare this IFRS 16-restated data for 2018 is described at the end of this chapter on page 289;
- **IAS 17-adjusted non-IFRS financial indicators for 2019:** key indicators such as recurring operating income, EBITDA, free cash flow from operations and available cash flow have been presented on an adjusted basis as if IAS 17 had been applied instead of IFRS 16. Definitions of these non-IFRS financial indicators are presented at the end of this chapter on page 290.

See Note 4 – First-time application of IFRS 16 – *Leases*, to the consolidated financial statements.

Key figures

Condensed consolidated income statement

(in € millions)	2019	2018	Change	2018
		Restated under IFRS 16		Reported
Revenue	15,883.5	13,665.2	+16.2%	13,665.2
Recurring operating income	4,778.3	3,994.9	+19.6%	3,943.8
<i>as a % of revenue</i>	30.1%	29.2%	+0.9 pts	28.9%
EBITDA	6,023.6	5,092.8	+18.3%	4,435.7
<i>as a % of revenue</i>	37.9%	37.3%	+0.6 pts	32.5%
Other non-recurring operating income and expenses	(168.5)	(222.4)	-24.2%	(222.4)
Finance costs, net	(309.5)	(294.3)	+5.2%	(207.3)
Income tax expense	(2,133.7)	(859.3)	+148.3%	(867.7)
Share in earnings (losses) of equity-accounted companies	41.8	11.9	+251.3%	11.9
Net income from continuing operations	2,208.4	2,630.8	-16.1%	2,658.3
<i>o/w attributable to owners of the parent</i>	2,166.9	2,603.8	-16.8%	2,630.6
<i>o/w attributable to non-controlling interests</i>	41.5	27.0	+53.7%	27.7
Net income from discontinued operations	125.4	1,095.2	-88.6%	1,095.2
Net income attributable to owners of the parent	2,308.6	3,688.0	-37.4%	3,714.9
Net income from continuing operations (excluding non-recurring items) attributable to owners of the parent ⁽¹⁾	3,211.5	2,789.8	+15.1%	2,816.7

(1) In 2019, this item did not include the non-recurring tax expense relating to the tax settlement in Italy (see Notes 12.1.1 and 14.2 to the consolidated financial statements).

Recurring operating income

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Recurring operating income	4,778.3	3,994.9	+19.6%	3,943.8
as a % of revenue	30.1%	29.2%	+0.9 pts	28.9%
Fixed portion of lease payments restated under IFRS 16	(765.3)	(657.1)	-16.5%	N/A
Depreciation of right-of-use assets (IFRS 16)	711.4	606.0	+17.4%	N/A
Adjusted recurring operating income (IAS 17)	4,724.4	3,943.8	+19.8%	3,943.8
as a % of revenue	29.7%	28.9%	+0.8 pts	28.9%

EBITDA

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
EBITDA	6,023.6	5,092.8	+18.3%	4,435.7
as a % of revenue	37.9%	37.3%	+0.6 pts	32.5%
Fixed portion of lease payments restated under IFRS 16	(765.3)	(657.1)	-16.5%	N/A
Adjusted EBITDA (IAS 17)	5,258.3	4,435.7	+18.5%	4,435.7
as a % of revenue	33.1%	32.5%	+0.6 pts	32.5%

Earnings per share

	2019	2018 Restated under IFRS 16	Change	2018 Reported
Earnings per share attributable to owners of the parent	€18.40	€29.28	-37.2%	€29.49
Earnings per share from continuing operations (excluding non-recurring items) attributable to owners of the parent	€25.59	€22.15	+15.5%	€22.36

Operating investments

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Gross operating investments	(955.8)	(828.0)	+15.4%	(828.0)

Free cash flow from operations

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Free cash flow from operations	1,520.7	3,551.3	-57.2%	2,955.2

Revenue

(in € millions)	2019	%	2018	%	Reported change	Comparable change ⁽¹⁾
Total Luxury Houses	15,382.6	97%	13,246.7	97%	+16.1%	+13.2%
Corporate and other	500.9	3%	418.5	3%	+19.7%	+16.5%
Total revenue	15,883.5	100%	13,665.2	100%	+16.2%	+13.3%

(1) On a comparable Group structure and exchange rate basis.

Consolidated revenue for 2019 amounted to €15,884 million, up 16.2% on 2018 as reported and 13.3% based on a comparable Group structure and exchange rates.

Exchange rate fluctuations had a €354 million positive effect on revenue during the year, of which €155 million related to the US dollar and €81 million to the Japanese yen.

Revenue by region

(in € millions)	2019	%	2018	%	Reported change	Comparable change ⁽¹⁾
Western Europe	5,120.2	33%	4,471.5	33%	+14.5%	+14.2%
North America	3,039.7	19%	2,704.7	20%	+12.4%	+6.8%
Japan	1,309.8	8%	1,157.5	8%	+13.2%	+5.9%
Sub-total – mature markets	9,469.7	60%	8,333.7	61%	+13.6%	+10.5%
Eastern Europe, Africa and the Middle East	770.2	5%	725.1	6%	+6.2%	+3.7%
South America	222.1	1%	186.1	1%	+19.3%	+15.6%
Asia-Pacific (excluding Japan)	5,421.6	34%	4,420.3	32%	+22.7%	+20.1%
Sub-total – emerging markets	6,413.8	40%	5,331.5	39%	+20.3%	+17.7%
Total revenue	15,883.5	100%	13,665.2	100%	+16.2%	+13.3%

(1) On a comparable Group structure and exchange rate basis.

Revenue generated outside the eurozone represented 78% of the consolidated total in 2019.

Quarterly revenue data

Consolidated revenue by quarter

	First quarter	Second quarter	Third quarter	Fourth quarter	
2019	3,785.3	3,853.1	3,884.6	4,360.5	€15,883.5m
2018	3,106.2	3,325.7	3,402.0	3,831.3	€13,665.2m

Quarterly revenue by activity

<i>(in € millions)</i>	First quarter	Second quarter	Third quarter	Fourth quarter	Total 2019
Gucci	2,325.6	2,291.5	2,374.7	2,636.6	9,628.4
Yves Saint Laurent	497.5	475.5	506.5	569.6	2,049.1
Bottega Veneta	248.1	300.9	284.3	334.3	1,167.6
Other Houses	576.9	648.4	612.3	699.9	2,537.5
Total Luxury Houses	3,648.1	3,716.3	3,777.8	4,240.4	15,382.6
Corporate and other	137.2	136.8	106.8	120.1	500.9
KERING TOTAL	3,785.3	3,853.1	3,884.6	4,360.5	15,883.5

<i>(in € millions)</i>	First quarter	Second quarter	Third quarter	Fourth quarter	Total 2018
Gucci	1,866.6	1,986.2	2,096.0	2,336.1	8,284.9
Yves Saint Laurent	408.2	400.0	446.9	488.4	1,743.5
Bottega Veneta	261.2	291.0	258.9	298.0	1,109.1
Other Houses	461.7	533.8	516.4	597.3	2,109.2
Total Luxury Houses	2,997.7	3,211.0	3,318.2	3,719.8	13,246.7
Corporate and other	108.5	114.7	83.8	111.5	418.5
KERING TOTAL	3,106.2	3,325.7	3,402.0	3,831.3	13,665.2

<i>(comparable change⁽¹⁾)</i>	First-quarter change	Second-quarter change	Third-quarter change	Fourth-quarter change	Full-year 2019
Gucci	+20.0%	+12.7%	+10.7%	+10.5%	+13.3%
Yves Saint Laurent	+17.5%	+15.8%	+10.8%	+14.0%	+14.4%
Bottega Veneta	-8.9%	+0.8%	+6.9%	+9.4%	+2.2%
Other Houses	+21.7%	+19.2%	+16.3%	+14.9%	+17.8%
Total Luxury Houses	+17.4%	+13.1%	+11.3%	+11.6%	+13.2%
Corporate and other	+21.5%	+16.0%	+24.8%	+5.6%	+16.5%
KERING TOTAL	+17.5%	+13.2%	+11.6%	+11.4%	+13.3%

(1) On a comparable Group structure and exchange rate basis.

Recurring operating income

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Total Luxury Houses	5,042.0	4,238.3	+19.0%	4,191.0
Corporate and other	(263.7)	(243.4)	-8.3%	(247.2)
Recurring operating income	4,778.3	3,994.9	+19.6%	3,943.8
Total Luxury Houses	(707.9)	(613.7)	-15.3%	N/A
Corporate and other	(57.4)	(43.4)	-32.3%	N/A
Fixed portion of lease payments restated under IFRS 16	(765.3)	(657.1)	-16.5%	N/A
Total Luxury Houses	657.8	566.4	+16.1%	N/A
Corporate and other	53.6	39.6	+35.4%	N/A
Depreciation of right-of-use assets (IFRS 16)	711.4	606.0	+17.4%	N/A
Total Luxury Houses	4,991.9	4,191.0	+19.1%	4,191.0
Corporate and other	(267.5)	(247.2)	-8.2%	(247.2)
Adjusted recurring operating income (IAS 17)	4,724.4	3,943.8	+19.8%	3,943.8

The Group's gross margin for 2019 amounted to €11,775 million, up €1,577 million or 15.5% on 2018 (2018 data restated under IFRS 16). Recurring operating expenses increased by 12.8% year on year (2018 data restated under IFRS 16).

Kering's recurring operating income totaled €4,778 million in 2019, up 19.6% on 2018 (IFRS 16-restated data). Recurring operating margin advanced 0.9 percentage points to 30.1%

for the Group as a whole and 0.8 points to 32.8% for the Luxury Houses.

For the purposes of comparison, consolidated recurring operating income for 2019 adjusted based on IAS 17 was 19.8% higher than the reported figure for 2018. Operating margin widened by 0.8 percentage points to 29.7% for the Group and by 0.9 points to 32.5% for the Luxury Houses.

EBITDA

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Recurring operating income	4,778.3	3,994.9	+19.6%	3,943.8
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	1,245.3	1,097.9	+13.4%	491.9
<i>o/w depreciation of right-of-use assets (IFRS 16)</i>	<i>711.4</i>	<i>606.0</i>	<i>+17.4%</i>	<i>N/A</i>
EBITDA	6,023.6	5,092.8	+18.3%	4,435.7

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Total Luxury Houses	6,121.6	5,212.2	+17.4%	4,598.5
Corporate and other	(98.0)	(119.4)	+17.9%	(162.8)
EBITDA	6,023.6	5,092.8	+18.3%	4,435.7
Total Luxury Houses	(707.9)	(613.7)	-15.3%	N/A
Corporate and other	(57.4)	(43.4)	-32.3%	N/A
Fixed portion of lease payments restated under IFRS 16	(765.3)	(657.1)	-16.5%	N/A
Total Luxury Houses	5,413.7	4,598.5	+17.7%	4,598.5
Corporate and other	(155.4)	(162.8)	+4.5%	(162.8)
Adjusted EBITDA (IAS 17)	5,258.3	4,435.7	+18.5%	4,435.7

EBITDA margin widened by 0.6 points compared with 2018 (IFRS 16-restated data), coming in at 37.9%.

For the purposes of comparison, EBITDA margin for 2019 adjusted based on IAS 17 was 33.1%, 0.6 points higher than the reported figure for 2018.

Other non-recurring operating income and expenses

Other non-recurring operating income and expenses consist of unusual items that could distort the assessment of each House's financial performance.

In 2019, "Other non-recurring operating income and expenses" represented a net expense of €168 million and primarily corresponded to €95 million in asset impairment losses, including €76 million recognized by the Group's

Other Houses against goodwill and two brands. The overall net expense figure also includes €29 million in restructuring costs and €44 million in miscellaneous income and expenses, primarily relating to claims and litigation.

In 2018, "Other non-recurring operating income and expenses" represented a net expense of €222 million and primarily corresponded to €140 million in asset impairment losses, of which €88 million is related to the write-down of goodwill and a brand within the Group's Other Houses. The overall net expense figure also includes all of the costs related to the departure of Tomas Maier, Bottega Veneta's Creative Director, as well as restructuring costs incurred within the Other Houses (see Note 10 – Other non-recurring operating income and expenses, to the consolidated financial statements).

Finance costs, net

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Cost of net debt	(52.3)	(74.5)	-29.7%	(77.4)
Other financial income and expenses	(147.6)	(129.9)	+13.6%	(129.9)
Finance costs, net (excluding leases)	(199.9)	(204.4)	-2.2%	(207.3)
Interest expense on lease liabilities ⁽¹⁾	(109.6)	(89.9)	+21.9%	N/A
Finance costs, net	(309.5)	(294.3)	+5.2%	(207.3)

(1) See Note 4 – First-time application of IFRS 16 – Leases, to the consolidated financial statements.

The Group's cost of net debt was €52 million in 2019, 29.7% lower than the €75 million (IFRS 16-restated data) recorded for 2018. This significant improvement was primarily due to the positive impact of the year-on-year reduction in the average amount of outstanding bonds in 2019.

Other financial income and expenses represented a net expense of €148 million in 2019, up 13.6% on 2018 (IFRS 16-restated data). This rise includes a negative currency effect, which led to an increase in the finance cost of currency hedges, and a favorable basis of comparison, as one-off finance costs of €28 million were recognized in 2018 in respect of bonds redeemed ahead of maturity (see Note 11 – Finance costs, net, to the consolidated financial statements).

Income tax expense

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Income before tax	4,300.3	3,478.2	+23.6%	3,514.1
Current tax expense	(2,597.9)	(1,062.4)	+144.5%	(1,062.4)
<i>o/w</i>				
Tax expense relating to the tax settlement in Italy	(904.0)	N/A	N/A	N/A
Deferred tax income (expense)	464.2	203.1	+128.6%	194.7
Income tax expense	(2,133.7)	(859.3)	+148.3%	(867.7)
Effective tax rate	49.6%	24.7%	+24.9 pts	24.7%

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Other non-recurring operating income and expenses	(168.5)	(222.4)	-24.2%	(222.4)
Recurring income before tax	4,468.8	3,700.6	+20.8%	3,736.5
Tax income on other non-recurring operating income and expenses	27.9	36.3	-23.1%	36.3
Tax expense relating to the tax settlement in Italy	(904.0)	N/A	N/A	N/A
Tax expense on recurring income (excluding effect of the tax settlement in Italy)	(1,257.6)	(895.6)	+40.4%	(904.0)
Effective tax rate on recurring income (excluding effect of the tax settlement in Italy)	28.1%	24.2%	+3.9 pts	24.2%

On May 9, 2019, Kering announced that it had concluded a settlement with the Italian Revenue Agency relating to claims vis-à-vis its Swiss subsidiary Luxury Goods International (LGI). The settlement, concluded after in-depth analysis and with a collaborative spirit, acknowledged that the claims raised during the tax audit pertained both to the existence of a permanent establishment in Italy in the period 2011-2017 with the associated profits, and to the transfer prices applied by LGI in the same period with its related party Guccio Gucci S.p.A..

Under the terms of the settlement, additional tax payable amounts to €897 million, plus penalties and interest. The total amount of the settlement is €1.25 billion. The Group drew the necessary conclusions from the settlement in assessing the 2018 tax expense for LGI and Guccio Gucci S.p.A., which was recognized in 2019.

Net of the reversal of the provision booked as of December 31, 2018 in respect of its transfer pricing policy, the total tax expense relating to the tax settlement in Italy was €904.0 million for 2019. The total amount paid out in 2019 for the additional tax due as a result of (i) the agreement entered into with the Italian tax authorities for the period from 2011 through 2017 and (ii) the reassessment of the tax expense for 2018, amounted to approximately €1.61 billion.

Excluding the above-described impacts, the increase in the effective tax rate on recurring income is broadly the result of overhauling the Luxury Houses' business models, particularly in terms of supply chain and logistics.

This change in the Group's business model and value chain will result in a considerable increase in current tax liabilities, as well as deferred tax assets, in terms of recognizing tax loss carryforwards and of temporary differences (see Note 12 – Income taxes, to the consolidated financial statements).

Net income from discontinued operations

In 2019, net income from discontinued operations – which includes the results of the Stella McCartney, Volcom and Christopher Kane brands and the gains/losses recorded on their disposal – amounted to €125 million.

In 2018, this item included PUMA's results as well as the €1,181 million net gain arising on the Group's relinquishment of control of this brand (see Note 13 – Discontinued operations, to the consolidated financial statements).

1.3 Operating performance

Information concerning the breakdown of revenue (by region, product and distribution channel) is set out in Chapter 2.

Luxury Houses

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Revenue	15,382.6	13,246.7	+16.1%	13,246.7
Recurring operating income as a % of revenue	5,042.0 32.8%	4,238.3 32.0%	+19.0% +0.8 pts	4,191.0 31.6%
EBITDA as a % of revenue	6,121.6 39.8%	5,212.2 39.3%	+17.4% +0.5 pts	4,598.5 34.7%
Gross operating investments	651.9	610.3	+6.8%	610.3
Average FTE headcount	30,956	27,057	+14.4%	27,057

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Recurring operating income as a % of revenue	5,042.0 32.8%	4,238.3 32.0%	+19.0% +0.8 pts	4,191.0 31.6%
Fixed portion of lease payments restated under IFRS 16	(707.9)	(613.7)	-15.3%	N/A
Depreciation of right-of-use assets (IFRS 16)	657.8	566.4	+16.1%	N/A
Adjusted recurring operating income (IAS 17) as a % of revenue	4,991.9 32.5%	4,191.0 31.6%	+19.1% +0.9 pts	4,191.0 31.6%

In 2019, the worldwide personal luxury goods market (as presented and defined in Chapter 2 of this Document) grew 4% at constant exchange rates (7% as reported) according to the latest edition of the Bain & Company/Altgamma annual study of the luxury market. These figures represent a slowdown in growth after two strong years (up 5% in 2017 and 6% in 2018), reflecting a less favorable economic and geopolitical environment.

As in 2018, there were contrasting performances between the industry's various players, confirming the trend toward market polarization.

2019 sales trends by region, as estimated by Bain & Company/Altgamma, show that the industry's strong performance is still being led by spending on luxury goods by Chinese customers (accounting for some 35% of the market versus 33% in 2018). Overall, sales for Mainland China jumped 26% at constant exchange rates, driven by Chinese customers shifting their purchases back to their domestic market. In the Asia-Pacific region (excluding Japan and Mainland China) the picture was more mixed, with overall growth of 6% at constant exchange rates. Strong momentum in certain markets, such as South Korea, which was fueled by local spending and, to some extent, purchases by Chinese tourists, was negatively affected by the steep fall in the Hong Kong market. This decline, which began in the summer of 2019, is estimated to amount to 20% for the full year.

Growth in other regions was more contained (between 0% and 4% in Europe, Japan and the Americas), reflecting the more restrained growth potential of mature economies and taking into account the various factors that could affect the industry's performance in those regions, especially tourist numbers.

In the United States (which makes up most of the luxury goods market in the Americas), department store footfall remained sluggish and the rise in the US dollar triggered a sharp drop in tourist purchases, especially by Chinese tourists.

In Japan, market trends were buoyant for the first nine months of 2019 but in the last three months of the year there was less domestic spending following the VAT increase introduced on October 1, 2019. The fourth quarter also saw a net decrease in the numbers of Chinese tourists due to a high basis of comparison with the same period of 2018 as well as the stronger yen.

In Western Europe, market growth was fueled by strong tourism levels (although tourist numbers varied depending on nationality and destination), as well as by slightly positive trends for local spending.

In the world's other regions, geopolitical tension hampered performance in the Middle East and more generally the purchasing behavior of Middle Eastern consumers, both in their domestic market and in Europe.

As in the last two years, the picture was mixed across product categories in 2019. Accessories and jewelry fared well but trends were less favorable for ready-to-wear and negative for the watches market, which is still fragile.

In addition, certain underlying trends that have been shaping the luxury goods market for several years continued in 2019. For example, the fast-paced expansion of e-commerce for luxury brands clearly shows the need for a real omni-channel approach to communications, customer relations and distribution. At the same time, the younger customer base, with an increasing proportion of millennials, is continuing to spur the industry's growth (based on Bain & Company data, the Y and Z generations accounted for almost 40% of the luxury goods market in 2019 in value terms). Asian, and particularly Chinese, customers are still making a significant contribution to the industry's development, and technological innovations and the emergence of new business models are pushing long-standing luxury players to rethink how they address production, distribution and consumption.

Regarding foreign exchange impacts, 2019 saw a fall in the euro against the US dollar and numerous other currencies. Consequently, reported growth for Kering's Luxury Houses came in 290 basis points higher than growth at constant exchange rates. The difference was 340 basis points for the first half alone, as exchange rates were more similar between the second half of 2019 and the second half of 2018.

Revenue

The Group's Luxury Houses posted outstanding revenue growth of 13.2% in 2019 based on a comparable Group structure and exchange rates (16.1% as reported), achieved despite a very high basis of comparison with the previous year, especially for Gucci. This propelled revenue to €15,383 million, up €1,794 million on 2018 excluding the currency effect. The vast majority of Kering's Luxury Houses contributed to the Group's revenue growth in absolute value terms. Gucci accounted for around 60% of the growth figure, but the other brands – especially Yves Saint Laurent and Balenciaga – were also significant contributors. After reaching 15.2% at constant exchange rates in the first six months of the year, revenue growth for the second half came in at 11.4%. This return to more typical growth levels was expected due to high bases of comparison over the past four years (2016 to 2019), with average sales growth for the second-half period being almost the same than for the first half, at around 27%.

Sales in directly operated stores and online sales were close to €12 billion in 2019, up 14.0% year on year on a comparable basis. This increase was driven by strong performances at Gucci, Yves Saint Laurent, Balenciaga and Alexander McQueen, as well as by successful strategic development by the jewelry brands.

Sales in directly operated stores accounted for 78.0% of total revenue generated by the Group's Luxury Houses in 2019, versus 77.2% in 2018. This increase reflects Gucci's weighting within the total revenue figure and the strategy implemented by all of the brands to control more effectively their distribution, including online, and strengthen their exclusivity while prudently managing the expansion of the directly operated store network and the related investments. It also attests to the Group's objective of retaining or developing a network of high-quality wholesalers for a select number of brands and product categories and in certain regions.

Wholesale sales rose 10.4% in 2019, based on comparable data. All of the Group's main wholesale markets enjoyed solid growth, including North America, despite the region's wholesalers being adversely impacted by the more challenging economic environment towards the end of the year. This performance reflects the strong appeal of the Group's brands, resulting in them being showcased by all wholesalers, which have become increasingly selective in their purchasing choices.

Revenue by region

The Group's Luxury Houses registered robust revenue rises in 2019, with the pace of growth remaining higher in emerging markets than mature ones.

Total revenue in emerging markets advanced 17.8% year on year, with the Asia-Pacific region posting a 20.4% rise. Mainland China saw the strongest growth in the Asia-Pacific region, with sales up 35.0% year on year, reflecting the fact that Chinese customers are shifting their purchases back to their domestic market. All of the region's main countries enjoyed growth, except for Hong Kong, where revenue decreased, especially in the second half due to the political tension and demonstrations in the country. South Korea was the star performer, but Taiwan, Singapore and Thailand were also growth drivers for the Asia-Pacific region as a whole.

In mature markets – which represented 59% of Luxury Houses' sales (versus 61% in 2018) – revenue was up 10.3%.

Sales in Western Europe climbed by a brisk 13.7%. Growth in revenue generated with local customers remained solid, and tourist spending helped boost the region's performance, although the contributions were uneven depending on country and nationality. Based on data released by Global Blue, spending by tourists (who used Global Blue's tax-free shopping service) was 10% higher in Europe in 2019 than in 2018, with Italy and the United Kingdom benefiting the most. Broken down by nationality, the figures show a more typical level of growth in spending by Chinese customers and a sales upturn for most other nationalities. Sales to American customers rose sharply in all of the region's markets.

In Japan, revenue rose 5.9% year on year at constant exchange rates. After nine months of strong growth, all of the Group's Luxury Houses in Japan were hit in the fourth quarter by flat-lined domestic spending due to the VAT rise introduced on October 1, 2019 and a marked decline in numbers of Chinese tourists.

In North America, the Group's Luxury Houses delivered 6.7% revenue growth. Performance in this region was hampered by normalizing growth at Gucci in view of extremely high year-on-year bases of comparison. Additionally, many indicators seem to be pointing to a less favorable consumer environment for luxury brands in the US: much lower tourist numbers, for instance (particularly from China and Asia as a whole), as well as

falling retail sales figures over the past few months. At the same time, a sharp rise in spending by Americans in Western Europe may also have held back performance in North America.

Revenue by product category

All of the main product categories saw solid revenue growth in 2019, except for watches, which suffered from a persistently unfavorable market environment. Leather goods and jewelry were the main growth drivers. Sales of shoes were up sharply year on year despite extremely high bases of comparison and fierce competition. Ready-to-wear reported a robust revenue rise, but growth seems to be returning to a more normal level after reaching record highs in 2017 and 2018.

Revenue from royalties was up sharply in 2019, reflecting successful development for eyewear licenses as well as an overall recovery in business levels for fragrance licenses compared with 2018.

Recurring operating income

Recurring operating income for the Group's Luxury Houses totaled €5,042 million in 2019, up by a steep €804 million, or 19.0%, compared with 2018 (IFRS 16-restated data).

Recurring operating margin widened by 80 basis points to 32.8%. Based on data adjusted for IAS 17, recurring operating margin was 32.5% versus 31.6% for 2018.

This further significant increase in profitability was achieved thanks to a very favorable operating leverage effect, with sales growth exceeding rises in cost bases, particularly for Gucci, but also for Yves Saint Laurent and Balenciaga. Exchange rate fluctuations and currency hedges had a slightly positive impact on recurring operating income but their combined effect on recurring operating margin was highly dilutive, making the year-on-year increase in this indicator all the more impressive.

EBITDA for 2019 amounted to €6,122 million versus €5,212 million in 2018 (IFRS 16-restated data), and EBITDA margin edged up to 39.8%.

Store network and operating investments

The Luxury Houses' operating investments – which do not include the vast majority of investments in logistics and information systems centralized by the Corporate entity for all of the brands – totaled €652 million in 2019, €42 million higher than in 2018. As a proportion of revenue, gross operating investments represented 4.2% in 2019. This decrease compared to the 4.6% figure for 2018 was due to the fact that a higher proportion of the investments in 2019 were made by the Corporate entity. Some 58% of the investments made in 2019 were incurred in the second half of the year, resulting in less pronounced seasonal effects than in 2018 thanks to tight management of investment needs and pace.

As of December 31, 2019, the Group's Luxury Houses had a network of 1,381 directly operated stores, including 772 (56%) in mature markets and 609 in emerging markets. Net store additions during the year totaled 103, with around two-thirds of the increase attributable to the scheduled expansion of the Yves Saint Laurent, Balenciaga and Alexander McQueen networks. The objective of

raising the presence of Kering's brands in travel retail and duty-free stores, including by taking operations that were previously controlled by a franchisee back under direct management, is still a key component of the Group's distribution strategy, and is one of the reasons for the current and future increase in the number of points of sale.

Gucci

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Revenue	9,628.4	8,284.9	+16.2%	8,284.9
Recurring operating income as a % of revenue	3,946.9 41.0%	3,295.2 39.8%	+19.8% +1.2 pts	3,275.2 39.5%
EBITDA <i>as a % of revenue</i>	4,463.6 46.4%	3,791.2 45.8%	+17.7% +0.6 pts	3,514.6 42.4%
Gross operating investments	337.3	312.7	+7.9%	312.7
Average FTE headcount	17,157	14,628	+17.3%	14,628

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Recurring operating income <i>as a % of revenue</i>	3,946.9 41.0%	3,295.2 39.8%	+19.8% +1.2 pts	3,275.2 39.5%
Fixed portion of lease payments restated under IFRS 16	(310.0)	(276.6)	-12.1%	N/A
Depreciation of right-of-use assets (IFRS 16)	289.2	256.6	+12.7%	N/A
Adjusted recurring operating income (IAS 17) <i>as a % of revenue</i>	3,926.1 40.8%	3,275.2 39.5%	+19.9% +1.3 pts	3,275.2 39.5%

2019 was another strong year for Gucci, following a two-year period of exceptional growth.

In view of the resulting high bases of comparison, the revenue growth rate is now normalizing, as expected. The same leveling-off can be seen for growth in Gucci's presence on social media, where it still has a highly innovative approach and is one of the most followed luxury brands.

Against a more unsettled backdrop for the luxury industry – which has particularly affected North America – Gucci is systematically pursuing its long-term strategy aimed at sustaining its growth trajectory. Meanwhile, for the mid-term targets it announced in June 2018 at an Investor Day organized by Kering, it has either already achieved them or is close to doing so.

Ensuring the quality and exclusivity of its distribution remains central to Gucci's strategy, in order to continuously enhance customer experience and raise productivity levels for its points of sale. The brand is drawing on a range of drivers to achieve these goals, such as gradually rolling out its new store concept, broadening its travel retail network (a sector in which it is currently under-represented), and continuing to expand online sales. Towards the end of the

year, it also launched a new format of pop-up shops (*Gucci Pin*), where it sells a very carefully selected offering in order to boost its coverage of certain markets.

The brand's creative and merchandising teams work ceaselessly to maximize the growth potential of each product category by constantly adapting the overall offering, focusing on segmentation to reach out to the widest possible range of customers, and optimizing the mix between carryovers and new products. The successful launch of its first collection of High Jewelry showed how the power of the Gucci brand gives it the standing to extend its creative expression into areas that were under-represented in its offering until now.

Gucci has devised a communication policy designed to sustain the brand's desirability and raise engagement from both existing and future customers of all ages and nationalities. Digital communication is proving particularly effective for creating a brand universe that is both unique and inclusive, and Gucci is significantly stepping up its investment in digital so it can remain a top player in this domain.

Lastly, with the Group's support, Gucci is pursuing its aim of rendering its supply chain, logistics solutions and information systems more agile, responsive, and able to absorb rising demand and support the omni-channel model. In parallel, work is in progress to integrate more closely the brand's product development and manufacturing processes, while taking care to minimize the impact that such major changes to its operating model could have on its business.

Revenue

Gucci posted €9,628 million in revenue in 2019, up 13.3% year on year at comparable exchange rates (16.2% as reported). This represents a remarkable performance given the high bases of comparison resulting from the very strong growth that the brand has delivered since the beginning of its rejuvenation in mid-2016. Between 2016 and 2019, Gucci more than doubled its sales.

Retail sales generated in directly operated stores advanced 13.2% at constant exchange rates in 2019. This was achieved on a practically same-store basis, thanks to the brand's stores turning in higher results for the vast majority of retail KPIs.

Sales generated in the wholesale network climbed 13.4% comparable, with the number of points of sale remaining relatively stable year on year and all of the brand's main markets making positive contributions.

Revenue by region

In view of the proportion of Gucci's sales that are generated in directly operated stores (85.3% in 2019), the following revenue analysis by region only concerns the retail business.

In emerging markets, revenue rose 7.6% at constant exchange rates. Western Europe led the way, with a 12.9% revenue increase as tourist sales continued to grow.

In Japan, after a strong sales increase in the first nine months of the year, weak consumer spending in the fourth quarter weighed on full-year revenue growth, which came in at 6.1%.

Conversely, North America saw more buoyant sales in the last three months of 2019, bringing the region's full-year revenue growth to 2.0%. 2019 trends in North America were adversely affected by a generally weaker consumer environment in the United States, as well as factors specific to the brand, such as extremely high bases of comparison from 2017 and 2018 during which Gucci's cumulative growth was around 100%. Action plans have been put in place to re-energize the brand's business in this region, particularly since September.

In emerging markets, revenue jumped 20.3% at constant exchange rates, largely fueled by Gucci's excellent performance in the Asia-Pacific region (excluding Japan) where revenue was up 22.4% year on year. Strong sales momentum with local customers drove very solid growth in Mainland China. At the same time, sales to Chinese customers contributed to the good performances delivered by Asia-Pacific's other markets (except for Hong Kong), which were also buoyed by high domestic demand, especially in South Korea.

Revenue by product category

All of the brand's main product categories registered sales increases in 2019 in directly operated stores. The proportion of carryovers held firm at the target level set by Gucci for all of its product categories.

This proportion was naturally higher for leather goods, which was the product category that posted the briskest sales during the year, reflecting general market trends.

Sales growth for shoes and ready-to-wear was very solid, but leveled off as expected, as these two categories spearheaded Gucci's new design aesthetic three years ago and were therefore the first to fully benefit from the brand's turnaround.

Other product categories – including jewelry – recorded outstanding performances in 2019, demonstrating Gucci's brand appeal and its ability to extend its creative expression into all possible areas.

Royalties saw very solid growth in 2019, due to a buoyant showing from eyewear (licensed to Kering Eyewear), and very encouraging launches for Coty's fragrances business, despite a downturn towards the end of the year attributable to the wholesale network's delivery schedule.

Recurring operating income

Gucci's recurring operating income amounted to €3,947 million for 2019, representing a 19.8% increase on 2018 (IFRS 16-restated data), and recurring operating margin widened by 120 basis points to 41.0%. The brand's performance was just as robust based on figures adjusted for IAS 17, as on this basis its recurring operating margin came to 40.8%, up 130 basis points year on year.

This further improvement in profitability was due to an ongoing favorable leverage effect as revenue grew faster than operating expenses. This was the case despite the fact that Gucci continued to make investments during the year to support its development by raising its expenses related to retail, communications and information systems, in line with the industry's accelerating digital transformation. This leverage effect was less pronounced in the second half than in the first six months since some investments were amplified after the summer and sales growth gradually began to normalize.

Gucci's EBITDA for 2019 stood at €4,464 million, with an EBITDA margin of 46.4%, up by 60 basis points. Based on IAS 17-adjusted data, EBITDA came to €4,154 million, with an EBITDA margin of 43.1% (70 basis points higher than in 2018).

Store network and operating investments

As of December 31, 2019, Gucci operated 487 stores directly, including 207 in emerging markets. A net 18 new stores were added during the year. The brand now has an overall network that is adapted to its operations in terms of store numbers but it is continuing to identify opportunities for improving its distribution in certain regions and sales channels, such as in travel retail. Apart from these targeted openings, Gucci's focus is still on increasing organic growth by pursuing its refurbishment program for existing stores. As of December 31, 2019, around 60% of the store network had adopted the new concept.

Gucci's gross operating investments amounted to €337 million in 2019, up only 7.9% on 2018. The 2019 figure mostly corresponds to the refurbishment program aimed at introducing the new store concept across the brand's entire network. As anticipated, and in line with 2017 and 2018, Gucci's operating investments were particularly concentrated on the second half of the year (accounting for some 63% of the total).

Yves Saint Laurent

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Revenue	2,049.1	1,743.5	+17.5%	1,743.5
Recurring operating income	562.2	468.4	+20.0%	459.4
<i>as a % of revenue</i>	<i>27.4%</i>	<i>26.9%</i>	<i>+0.5 pts</i>	<i>26.3%</i>
EBITDA	733.7	608.3	+20.6%	502.8
<i>as a % of revenue</i>	<i>35.8%</i>	<i>34.9%</i>	<i>+0.9 pts</i>	<i>28.8%</i>
Gross operating investments	98.0	89.0	+10.1%	89.0
Average FTE headcount	3,606	3,087	+16.8%	3,087

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Recurring operating income	562.2	468.4	+20.0%	459.4
<i>as a % of revenue</i>	<i>27.4%</i>	<i>26.9%</i>	<i>+0.5 pts</i>	<i>26.3%</i>
Fixed portion of lease payments restated under IFRS 16	(126.8)	(105.5)	-20.2%	N/A
Depreciation of right-of-use assets (IFRS 16)	117.1	96.5	+21.3%	N/A
Adjusted recurring operating income (IAS 17)	552.5	459.4	+20.3%	459.4
<i>as a % of revenue</i>	<i>27.0%</i>	<i>26.3%</i>	<i>+0.7 pts</i>	<i>26.3%</i>

Yves Saint Laurent continued on the growth path in 2019, both for sales and profitability. Its teams are rigorously and effectively implementing the strategy that has been mapped out for the brand and are actioning all of the requisite measures to ensure the success of the collections designed by Anthony Vaccarello.

Thanks to this work, revenue topped the €2 billion mark in 2019, and recurring operating margin exceeded 27%. And the House has the potential to grow even more, in view of Yves Saint Laurent's heritage, its indisputable position as a flagship brand in the world of fashion and luxury, and its successful business development over the past few years.

In order to tap this potential, Yves Saint Laurent's teams need to successfully carry out many major projects, a large number of which were already underway in 2019, such as optimizing the ready-to-wear merchandising strategy, upgrading the supply chain, and increasing the internalization of product development and production processes. Another key objective for Yves Saint Laurent is to improve distribution, both in-store and online. Kering is giving its full support to all of these transformation measures. For example, the brand is reaping the benefits of the investments made by the Group to optimize its information systems and logistics organization and to internally develop an e-commerce platform in view of the upcoming end of the partnership forged in 2012 with Yoox Net-A-Porter.

Revenue

Despite a high basis of comparison after eight consecutive years of close to or higher than 20% growth, Yves Saint Laurent delivered a remarkable performance in 2019, with sales advancing 14.4% at constant exchange rates to €2,049 million.

Revenue from directly operated stores climbed 15.7% on a comparable basis. After a very strong first half, business tapered off in the third quarter, particularly as the sales decline in Hong Kong could not be fully offset by revenue growth in Mainland China, where Yves Saint Laurent's distribution network in the main cities is not yet sufficiently developed or mature. Trends then swung back up in the fourth quarter, with more Chinese tourists making purchases in other countries in the Asia-Pacific region and more effective clienteling in Western Europe.

Sales generated in the wholesale network advanced 10.6% on a comparable basis in 2019. The wholesale channel remains strategically important for Yves Saint Laurent as it perfectly complements its retail business. However, the brand is keeping a very close eye on the quality and exclusivity of its distribution network and is focusing its wholesale business on a limited number of distributors.

Revenue by region

In view of the proportion of Yves Saint Laurent's sales that are generated in directly operated stores (69.2% in 2019), the following revenue analysis by region only concerns the retail business.

Yves Saint Laurent notched up revenue rises across all of its main host regions in 2019.

Sales in its heritage markets rose 17.3% on a comparable basis.

As in 2018, year-on-year growth was particularly buoyant in North America, coming in at 23.1% on a comparable basis. The performance was driven by very solid sales momentum in existing stores thanks to the brand's high-quality teams, as well as by new store openings and certain customers shifting their purchases from department stores.

In Western Europe, revenue grew 16.8%, fueled by the brand's appeal among tourists and generally high domestic demand.

In Japan, after an exceptional performance in 2018, which resulted in high bases of comparison, the gradual decrease in the numbers of Chinese tourists in 2019 and an eroded consumer environment in the fourth quarter hampered overall sales growth. However, the brand still recorded a 7.6% comparable-basis increase.

In emerging markets, sales generated in directly operated stores were up 13.1% year on year. In the Asia-Pacific region (which accounts for most sales in emerging markets), growth (13.2%) was robust in the brand's main markets apart from Hong Kong and Macao. As stated above, the sales decline in Hong Kong could not be fully offset by growth in the region's other countries.

The wholesale network delivered particularly strong showings in Western Europe. In North America, the brand's growth rate began to normalize against a less favorable market backdrop for big retailers.

Revenue by product category

As in 2018, the leather goods category was Yves Saint Laurent's main growth driver, propelled by the initiatives taken over the last several years to constantly renew and refresh this offering, with a specially dedicated creative team. This has helped the brand to both attract new customers and retain existing customers in all of its markets.

Ready-to-wear – which continued to occupy an essential place in the brand's offering – once again saw a fairly balanced weighting of sales between women's and men's collections. In 2018, Yves Saint Laurent launched a project to change its merchandising strategy with the aim of making its ready-to-wear offering and price architecture more relevant. This strategic work – which is a long-term project – was radically stepped up in the second half of 2019. It is being honed collection by collection and is already starting to pay off in some of the brand's main markets.

Yves Saint Laurent's third-leading product category – shoes – continued to be affected by relatively weak sales in the Middle East, which is a key market for women's shoes, as well as by the under-representation of sneakers in the offering (a deliberate choice made by the brand).

Licensed product categories (L'Oréal and Kering Eyewear) turned in very good performances during the year in view of their maturity and their already very significant size in their respective markets.

Recurring operating income

Yves Saint Laurent ended 2019 with recurring operating income of €562 million, versus €468 million in 2018 (as restated for the impacts of IFRS 16), representing a year-on-year increase of 20.0%.

Recurring operating margin was up 50 basis points to 27.4%. Adjusted recurring operating income under IAS 17 totaled €553 million, and adjusted recurring operating margin widened by 70 basis points to 27.0%.

This further year-on-year improvement is in line with the goals and growth trajectory the brand has set itself. It also demonstrates how Yves Saint Laurent has now reached critical scale, enabling it to capitalize on its operating leverage while also increasing the operating expenses that are essential for its short- and medium-term development.

EBITDA rose by €125 million to €734 million, and EBITDA margin was 35.8% (adjusted EBITDA margin under IAS 17 was 29.6%, versus 28.8% as reported in 2018).

Store network and operating investments

As of December 31, 2019, Yves Saint Laurent directly operated 222 stores, including 102 in emerging markets. There were 28 net store openings during the year, half of which correspond to points of sale in department stores or airports. These openings were in line with the brand's development and store network expansion plan.

The new stores opened during the year include the Saint Laurent Rive Droite boutique located on rue Saint Honoré in Paris (which formerly housed the legendary Colette concept store). This boutique is based on a

different format that fuses creative and cultural components, with a wider, more inclusive offering to spur ready-to-wear sales.

Yves Saint Laurent's gross operating investments rose during the year to €98 million from €89 million in 2018. This investment drive, which reflects the brand's store opening and relocation policy, remains consistent with the House's strategy: when expressed as a percentage of revenue, gross operating investments were, in fact, contained to slightly less than 5% of sales.

Bottega Veneta

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Revenue	1,167.6	1,109.1	+5.3%	1,109.1
Recurring operating income as a % of revenue	215.2 18.4%	251.2 22.6%	-14.3% -4.2 pts	242.0 21.8%
EBITDA as a % of revenue	374.3 32.1%	405.5 36.6%	-7.7% -4.5 pts	284.3 25.6%
Gross operating investments	57.8	68.6	-15.7%	68.6
Average FTE headcount	3,754	3,574	+5.0%	3,574

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Recurring operating income as a % of revenue	215.2 18.4%	251.2 22.6%	-14.3% -4.2 pts	242.0 21.8%
Fixed portion of lease payments restated under IFRS 16	(120.2)	(121.2)	+0.8%	N/A
Depreciation of right-of-use assets (IFRS 16)	112.4	112.0	+0.4%	N/A
Adjusted recurring operating income (IAS 17) as a % of revenue	207.4 17.8%	242.0 21.8%	-14.3% -4.0 pts	242.0 21.8%

The appointment of Daniel Lee as Creative Director in June 2018, followed by Bartolomeo Rongone as CEO from September 1, 2019, opened a new chapter in Bottega Veneta's history, with a return to growth.

Daniel Lee's debut runway show in February 2019 at Milan's Women's Fashion Week and the arrival in stores of the Fall pre-collection in the second quarter of the year clearly marked a turning point in how the brand is perceived. Bottega Veneta's new creative direction was rewarded by heightened interest in its new collections from the media, wholesalers and customers. And at The Fashion Awards held in London in December 2019, Bottega Veneta and Daniel Lee walked away with four awards.

The brand's radical transformation intensified in 2019, with major investments undertaken to action measures aimed at developing its offerings in all product categories, rejuvenating and broadening its customer base, raising brand awareness – especially in mature markets – and enhancing customers' in-store experience.

This strategy already began to pay off during the year but it is also part of Bottega Veneta's long-term roadmap. The brand is currently overhauling its structures – particularly related to product development and production – to adapt them to the new challenges it is facing, such as reducing design lead times for new collections and expanding product categories that are currently under-developed. The pressure of these changes on the supply chain could give rise to delays in delivery schedules as well as performance volatility – albeit contained – from one period to another.

Revenue

Bottega Veneta generated revenue of €1,168 million in 2019, up 2.2% based on comparable data and 5.3% as reported. After retreating in the first half of the year – particularly in the first few months – revenue swung up in the second half, advancing 8.2% at constant exchange rates on the back of the growing appeal of the brand's new collections.

With a view to preserving its high-end positioning and exclusivity, Bottega Veneta's preferred distribution channel is its directly operated stores, which accounted for 81.1% of the brand's total sales in 2019.

Revenue from retail sales in directly operated stores rose 1.3% for the year as a whole and 7.2% in the second half. Momentum in the second half was especially strong in mature markets and for the brand's online distribution channel.

Wholesale sales were up 6.8%, thanks to faster growth in the second half as a result of orders taken for new collections. This very solid performance was achieved against a backdrop of gradually replacing old collections with new ones, and came after two years of reorganizing this distribution channel with a view to only working with best-in-class partners and minimizing the risk of saturating points of sale.

Revenue by region

In view of the proportion of Bottega Veneta's sales that are generated in directly operated stores, the following revenue analysis by region only concerns the retail business.

The brand's new women's collections – in leather goods, ready-to-wear and shoes – have proved particularly popular in mature markets.

In Western Europe, for example, sales climbed 7.4% at constant exchange rates, with a very significant contribution from local customers. The trend was similar in North America, where comparable-basis sales were up 5.7%, primarily thanks to American customers, as tourist numbers were lower during the year. Conversely, in Japan sales contracted 5.0% on a comparable basis, weighed down by performance in the fourth quarter and the fact that the brand's new creative aesthetic is taking longer to be accepted in Japan than in other countries, which was also the case for Gucci in 2016 and 2017 when it carried out its stylistic revolution.

In emerging markets, Bottega Veneta's sales inched down 0.7% year on year based on comparable data. They picked up sharply in the second half, however, as illustrated by the buoyant fourth-quarter revenue generated in Mainland China and South Korea – the brand's two main emerging markets. Nonetheless, it suffered from exposure to Hong Kong – a legacy market for the brand, which made up around 9% of its in-store sales in 2018 – although the downturn observed since the summer of 2019 seems to be in line with the overall market trend.

Revenue by product category

The leather goods category – which is still Bottega Veneta's core business, accounting for almost 83% of its total sales, including to wholesalers – posted a slight revenue increase for the year as a whole, with very positive trends in the second half. New lines (*The Pouch*, *Maxi Cabat* and *Arco*) delivered excellent showings, which more than offset the revenue attrition for collections launched before Daniel Lee's arrival. Growth in women's leather goods – the first product category to benefit from the brand's revisited offerings – is currently outpacing that of leather goods collections for men.

Revenue for all of Bottega Veneta's other categories rose sharply in 2019, buoyed by the success of its women's ready-to-wear and shoes collections.

Recurring operating income

Bottega Veneta's recurring operating income for 2019 totaled €215 million, down €36 million on 2018 (IFRS 16-restated data). Recurring operating margin narrowed by 420 basis points to 18.4%, mainly due to the targeted and controlled increase in certain operating expenses required for the brand's transformation and relaunch processes. Product development, store network management, marketing and communication costs increased significantly year on year, but other expenses were tightly controlled. Although this investment phase is weighing on Bottega Veneta's profitability, it is needed in order to make the brand's revamping a lasting success.

Adjusted figures under IAS 17 show the same trends, with a recurring operating income of €207 million, down 14.3%, and margin of 17.8%, down 400 basis points.

EBITDA totaled €374 million (€254 million for IAS17-adjusted EBITDA). EBITDA margin narrowed by 450 basis points to 32.1% (IAS 17-adjusted EBITDA margin was 21.8%, versus 25.6% as reported in 2018).

Store network and operating investments

As of December 31, 2019, Bottega Veneta had 268 directly operated stores, including 125 in emerging markets. There were 13 net store openings during the year. The majority of these openings correspond to targeted new points of sale in department stores and airports as well as taking back under direct control operations that were previously managed by franchisees in certain regions. The brand is also pursuing its strategy of progressively opening new flagship stores and relocating or renovating its existing stores.

Against this backdrop, Bottega Veneta's operating investment budget remained relatively high (at 5.0% of revenue), but it was lower than in 2018. Altogether, gross operating investments totaled €58 million, compared with €69 million in 2018.

Other Houses

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Revenue	2,537.5	2,109.2	+20.3%	2,109.2
Recurring operating income as a % of revenue	317.7 12.5%	223.5 10.6%	+42.1% +1.9 pts	214.4 10.2%
EBITDA <i>as a % of revenue</i>	550.0 21.7%	407.2 19.3%	+35.1% +2.4 pts	296.8 14.1%
Gross operating investments	158.8	140.0	+13.4%	140.0
Average FTE headcount	6,439	5,769	+11.6%	5,769

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Recurring operating income <i>as a % of revenue</i>	317.7 12.5%	223.5 10.6%	+42.1% +1.9 pts	214.4 10.2%
Fixed portion of lease payments restated under IFRS 16	(150.9)	(110.4)	-36.7%	N/A
Depreciation of right-of-use assets (IFRS 16)	139.1	101.3	+37.3%	N/A
Adjusted recurring operating income (IAS 17) <i>as a % of revenue</i>	305.9 12.1%	214.4 10.2%	+42.7% +1.9 pts	214.4 10.2%

Revenue

Overall revenue generated by the Other Houses advanced 17.8% on a comparable basis in 2019, reaching €2,538 million.

This excellent performance was mainly led by Balenciaga and Alexander McQueen, which both enjoyed a brisk pace of sales throughout the year. The Group's jewelry brands also posted robust revenue rises in 2019, despite their fourth-quarter figures being hit by falling demand in Japan. The watches brands were adversely impacted by their persistently fragile market and the fact that they have embarked on a new phase in streamlining their offerings and distribution channels.

In light of the sustained growth experienced by the brands focused on exclusive distribution in both 2018 and 2019, the proportion of sales generated in directly operated stores increased significantly to 56% (51% in 2018). This distribution channel, which is the main channel used by the Group's Other Houses, registered 28.7% sales growth on a comparable basis in 2019, with a good balance between the first and second halves of the year. This strong showing was propelled by the excellent performances turned in by Balenciaga and Alexander McQueen. Retail revenue once again decreased at Brioni, mainly due to its reduced number of stores.

Sales in the wholesale network rose 7.4% on a comparable basis versus 2018, reflecting a high basis of comparison and the fact that a number of wholesale points of sale have been converted into directly operated stores.

Revenue by region

Sales for the Other Houses were up across all of the Group's main regions in 2019. Performances remained balanced overall between mature and emerging markets, demonstrating the brands' appeal and their development potential.

In mature markets, revenue advanced 16.4% at constant exchange rates. In Western Europe, the increase was 17.6%. In Japan and North America, the Other Houses turned in very positive performances, with sales up 14.3% for both regions, despite a more mixed market environment in the United States and the slowdown in Japan in the fourth quarter.

In emerging markets, year-on-year growth was 21.0%, mirroring the trends seen in the Asia-Pacific region (excluding Japan). Mainland China, South Korea and Australia saw the strongest growth in this region, whereas revenue unsurprisingly declined in Hong Kong.

Revenue by product category

Apart from the watches brands, which suffered the effects of a weak market, all of the product categories registered strong revenue growth.

The shoes category was once again the star performer, in line with general market trends in the luxury industry, although ready-to-wear and leather goods also had a very good year.

Jewelry and high jewelry delivered very solid showings in 2019, fueled by the successful implementation of the development plans at Boucheron and Qeelin and steadily rising sales at Pomellato.

Recurring operating income

Recurring operating income for the Other Houses topped the €300 million mark in 2019, climbing €94 million (or 42.1%) compared with the 2018 figure (as restated under IFRS 16) to €318 million.

Recurring operating margin widened by 190 basis points to 12.5%. Adjusted IAS 17 figures show an equivalent increase, with recurring operating margin rising from 10.2% to 12.1%.

This year-on-year increase partly stemmed from Balenciaga's and Alexander McQueen's rapid growth and ensuing operating leverage. However, it was also due to losses being curtailed both at Boucheron (after two years of investments) and at Brioni, whose restructuring is now beginning to bear fruit.

EBITDA came in at €550 million, up €143 million on 2018, and EBITDA margin widened by 240 basis points to 21.7%. Adjusted under IAS 17, EBITDA stood at €399 million or 15.7% of revenue (versus 14.1% in 2018).

Store network and operating investments

The Other Houses directly operated 404 stores as of December 31, 2019, or 44 units more than at December 31, 2018. This rise was due to openings carried out mainly by Balenciaga and Alexander McQueen as part of their respective strategies to expand their exclusive distribution networks. Brioni, meanwhile, continued its strategy of reducing its points of sale in order to concentrate distribution on its most profitable stores.

As of December 31, 2019, the network comprised 229 stores in mature markets and 175 in emerging markets.

Gross operating investments for the Other Houses totaled €159 million, up €20 million on 2018, with the bulk (61%) concentrated in the second half, as in the previous year. As a percentage of revenue, the Other Houses' gross operating investments were slightly lower than in 2018.

The Other Houses performed as follows in 2019, beginning with the brands in the Couture and Leather Goods Division:

- Alexander McQueen pursued its strategy of enhancing its collections in all of its product categories. Ready-to-wear remained at the heart of the brand's identity, with constant emphasis on exacting quality and design, while reaching out through a broader offering. During the year, Alexander McQueen continued to develop other categories, such as shoes – a category in which the brand has won sizable market share. It also extended its store network with targeted openings that helped drive strong sales growth. As a whole, the House – which also includes the McQ line, which is positioned in the accessible luxury segment and has embarked on a radical transformation process – posted revenue of over €500 million and kept up a very satisfactory level of recurring operating margin;

- for Balenciaga, 2019 was another year of very strong growth, with sales well above the €1 billion mark. Drawing on this sales success and its acclaimed runway shows, Balenciaga invested throughout the year to position the House at the very top in terms of creativity, renown and distribution. The brand notably further increased the proportion of exclusive distribution by opening new stores, bringing back in-house the management of its stores in the Middle East, and successfully continuing to develop its online sales. Thanks to its high revenue growth, Balenciaga enjoyed a strong leverage effect during the year, which resulted in a slight rise in recurring operating margin despite outlay incurred on strengthening its organizational processes and structures;
- Brioni managed to contain its losses in 2019 against a backdrop of declining sales. It continued to streamline its distribution channels during the year, both in terms of directly operated stores and the wholesale network, and also worked on optimizing its production organization processes. Thanks to all of these efforts, the House is now well positioned for a turnaround, with 2020 being its 75th anniversary and Brad Pitt taking on the role of the brand's new ambassador.

For the jewelry brands, 2019 was another year of expansion and investment, in line with their respective strategic plans:

- having celebrated its 160th anniversary in 2018, Boucheron had another action-packed year in 2019, with the opening of new stores, special events for existing collections, the launch of the new *Jack de Boucheron* collection, successful new high jewelry pieces and an intensification of its communication campaigns. The House registered very robust sales growth and scaled back its losses, in line with its relaunch plan;
- Pomellato also posted very solid growth in sales and recurring operating income in 2019. The brand devoted its investments during the year to controlled expansion of its store network as well as to communication campaigns related to its iconic collections and the launch of the *Brera* line. For DoDo – whose business was concentrated on its heritage markets and main product lines – 2019 was a transition year;
- despite the downturn in the luxury goods market in Hong Kong during the second half, Qeelin had an excellent year in 2019, thanks to its rapid expansion in Mainland China and ever-growing acclaim in the Asia-Pacific region.

Since 2018, the Girard-Perregaux and Ulysse Nardin watches brands have been placed under the direction of one management team and have rethought their organizational structures in order to optimize synergies. In 2019, in a persistently difficult market environment for watches, these brands continued to streamline and renew their offerings while reconfiguring their distribution networks.

Corporate and other

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Recurring operating income (loss) (excluding corporate long-term incentive plans)	(195.5)	(179.3)	+9.0%	(183.1)
Cost of corporate long-term incentive plans	(68.2)	(64.1)	+6.4%	(64.1)
Recurring operating income (loss)	(263.7)	(243.4)	+8.3%	(247.2)

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Recurring operating income (loss)	(263.7)	(243.4)	+8.3%	(247.2)
Fixed portion of lease payments restated under IFRS 16	(57.4)	(43.4)	+32.3%	N/A
Depreciation of right-of-use assets (IFRS 16)	53.6	39.6	+35.4%	N/A
Adjusted recurring operating income (IAS 17)	(267.5)	(247.2)	+8.2%	(247.2)

The “Corporate and other” segment comprises (i) Kering’s corporate departments and headquarters teams, (ii) Shared Services, which provide a range of services to the brands, (iii) the Kering Sustainability Department, and (iv) the Kering Sourcing Department (KGS), a profit center for services that it provides on behalf of non-Group brands, such as the companies making up the former Redcats group.

In addition, since January 1, 2017, Kering Eyewear’s results have been reported within the “Corporate and other” segment.

Kering Eyewear’s sales advanced by a robust 17.8% at constant exchange rates in 2019 to €596 million, notably fueled by its takeover of the Montblanc and Balenciaga licenses. Kering Eyewear contributed €474 million to consolidated revenue for 2019 (after eliminating intra-group sales and royalties paid to the Group’s brands), representing an 18.2% year-on-year increase at constant exchange rates.

Excluding sales to major international distributors and stores operated by the Group’s brands (which, combined, accounted for 34% of Kering Eyewear’s sales), EMEA was once again Kering Eyewear’s main market, followed by the Americas, with both of these regions each making up around 50% of total revenue. In terms of distribution channels, local chains and the three “Os” (Opticians, Optometrists and Ophthalmologists) constitute the main sales channel for Kering Eyewear (representing almost 50% of total sales). As was the case in 2018, this channel is growing fast, testifying to the efficient sales structure put in place by Kering Eyewear.

Despite recognizing the amortization expense on the portion of the indemnity paid to Safilo for the early termination of the Gucci license – which was capitalized in the Group’s statement of financial position in an amount of €29 million as of December 31, 2018 and is being amortized over a residual period of approximately two years – Kering Eyewear ended 2019 with a recurring operating income figure that was not only positive but also significantly higher than in 2018.

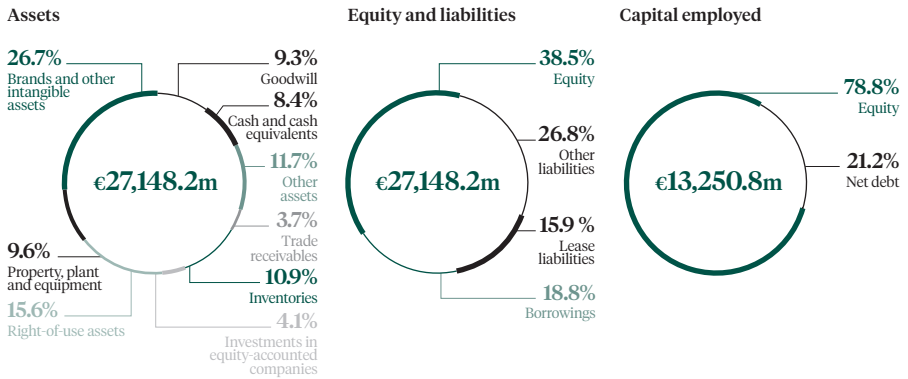
Overall, net costs recorded by the “Corporate and other” segment for 2019 came to approximately €264 million, €21 million higher than the 2018 figure (restated for the impacts of IFRS 16).

The cost of long-term incentive plans, including those of corporate officers, rose by €4 million, in view of the rise in Kering’s share price in 2019, particularly in the second half of the year.

Other Corporate costs, net of the positive contributions by KGS and Kering Eyewear, were 90% higher year on year, due to the development of new functions, notably to lead the Group’s digital and innovation initiatives.

Gross operating investments amounted to €304 million, up €86 million on the 2018 figure (€116 million adjusted for the payment in 2018 of the final installment of the compensation due to Safilo for the early termination of the Gucci license). This year-on-year increase primarily reflects measures undertaken concerning logistics matters handled by the Corporate team on behalf of the brands, but also includes the impact of continued efforts to accelerate projects to upgrade all of the Group’s information systems. Despite the high proportion of the Group’s operating investments incurred by the Corporate entity (almost a third of the total budget), the Group managed to contain its overall investments at around 6.0% of consolidated revenue, more or less unchanged from 2018. This was achieved thanks to tight management and prioritization of projects concerned throughout 2019.

1.4 Financial structure as of December 31, 2019



Condensed statement of financial position

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018	First-time application of IFRS 16	Change
Goodwill	2,525.9	2,399.2		126.7
Brands and other intangible assets	7,260.5	7,393.6	(144.7)	11.6
Right-of-use assets	4,246.7	N/A	3,759.1	487.6
Property, plant and equipment	2,619.3	2,228.5	(120.2)	511.0
Investments in equity-accounted companies	1,105.3	1,074.7		30.6
Other non-current assets	1,844.8	1,200.6		644.2
Non-current assets	19,602.5	14,296.6	3,494.2	1,811.7
Inventories	2,959.2	2,414.7		544.5
Trade receivables	996.0	849.5		146.5
Cash and cash equivalents	2,285.9	2,216.6		69.3
Other current assets	1,298.5	1,051.0	(45.8)	293.3
Current assets	7,539.6	6,531.8	(45.8)	1,053.6
Assets held for sale	6.1	539.1		(533.0)
TOTAL ASSETS	27,148.2	21,367.5	3,448.4	2,332.3
Equity attributable to owners of the parent	10,278.1	9,905.9		372.2
Equity attributable to non-controlling interests	160.5	155.7		4.8
Total equity	10,438.6	10,061.6	-	377.0
Non-current borrowings	3,122.2	3,171.6	(42.8)	(6.6)
Non-current lease liabilities	3,598.6	N/A	3,177.2	421.4
Other non-current liabilities	1,841.3	1,723.8		117.5
Non-current liabilities	8,562.1	4,895.4	3,134.4	532.3
Current borrowings	1,975.9	756.4	(35.9)	1,255.4
Current lease liabilities	720.0	N/A	552.9	167.1
Other current liabilities	5,450.8	5,465.5	(203.0)	188.3
Current liabilities	8,146.7	6,221.9	314.0	1,610.8
Liabilities associated with assets held for sale	0.8	188.6		(187.8)
TOTAL EQUITY AND LIABILITIES	27,148.2	21,367.5	3,448.4	2,332.3

Net debt

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018	First-time application of IFRS 16	Change
Gross borrowings	5,098.1	3,928.0	(78.7)	1,248.8
Cash	(2,285.9)	(2,216.6)		(69.3)
Net debt	2,812.2	1,711.4	(78.7)	1,179.5

Capital employed

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018	First-time application of IFRS 16	Change
Total equity	10,438.6	10,061.6	-	377.0
Net debt	2,812.2	1,711.4	(78.7)	1,179.5
Capital employed	13,250.8	11,773.0	(78.7)	1,556.5

1.5 Comments on the Group's financial position

Brands

As of December 31, 2019, the value of brands net of deferred tax liabilities amounted to €5,226 million, compared with €5,269 million as of December 31, 2018.

Operating infrastructure

	Owned outright	Leased	2019	2018 Restated ⁽¹⁾	2018 Reported
Stores	64	1,317	1,381	1,278	1,439
Logistics units	12	84	96	78	109
Production units & other	37	263	300	244	101

(1) The methodology for identifying the number of operating infrastructures was revised in 2019, with restated comparative data for 2018.

Current assets (liabilities)

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018	First-time application of IFRS 16	Translation adjustments and other	Cash flow
Inventories	2,959.2	2,414.7		37.7	506.8
Trade receivables	996.0	849.5		18.7	127.8
Trade payables	(808.7)	(745.8)		0.4	(63.3)
Net current tax receivables (payables)	(1,080.8)	(1,212.7)		(165.7)	297.6
Lease liabilities	(720.0)	N/A	(552.9)	(798.3)	631.2
Other current assets (liabilities), net	(2,037.9)	(2,191.7)	157.2	62.5	(65.9)
Current assets (liabilities)	(692.2)	(886.0)	(395.7)	(844.7)	1,434.2

Fluctuations in exchange rates during 2019 had an overall €18 million positive impact on the value of net current assets (liabilities). The effect on inventories was €29 million.

Changes in inventories resulted in a net cash outflow of €507 million in 2019. This year-on-year increase was due to higher volumes of purchases made by the Group's main Luxury Houses, in order to support sales growth as inventories were rebuilt after the low point reached at the end of 2018.

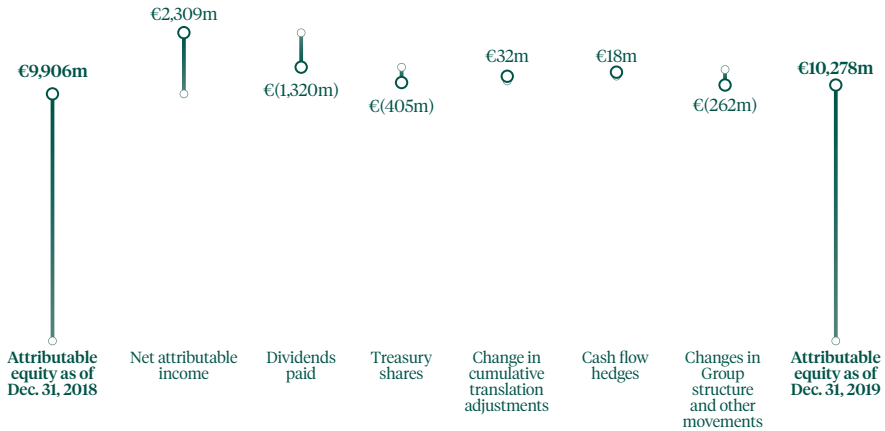
The contained increase in trade receivables led to a €128 million net cash outflow, reflecting growth in wholesale sales, notably for Gucci and Kering Eyewear.

Trade payables rose only very slightly in 2019, generating a €63 million net cash inflow.

Net current tax payables rose by €298 million due to the higher taxes resulting from the reshuffling currently under way of the Luxury Houses' supply chain and logistics operations.

Equity

As of December 31, 2019, equity attributable to owners of the parent totaled €10,278 million, €372 million higher than as of December 31, 2018 (€9,906 million).



As of December 31, 2019, Kering SA's share capital amounted to €505,117,288, comprising 126,279,322 fully paid-up shares with a par value of €4 each, unchanged from December 31, 2018. As of December 31, 2019 and December 31, 2018, Kering held no shares in treasury in connection with the liquidity agreement. However, as part of the stock repurchase program authorized at the April 26, 2018 and April 24, 2019 Annual General Meetings, Kering purchased 832,389 of its own shares in 2019, and

the total number of shares still held in treasury at the year end was 1,261,406. The repurchased shares will be canceled during 2020.

As of December 31, 2019, equity attributable to non-controlling interests stood at €161 million, versus €156 million as of December 31, 2018 (see Note 26 – Equity, to the consolidated financial statements).

1.6 Comments on movements in net debt

Breakdown of net debt

The Group's net debt stood at €2,812 million as of December 31, 2019, up on the December 31, 2018 figure of €1,711 million and breaking down as follows:

(in € millions)	Dec. 31, 2019	Dec. 31, 2018	First-time application of IFRS 16	Change
Bonds	3,147.8	2,836.2		311.6
Bank borrowings	211.6	200.0		11.6
Commercial paper	804.6	-		804.6
Other borrowings	934.1	891.8	(78.7)	121.0
Gross borrowings	5,098.1	3,928.0	(78.7)	1,248.8
Cash and cash equivalents	(2,285.9)	(2,216.6)		(69.3)
Net debt	2,812.2	1,711.4	(78.7)	1,179.5

As of December 31, 2019, the Group's gross borrowings included €444 million concerning put options granted to non-controlling interests (€393 million as of December 31, 2018).

Solvency

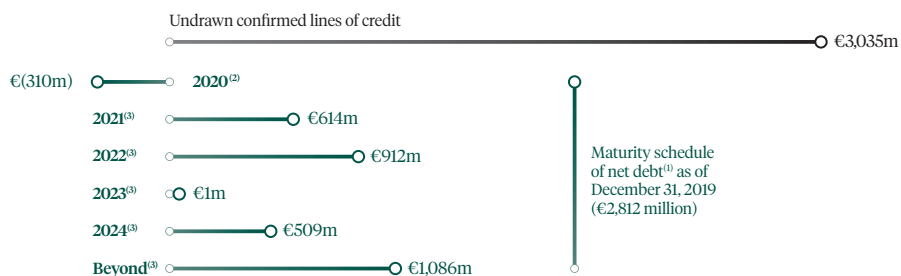
The Group has a very sound financial structure and on April 18, 2019 Standard & Poor's upgraded Kering's long-term BBB+ rating with a positive outlook to A- with a stable outlook.

Liquidity

As of December 31, 2019, the Group had cash and cash equivalents totaling €2.286 million (€2.217 million as of December 31, 2018). Confirmed lines of credit amounted to €3,035 million (€3,135 million as of December 31, 2018). The balance of confirmed undrawn lines of credit was €3,035 million as of December 31, 2019 (€3,135 million one year earlier).

Cash and cash equivalents exclusively comprise cash instruments that are not subject to any risk of changes in value.

Maturity schedule of net debt



(1) Net debt is defined on page 290.

(2) Gross borrowings less cash and cash equivalents.

(3) Gross borrowings.

The portion of the Group's gross borrowings maturing within one year corresponded to 38.8% as of December 31, 2019 (19.3% as of December 31, 2018). Consequently, the Group is not exposed to any liquidity risk.

The Group's loan agreements feature standard *pari passu*, cross default and negative pledge clauses.

The Group's debt contracts do not include any rating trigger clauses (see Note 30 – Borrowings, to the consolidated financial statements).

Changes in net debt

(in € millions)

	2019	2018	Change
Net debt as of January 1	1,711.4	3,048.6	(1,337.2)
Restatement of net debt as of January 1, 2019 for discontinued operations (IFRS 5)	-	367.1	(367.1)
First-time application of IFRS 16 ⁽¹⁾	(78.7)	N/A	(78.7)
Free cash flow from operations	(1,520.7)	(2,955.2)	1,434.5
Dividends paid	1,342.1	780.3	561.8
Net interest paid and dividends received	161.2	187.0	(25.8)
Net acquisitions (disposals) of Kering shares	402.1	167.9	234.2
Repayment of lease liabilities	749.6	N/A	749.6
Other acquisitions and disposals	323.2	93.8	229.4
Other movements	(278.0)	21.9	(299.9)
Net debt at year end	2,812.2	1,711.4	1,100.8

(1) See Note 4 – First-time application of IFRS 16 – Leases, to the consolidated financial statements.

Free cash flow from operations

Cash flow from operating activities

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Cash flow from operating activities before tax, dividends and interest	5,936.3	5,048.7	+17.6%	4,391.6
Change in working capital requirement	(557.5)	(112.6)	+395.1%	(51.6)
Income tax paid	(2,903.5)	(562.0)	+416.6%	(562.0)
Net cash from operating activities	2,475.3	4,374.1	-43.4%	3,778.0

Operating investments

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Net cash from operating activities	2,475.3	4,374.1	-43.4%	3,778.0
Purchases of property, plant and equipment and intangible assets	(955.8)	(828.0)	+15.4%	(828.0)
Proceeds from disposals of property, plant and equipment and intangible assets	1.2	5.2	-76.9%	5.2
Free cash flow from operations	1,520.7	3,551.3	-57.2%	2,955.2
IFRS 16 restatement of lease payments	(710.1)	(596.1)	+19.1%	N/A
Adjusted free cash flow from operations (IAS 17)	810.6	2,955.2	-72.6%	2,955.2

Gross operating investments by activity

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Total Luxury Houses	651.9	610.3	+6.8%	610.3
Corporate and other	303.9	217.7	+39.6%	217.7
Gross operating investments	955.8	828.0	+15.4%	828.0

In 2019, 59% of the Group's gross operating investments concerned the store network (versus 61% in 2018). 49% of these investments related to store opening programs and 51% to store conversions and refurbishments.

Available cash flow

<i>(in € millions)</i>	2019	2018 Restated under IFRS 16	Change	2018 Reported
Free cash flow from operations	1,520.7	3,551.3	-57.2%	2,955.2
Interest and dividends received	19.1	5.4	+253.7%	5.4
Interest paid and equivalent	(289.9)	(279.5)	+3.7%	(192.4)
Available cash flow	1,249.9	3,277.2	-61.9%	2,768.2
IFRS 16 restatement of lease payments	(710.1)	(596.1)	+19.1%	N/A
IFRS 16 restatement of interest paid	106.9	87.1	+22.7%	N/A
Adjusted available cash flow (IAS 17)	646.7	2,768.2	-76.6%	2,768.2

Dividends paid

The cash dividend paid by Kering SA to its shareholders in 2019 amounted to €1,320 million (€758 million in 2018), including the €442 million interim dividend paid on January 17, 2019.

Dividends paid in 2019 also included €22 million paid to non-controlling interests in consolidated subsidiaries (€23 million in 2018).

Repayment of lease liabilities

The Group's first-time application of IFRS 16 as from January 1, 2019 led to the recognition of €750 million in repayments of lease liabilities, corresponding to fixed lease payments. The repayments relating to 2018 have been directly included in free cash flow from operations for

that period (see Note 4 – First-time application of IFRS 16 – *Leases*, to the consolidated financial statements).

Other acquisitions and disposals

In 2019, transactions with non-controlling interests amounted to €70 million (€17 million in 2018). Other acquisitions and disposals over the year also included financial investments, deposits and guarantees and financing transactions carried out with non-controlled companies.

Other movements

This item includes the €105 million negative impact of fluctuations in exchange rates in 2019 (€85 million positive impact in 2018).

1.7 Results and share capital of the parent company

The parent company ended 2019 with net income of €918 million compared with €1,657 million in 2018. The 2019 figure includes €930 million in dividends received from subsidiaries (versus €1,010 million in 2018).

As of December 31, 2019, Kering's share capital comprised 126,279,322 shares with a par value of €4 each.

Payment of a cash dividend

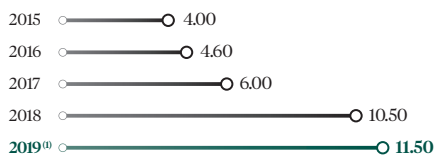
At its February 11, 2020 meeting, the Board of Directors decided to ask shareholders to approve a €11.50 per-share cash dividend for 2019 at the Annual General Meeting to be held to approve the financial statements for the year ended December 31, 2019.

An interim cash dividend of €3.50 per share was paid on January 16, 2020 pursuant to a decision by the Board of Directors on December 12, 2019.

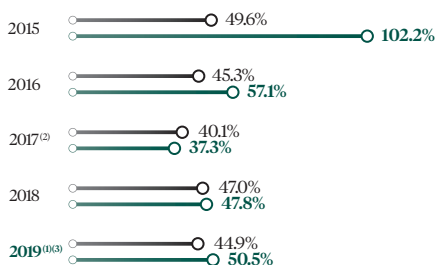
If the final dividend is approved, the total cash dividend payout in 2020 for 2019 will amount to €1,438 million, taking into account Kering shares acquired under the stock repurchase program and held in treasury.

Kering's goal is to maintain well-balanced payout ratios bearing in mind, on the one hand, changes in net income from continuing operations (excluding non-recurring items) attributable to owners of the parent and, on the other, the amount of available cash flow.

Dividend per share (in €)



Payout ratios



- % of attributable recurring net income from continuing operations
- % of available cash flow

(1) Subject to the approval of the Annual General Meeting to be held on April 23, 2020.

(2) Data restated for discontinued operations (PUMA, Stella McCartney, Volcom and Christopher Kane) in accordance with IFRS 5.

(3) 2019 available cash flow, excluding the impact of the settlement with the Italian tax authorities.

1.8 Transactions with related parties

Transactions with related parties in 2019 are described in Note 36 – Transactions with related parties, to the consolidated financial statements.

1.9 Subsequent events

No significant events occurred between December 31, 2019 and February 11, 2020 – the date on which the Board of Directors authorized the consolidated financial statements for issue.

1.10 Outlook

Positioned in structurally high-growth markets, Kering enjoys very solid fundamentals and a balanced portfolio of complementary, high-potential brands with clearly focused priorities.

The Group is continuing to implement its strategy focused on achieving same-store revenue growth while ensuring the targeted and selective expansion of the store network in order to sustainably grow its Houses and consolidate their profitability profiles.

The Group is also pro-actively investing to develop cross-business growth platforms in the areas of e-commerce, omni-channel distribution, logistics and IT infrastructure, expertise, and innovative digital technologies.

The Group's operating environment remains unsettled with regard to macroeconomic and geopolitical uncertainties, national trade policies, and fluctuations in exchange rates. These uncertainties may be temporarily heightened during major events or crises, such as the recent coronavirus epidemic, given the impact on consumption trends and tourism flows, and their ability to affect economic growth.

Against this backdrop, in 2020 the Group plans to pursue the strategic measures that it has successfully implemented in recent years, namely rigorously managing and allocating its resources in order to support its operating performance, maintaining a high level of cash flow generation and optimizing its return on capital employed.

See Addendum – Outlook updated since February 11, 2020 in light of the COVID-19 outbreak, page 291.

1.11 Method used to prepare 2018 financial data restated under IFRS 16

The data for 2018 has been restated in order to present the impact of IFRS 16 on that period and to permit meaningful comparisons with 2019 data, for which IFRS 16 has been applied. This restated data takes into account all of the leases in force during 2018, applying the modified retrospective approach and the accounting principles used by the Group for the first-time application of IFRS 16 as of January 1, 2018, discounted using the discount rates applicable at January 1, 2019 (the Group's effective IFRS 16 transition date). In accordance with the

accounting principles applied by the Group as from January 1, 2019, no restatements have been made for (i) leases with only variable payments, (ii) short-term leases (i.e., leases with a term of 12 months or less, including long-term leases that will have expired at December 31, 2019), and (iii) leases for which the underlying asset is of low value.

See Note 4 – First-time application of IFRS 16 – *Leases*, to the consolidated financial statements.

1.12 Definitions of non-IFRS financial indicators

“Reported” and “comparable” revenue

The Group’s “reported” revenue corresponds to published revenue. The Group also uses “comparable” data to measure organic growth. “Comparable” revenue refers to 2018 revenue adjusted as follows by:

- neutralizing the portion of revenue corresponding to entities divested in 2018;
- including the portion of revenue corresponding to entities acquired in 2019;
- remeasuring 2018 revenue at 2019 exchange rates.

These adjustments give rise to comparative data at constant scope and exchange rates, which serve to measure organic growth.

Recurring operating income

The Group’s total operating income includes all revenues and expenses directly related to Group activities, whether these revenues and expenses are recurring or arise from non-recurring decisions or transactions.

“Other non-recurring operating income and expenses” consists of unusual items, notably as concerns the nature or frequency, that could distort the assessment of Group entities’ financial performance. Other non-recurring operating income and expenses may include impairment of property, plant and equipment, goodwill and other intangible assets, gains or losses on disposals of non-current assets, restructuring costs and costs relating to employee adaptation measures.

Consequently, Kering monitors its operating performance using “Recurring operating income”, defined as the difference between total operating income and other non-recurring operating income and expenses.

Recurring operating income is an intermediate line item intended to facilitate the understanding of the Group’s operating performance and that can be used as a way to estimate recurring performance. This indicator is presented in a manner that is consistent and stable over the long term in order to ensure the continuity and relevance of financial information.

EBITDA

The Group uses EBITDA to monitor its operating performance. This financial indicator corresponds to recurring operating income plus net charges to depreciation, amortization and provisions on non-current operating assets recognized in recurring operating income.

Free cash flow from operations and available cash flow

The Group also uses an intermediate line item, “Free cash flow from operations”, to monitor its financial performance. This financial indicator measures net operating cash flow less net operating investments (defined as purchases and sales of property, plant and equipment and intangible assets).

“Available cash flow” corresponds to free cash flow from operations plus interest and dividends received, less interest paid and equivalent.

Net debt

As defined by French accounting standards authority (*Autorité des Normes Comptables* – ANC) recommendation No. 2013-03, net debt comprises gross borrowings, including accrued interest, less cash and cash equivalents.

Net debt includes fair value hedging instruments recorded in the statement of financial position relating to bank borrowings and bonds of which the interest rate risk is fully or partly hedged as part of a fair value relationship.

Effective tax rate on recurring income

The effective tax rate on recurring income corresponds to the effective tax rate excluding tax effects relating to “Other non-recurring operating income and expenses”.

ADDENDUM

OUTLOOK UPDATED SINCE FEBRUARY 11, 2020 IN LIGHT OF THE COVID-19 OUTBREAK

Regulated information released on March 20, 2020

Faced with the worldwide health emergency resulting from the COVID-19 epidemic, the health and safety of the teams at Kering and its Houses are the Group's utmost priority. The commitment, cohesion and resilience demonstrated by Kering's people in the current circumstances must be commended.

Taking into account the progression of COVID-19 in all of its key markets and its impact on the activity of its Houses, Kering estimates that its consolidated revenue for the first quarter of 2020, ending March 31, should post a decline of 13% to 14% in reported terms (down around 15% in comparable terms) versus the first quarter of 2019.

Currently, the Group is observing encouraging signs in Mainland China, where the decline in store traffic, and hence in sales, is narrowing. Conversely, the impact of the epidemic remains significant in other Asia Pacific markets, and the situation has substantially deteriorated in recent weeks in Western Europe and, more recently, North America.

As a result, Kering expects:

- second quarter 2020 revenue sharply impacted by the effect of the epidemic on local clientele and tourism;
- a first half 2020 recurring operating margin in decline, which would be premature to quantify at this stage given the dynamic nature of the situation and the current lack of visibility.

In this context, Kering has implemented an initial action plan aimed at adapting its cost base and containing its working capital requirement. The Group is currently considering additional measures that can be activated to mitigate the dilution of its recurring operating margin throughout the year, while protecting its Houses' market positions and preserving their growth potential and capacity to bounce back in the short and medium term.

The epidemic does not call into question the structural drivers of the Luxury industry.

The strength of Kering's business model and organization, as well as its financial health and discipline, reinforce the Group's confidence in its medium- and long-term growth prospects.

2. INVESTMENT POLICY

Kering's investment policy is designed to support and enhance the Group's growth potential on its markets and is focused on financial investments (acquisitions and disposals of assets) and investments related to operations (organic growth).

Financial investments reflect the Group's strategy of reinforcing profitable high-growth activities in the luxury

market by acquiring attractive brands with strong growth potential and market positions that perfectly complement its existing assets.

Operating investments are designed to accelerate organic growth for the Group's brands. This is achieved by, for example, developing and renovating the store network and by investing in logistics centers and IT systems.

2.1 Financial investments

The Group has a balanced portfolio of complementary brands and did not undertake any major investments in 2019 or 2018. Financial investments represented net cash outflows of €42.4 million for 2019, relating mainly to measures taken to internalize the production chain and the distribution network (compared to €15.8 million in 2018).

The cash impact of the sale of discontinued businesses restated in accordance with IFRS 5 is shown on the line "Net cash from (used in) discontinued operations" and represented a net cash inflow of €132.7 million, mainly relating to the disposal of Stella McCartney and Volcom in 2019 (net cash outflow of €379.1 million in 2018, mainly relating to PUMA).

(See Note 13 – Discontinued operations, to the consolidated financial statements).

2.2 Operating investments

The Group conducts a targeted investment policy designed to reinforce both its image and the unique positioning of its brands, as well as to increase its return on capital employed.

The Group's investment policy is focused on the development of its store network, the conversion and renovation of its existing points of sale, the establishment and maintenance of manufacturing units in the luxury sector, and the development of IT systems.

Gross operating investments amounted to €956 million as of December 31, 2019, up 15.4% year on year. For Luxury activities, the 6.8% increase in investments reflects the continued focus on consolidating the existing store network and achieving organic growth, and selective store openings. In 2019, 59% of the Group's gross operating investments concerned the store network (versus 61% in 2018).

Gross operating investments for the "Corporate and other" segment came to €304 million, €86 million higher than in 2018, reflecting the faster pace of projects to upgrade IT systems and measures taken to enhance the Group's logistics capabilities.

Luxury Houses

The Luxury Houses' gross operating investments totaled €652 million in 2019, €42 million (or 6.8%) higher than in 2018. As a proportion of revenue, gross operating investments remained stable and represented 4.2% in 2019 (versus 4.6% in 2018).

As of December 31, 2019, the Luxury Houses had a network of 1,381 directly operated stores, including 772 (56%) in mature markets and 609 in emerging markets. Net store additions during the year totaled 103, largely attributable to the scheduled expansion of the Yves Saint Laurent, Balenciaga and Alexander McQueen networks. The year-on-year increase in the total network can also be explained by the Group's drive to raise its brands' presence in travel retail and duty-free stores, including by taking operations that were previously controlled by a franchisee back under direct management.

Gucci

As of December 31, 2019, Gucci operated 487 stores directly, including 207 in emerging markets. A net 18 new stores were added during the year. The brand now has an overall network that is adapted to its operations in terms of store numbers, but it continues to identify opportunities for improving its distribution in certain regions. This is particularly the case for travel retail, which saw the most store openings in 2019. Apart from these targeted openings, Gucci's focus is still on increasing organic growth by pursuing its refurbishment program for existing stores.

Gucci's gross operating investments amounted to €337 million in 2019, up 79% on 2018. The 2019 figure mostly corresponds to the refurbishment program aimed at continuing the introduction of the new store concept across the brand's entire network. The objective of keeping investments below the threshold of 5% of revenue was broadly met, as gross operating investments represented 3.5% of sales.

Yves Saint Laurent

As of December 31, 2019, Yves Saint Laurent directly operated 222 stores, including 102 in emerging markets. There were 28 net store openings during the year, half of which correspond to points of sale in department stores or airports. This momentum was in line with the brand's development and store network expansion plan.

Yves Saint Laurent's gross operating investments rose €9 million year on year to €98 million in 2019, reflecting the brand's store opening and refurbishment strategy. This investment drive benefited all of the regions, with Asia-Pacific experiencing the fastest acceleration. As a percentage of revenue, gross operating investments remained contained, at 4.8%.

Bottega Veneta

As of December 31, 2019, Bottega Veneta had 268 directly operated stores, including 125 in emerging markets. There were 13 net store openings during the year. The streamlining program of its store network includes not only store closures but also relocating certain stores, opening a select number of flagship stores, and expanding the brand's presence in a number of networks (such as travel retail). In 2019, the House also took back under direct control operations previously managed by franchisees in certain regions.

Within this context, Bottega Veneta has contained its operating investment budget. Altogether, gross operating investments totaled €58 million, compared with €69 million in 2018, reducing gross operating investments as a percentage of revenue to 5.0%.

Other Houses

The network of directly operated stores owned by the Other Houses totaled 404 units as of December 31, 2019, with 44 net store openings during the year, mainly driven by the Balenciaga and Alexander McQueen expansion strategies. Brioni continued to streamline its store network. The Other Houses network counted 229 stores in mature markets and 175 in emerging markets.

Overall, gross operating investments for the Other Houses totaled €159 million, up 13.4% on 2018, with 61% of the investments concentrated in the second half of the year. This increase is directly related to the ambitious, but controlled, objective of expanding the store network.

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3. CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019

3.1 Consolidated income statement for the years ended December 31, 2019 and 2018

<i>(in € millions)</i>	Notes	2019	2018
CONTINUING OPERATIONS			
Revenue	6	15,883.5	13,665.2
Cost of sales		(4,108.5)	(3,467.0)
Gross margin		11,775.0	10,198.2
Payroll expenses	7-8	(2,290.8)	(2,080.4)
Other recurring operating income and expenses		(4,705.9)	(4,174.0)
Recurring operating income	9	4,778.3	3,943.8
Other non-recurring operating income and expenses	10	(168.5)	(222.4)
Operating income		4,609.8	3,721.4
Finance costs, net	11	(309.5)	(207.3)
Income before tax		4,300.3	3,514.1
Income tax expense	12	(2,133.7)	(867.7)
Share in earnings (losses) of equity-accounted companies		41.8	11.9
Net income from continuing operations		2,208.4	2,658.3
o/w attributable to owners of the parent		2,166.9	2,630.6
o/w attributable to non-controlling interests	16.1	41.5	27.7
DISCONTINUED OPERATIONS			
Net income from discontinued operations	13.1	125.4	1,095.2
o/w attributable to owners of the parent		141.7	1,084.3
o/w attributable to non-controlling interests		(16.3)	10.9
TOTAL GROUP			
Net income of consolidated companies		2,333.8	3,753.5
o/w attributable to owners of the parent		2,308.6	3,714.9
o/w attributable to non-controlling interests	16.1	25.2	38.6
<i>(in € millions)</i>			
	Notes	2019	2018
Net income attributable to owners of the parent		2,308.6	3,714.9
Earnings per share <i>(in €)</i>	14.1	18.40	29.49
Fully diluted earnings per share <i>(in €)</i>	14.1	18.40	29.49
Net income from continuing operations attributable to owners of the parent		2,166.9	2,630.6
Earnings per share <i>(in €)</i>	14.1	17.27	20.88
Fully diluted earnings per share <i>(in €)</i>	14.1	17.27	20.88
Net income from continuing operations (excluding non-recurring items) attributable to owners of the parent		3,211.5	2,816.7
Earnings per share <i>(in €)</i>	14.2	25.59	22.36
Fully diluted earnings per share <i>(in €)</i>	14.2	25.59	22.36

3.2 Consolidated statement of comprehensive income for the years ended December 31, 2019 and 2018

<i>(in € millions)</i>	Notes	2019	2018
Net income		2,333.8	3,753.5
Actuarial gains and losses ⁽¹⁾	27.2	(16.1)	9.6
Total items not reclassified to income		(16.1)	9.6
Foreign exchange gains and losses		33.6	(70.6)
Cash flow hedges ⁽¹⁾	31	17.8	(142.0)
Financial assets at fair value ⁽¹⁾		(0.1)	(13.3)
Share in other comprehensive income (loss) of equity-accounted companies		(7.0)	12.0
Total items to be reclassified to income		44.3	(213.9)
Other comprehensive income (loss), net of tax	15	28.2	(204.3)
Total comprehensive income		2,362.0	3,549.2
o/w attributable to owners of the parent		2,335.4	3,504.8
o/w attributable to non-controlling interests		26.6	44.4

(1) Net of tax.

3.3 Consolidated statement of financial position as of December 31, 2019 and 2018

ASSETS

<i>(in € millions)</i>	Notes	Dec. 31, 2019	Dec. 31, 2018
Goodwill	17-20	2,525.9	2,399.2
Brands and other intangible assets	18-20	7,260.5	7,393.6
Right-of-use assets	4	4,246.7	N/A
Property, plant and equipment	19	2,619.3	2,228.5
Investments in equity-accounted companies	21	1,105.3	1,074.7
Non-current financial assets	22	458.4	336.3
Deferred tax assets	12.2.2	1,367.6	830.1
Other non-current assets		18.8	34.2
Non-current assets		19,602.5	14,296.6
Inventories	23	2,959.2	2,414.7
Trade receivables	24	996.0	849.5
Current tax receivables	12.2.1	280.7	90.6
Other current financial assets	25	38.4	60.9
Other current assets	25	979.4	899.5
Cash and cash equivalents	29	2,285.9	2,216.6
Current assets		7,539.6	6,531.8
Assets held for sale		6.1	539.1
TOTAL ASSETS		27,148.2	21,367.5

EQUITY AND LIABILITIES

<i>(in € millions)</i>	Notes	Dec. 31, 2019	Dec. 31, 2018
Share capital		505.2	505.2
Capital reserves		2,428.3	2,428.3
Treasury shares		(573.6)	(168.3)
Translation adjustments		(174.5)	(206.7)
Remeasurement of financial instruments		(80.0)	(97.8)
Other reserves		8,172.7	7,445.2
Equity attributable to owners of the parent	26	10,278.1	9,905.9
Equity attributable to non-controlling interests	16.2	160.5	155.7
Total equity	26	10,438.6	10,061.6
Non-current borrowings	30	3,122.2	3,171.6
Non-current lease liabilities	4	3,598.6	N/A
Other non-current financial liabilities		47.9	3.0
Provisions for pensions and other post-employment benefits	27	106.5	88.0
Other non-current provisions	28	15.1	14.2
Deferred tax liabilities	12.2.2	1,530.4	1,578.6
Other non-current liabilities		141.4	40.0
Non-current liabilities		8,562.1	4,895.4
Current borrowings	30	1,975.9	756.4
Current lease liabilities	4	720.0	N/A
Other current financial liabilities	25	503.2	553.2
Trade payables	25	808.7	745.8
Provisions for pensions and other post-employment benefits	27	8.9	8.6
Other current provisions	28	216.0	255.7
Current tax liabilities	12.2.1	1,361.5	1,303.3
Other current liabilities	25	2,552.5	2,598.9
Current liabilities		8,146.7	6,221.9
Liabilities associated with assets held for sale		0.8	188.6
TOTAL EQUITY AND LIABILITIES		27,148.2	21,367.5

3.4 Consolidated statement of cash flows for the years ended December 31, 2019 and 2018

<i>(in € millions)</i>	Notes	2019	2018
Net income from continuing operations		2,208.4	2,658.3
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	5.1	1,245.3	491.9
Other non-cash income and expenses	34.2	(392.4)	(6.6)
Cash flow from operating activities	34.2	3,061.3	3,143.6
Interest paid/received		277.1	186.6
Dividends received		-	(1.0)
Current tax expense	12.1	2,597.9	1,062.4
Cash flow from operating activities before tax, dividends and interest		5,936.3	4,391.6
Change in working capital requirement		(557.5)	(51.6)
Income tax paid	12.2.1	(2,903.5)	(562.0)
Net cash from operating activities		2,475.3	3,778.0
Purchases of property, plant and equipment and intangible assets	5.1	(955.8)	(828.0)
Proceeds from disposals of property, plant and equipment and intangible assets		1.2	5.2
Acquisitions of subsidiaries, net of cash acquired		(42.4)	(15.8)
Proceeds from disposals of subsidiaries and associates, net of cash transferred		0.8	-
Purchases of other financial assets		(285.6)	(80.3)
Proceeds from disposals of other financial assets		76.6	21.9
Interest and dividends received		19.1	5.4
Net cash used in investing activities		(1,186.1)	(891.6)
Dividends paid to owners of the parent company	26.2	(1,320.1)	(757.6)
Dividends paid to non-controlling interests		(21.9)	(22.8)
Transactions with non-controlling interests		(19.2)	(2.7)
Treasury share transactions	26.1	(402.1)	(167.9)
Debt issues	34.3	644.6	73.1
Debt redemptions/repayments	34.3	(287.6)	(1,404.5)
Increase/decrease in other borrowings	34.3	798.8	(27.9)
Repayment of lease liabilities	4 and 34.4	(639.6)	N/A
Interest paid and equivalent	4 and 34.4	(289.9)	(192.4)
Net cash used in financing activities		(1,537.0)	(2,502.7)
Net cash from (used in) discontinued operations	13.2	132.7	(379.1)
Impact of exchange rate variations		116.4	(67.6)
Net increase (decrease) in cash and cash equivalents		1.3	(63.0)
Cash and cash equivalents at beginning of year	34.1	1,836.3	1,899.3
Cash and cash equivalents at end of year	34.1	1,837.6	1,836.3

3.5 Consolidated statement of changes in equity for the years ended December 31, 2019 and 2018

(Before appropriation of net income)	Number of shares outstanding ⁽¹⁾	Share capital	Capital reserves	Treasury shares	Cumulative translation adjustments	Remeasu- rement of financial instruments	Other reserves and net income attributable to owners of the parent	Equity		Total
								Owners of the parent	Non- controlling interests	
(in € millions)										
As of January 1, 2018	126,279,322	505.2	2,428.3	-	(131.7)	76.0	9,070.4	11,948.2	678.2	12,626.4
Total comprehensive income					(75.0)	(144.1)	3,723.9	3,504.8	44.4	3,549.2
Share capital increase									0.2	0.2
Treasury shares ⁽²⁾	(429,017)			(168.3)			0.3	(168.0)		(168.0)
Cash dividend paid and interim dividend							(947.1)	(947.1)	(45.0)	(992.1)
Stock dividend paid (PUMA shares)							(4,514.5)	(4,514.5)		(4,514.5)
First-time application of IFRS 9 ⁽²⁾						(29.7)	29.7			
First-time application of IFRS 15 ⁽²⁾							(15.4)	(15.4)		(15.4)
Changes in Group structure and other changes ⁽³⁾							97.9	97.9	(522.1)	(424.2)
As of December 31, 2018	125,850,305	505.2	2,428.3	(168.3)	(206.7)	(97.8)	7,445.2	9,905.9	155.7	10,061.6
Total comprehensive income					32.2	17.8	2,285.4	2,335.4	26.6	2,362.0
Share capital increase									0.9	0.9
Treasury shares ⁽²⁾	(832,389)			(405.3)				(405.3)		(405.3)
Cash dividend paid and interim dividend							(1,320.1)	(1,320.1)	(21.9)	(1,342.0)
First-time application of IFRIC 23 ⁽⁴⁾							(166.0)	(166.0)		(166.0)
Changes in Group structure and other changes ⁽³⁾							(71.8)	(71.8)	(0.8)	(72.6)
As of December 31, 2019	125,017,916	505.2	2,428.3	(573.6)	(174.5)	(80.0)	8,172.7	10,278.1	160.5	10,438.6

(1) Shares with a par value of €4 each.

(2) Net of tax.

(3) Changes in Group structure and other changes include put options granted to non-controlling interests (see Note 30 – Borrowings).

(4) See Note 2.2.1 – Standards, amendments and interpretations adopted by the European Union and effective as of January 1, 2019.

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Note 1 – Introduction

Kering, the Group's parent company, is a *société anonyme* (French joint-stock company) with a Board of Directors, incorporated under French law, whose registered office is located at 40, rue de Sèvres, 75007 Paris, France. It is registered with the Paris Trade and Companies Registry under reference 552 075 020 RCS Paris, and is listed on the Euronext Paris stock exchange.

The consolidated financial statements for the year ended December 31, 2019 reflect the accounting position of

Kering and its subsidiaries, together with its interests in associates and joint ventures.

On February 11, 2020, the Board of Directors approved the consolidated financial statements for the year ended December 31, 2019 and authorized their publication. These consolidated financial statements will only be considered as final after their adoption by the April 23, 2020 Annual General Meeting.

Note 2 – Accounting policies and methods

2.1 General principles and statement of compliance

Pursuant to European Regulation No. 1606/2002 of July 19, 2002, the consolidated financial statements of the Kering group for the year ended December 31, 2019 were prepared in accordance with applicable international accounting standards published and adopted by the European Union and mandatorily applicable as of that date.

These international standards comprise International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC).

The financial statements presented do not reflect the draft standards and interpretations that were at the exposure draft stage with the International Accounting Standards Board (IASB) and the IFRS IC on the date these financial statements were prepared.

All accounting standards and guidance adopted by the European Union may be consulted on the European Union law website at: <http://eur-lex.europa.eu/homepage.html>.

2.2 IFRS basis adopted

2.2.1 Standards, amendments and interpretations adopted by the European Union and effective as of January 1, 2019

The Group has applied the following standards, amendments and interpretations in its consolidated financial statements, newly applicable as of January 1, 2019:

- IFRS 16 – *Leases*, which establishes an accounting model for the recognition of leases and supersedes IAS 17 – *Leases*, IFRIC 4, SIC 15 and SIC 27;
- amendments to IFRS 9 – *Prepayment Features with Negative Compensation*;

- amendments to IAS 28 – *Long-term Interests in Associates and Joint Ventures*;
- amendments to IAS 19 – *Plan Amendment, Curtailment or Settlement*;
- amendments contained in the Annual Improvements to IFRSs 2015-2017 Cycle and concerning IAS 12, IAS 23, IFRS 3 and IFRS 11;
- IFRIC 23 – *Uncertainty over Income Tax Treatments*.

The bases for preparation and impacts of the first-time application of IFRS 16 as of January 1, 2019 are set out in Note 4 – First-time application of IFRS 16 – *Leases*.

In connection with its first-time application of IFRIC 23, the Group reviewed its approach to assessing its tax exposure for likely contingencies. This change in approach led to an additional tax liability of €166 million as of January 1, 2019, which was recognized against equity.

The other amendments did not have an impact on the consolidated financial statements for the year ended December 31, 2019.

2.2.2 Standards, amendments and interpretations that have not yet been adopted by the European Union

The standards and amendments that have not yet been adopted by the European Union are as follows:

- amendments to IAS 1 and IAS 8 – *Definition of Material*, which the IASB indicates will be mandatorily applicable as of January 1, 2020;
- amendments to IFRS 3 – *Definition of a Business*, which the IASB indicates will be mandatorily applicable as of January 1, 2020;
- changes in the IFRS conceptual framework, which the IASB indicates will be mandatorily applicable as of January 1, 2020;
- IFRS 17 – *Insurance Contracts*, mandatorily applicable as of January 1, 2021.

The Group will continue to apply the amendments to IFRS 9/IAS 39, both in terms of timing and the amounts of the underlying cash flows to which it is exposed, until there is more clarity relating to the reform to benchmark interest rates (“IBOR reform”). The Group believes that the situation will be unclear for as long as (i) the existing contracts that refer to these rates are not amended to specify the date on which the benchmark rate will be replaced, and (ii) the impacts related to the use of the new benchmark interest rate and ensuing adjustments to lending margins have not been determined. How the situation evolves will partly depend on the replacement clauses that will need to be added to the contracts concerned and negotiations with lenders and bondholders.

2.3 Basis of preparation of the consolidated financial statements

2.3.1 Basis of measurement

The consolidated financial statements are prepared in accordance with the historical cost convention, with the exception of:

- certain financial assets and liabilities measured at fair value;
- right-of-use assets and lease liabilities;
- defined benefit plan assets measured at fair value;
- liabilities in respect of cash-settled share-based payments (share appreciation rights) measured at fair value;
- assets held for sale, which are measured and recognized at the lower of net carrying amount and fair value less costs to sell as soon as their sale is considered highly probable. These assets are no longer depreciated from the time they qualify as assets (or disposal groups) held for sale.

2.3.2 Use of estimates and judgment

The preparation of consolidated financial statements requires Group management to make estimates and assumptions that can affect the carrying amounts of certain assets and liabilities, income and expenses, and the disclosures in the accompanying notes. Group management reviews these estimates and assumptions on a regular basis to ensure their pertinence with respect to past experience and the current economic situation. Items in future financial statements may differ from current estimates as a result of changes in these assumptions. The impact of changes in accounting estimates is recognized during the period in which the change occurs and all affected future periods.

The main estimates made by management in the preparation of the financial statements concern the valuations and useful lives of operating assets, property, plant and equipment, intangible assets and goodwill, the amount of uncertain tax positions, contingency provisions and other provisions relating to operations, and assumptions underlying the calculation of lease liabilities, obligations

relating to employee benefits, share-based payment, deferred tax balances and financial instruments. The Group notably uses discount rate assumptions based on market data to estimate the value of its long-term assets and liabilities. The Group also exercises judgment to determine whether any lease extension options are reasonably certain to be exercised or not.

The main assumptions made by the Group are detailed in specific sections of the notes to the consolidated financial statements, and in particular:

- Note 4 – First-time application of IFRS 16 – *Leases*;
- Note 8 – Share-based payment;
- Note 12 – Income taxes;
- Note 20 – Impairment tests on non-financial assets;
- Note 27 – Provisions for pensions and other post-employment benefits;
- Note 28 – Provisions;
- Note 31 – Exposure to interest rate, foreign exchange, equity and precious metals price risk;
- Note 32 – Accounting classification and market value of financial instruments.

In addition to the use of estimates, Group management uses judgment to determine the appropriate accounting treatment for certain transactions, pending the clarification of certain IFRSs or where prevailing standards do not cover the issue at hand. This is notably the case for put options granted to non-controlling interests.

Put options granted to non-controlling interests

The Group has undertaken to repurchase the non-controlling interests of shareholders of certain subsidiaries. The strike price of these put options may be set or determined according to a predefined calculation formula, and the options may be exercised at any time or on a specific date.

The Group records a financial liability at the present value of the strike price in respect of the put options granted to holders of non-controlling interests in the entities concerned.

The offsetting entry for this financial liability will differ depending on whether the non-controlling shareholders have maintained present access to the economic benefits of the entity.

In the case of present access to the entity's economic benefits, non-controlling interests are maintained in the statement of financial position and the liability is recognized against equity attributable to owners of the parent. Where access to the entity's economic benefits is no longer available by virtue of the put option, the corresponding non-controlling interests are derecognized. The difference between the liability representing the commitment to repurchase the non-controlling interests and the carrying amount of derecognized non-controlling interests is recorded as a deduction from equity attributable to owners of the parent.

Subsequent changes in the value of the commitment are recorded by an adjustment to equity attributable to owners of the parent.

2.3.3 Statement of cash flows

The Group's statement of cash flows is prepared in accordance with IAS 7 – *Statement of Cash Flows*. The Group prepares its statement of cash flows using the indirect method.

2.4 Consolidation principles

The Kering group consolidated financial statements include the financial statements of the companies listed in Note 37 – List of consolidated subsidiaries. They include the financial statements of companies acquired as from the acquisition date and companies sold up until the date of disposal.

2.4.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group exercises control. Control is defined according to three criteria: (i) power over the investee; (ii) exposure, or rights, to variable returns from involvement with the investee; and (iii) the ability to exert power over the investee to affect the amount of the investor's returns. This definition of control implies that power over an investee can take many forms other than simply holding voting rights. The existence and effect of potential voting rights are considered when assessing control, if the rights are substantive. Control generally implies directly or indirectly holding more than 50% of the voting rights but can also exist when less than 50% of the voting rights are held.

Subsidiaries are consolidated from the effective date of control.

Intercompany assets and liabilities and transactions between consolidated companies are eliminated. Gains and losses on internal transactions with controlled companies are fully eliminated.

Accounting policies and methods are modified where necessary to ensure consistency of accounting treatment at Group level.

2.4.2 Associates

Associates are all entities in which the Group exercises a significant influence over the entity's management and financial policy, without exercising control or joint control. This generally implies holding 20% to 50% of the voting rights.

Associates are recognized using the equity method and initially measured at cost, except when the associates were previously controlled by the Group, in which case they are measured at fair value through the income statement as of the date control is lost.

Subsequently, the share in profits or losses of the associate attributable to owners of the parent is recognized in "Share in earnings (losses) of equity-accounted companies", and the share in other comprehensive income of associates is carried on a separate line of the statement of comprehensive income. If the Group's share in the losses of an associate equals or exceeds its investment in that associate, the Group no longer recognizes its share of losses, unless it has legal or constructive obligations to make payments on behalf of the associate.

Goodwill related to an associate is included in the carrying amount of the investment, presented separately within "Investments in equity-accounted companies" in the statement of financial position.

Gains or losses on internal transactions with equity-accounted associates are eliminated in the amount of the Group's investment in these companies.

The accounting policies and methods of associates are modified where necessary to ensure consistency of accounting treatment at Group level.

2.4.3 Business combinations

Business combinations, where the Group acquires control of one or more other activities, are recognized using the acquisition method.

Business combinations are recognized and measured in accordance with the provisions of the revised IFRS 3. Accordingly, the consideration transferred (acquisition price) is measured at the fair value of the assets transferred, equity interests issued and liabilities incurred by the acquirer at the date of exchange. Identifiable assets and liabilities are generally measured at their fair value on the acquisition date. Costs directly attributable to the business combination are recognized in expenses.

The excess of the consideration transferred plus the amount of any non-controlling interest in the acquiree over the net fair value of the identifiable assets and liabilities acquired is recognized as goodwill. If the difference is negative, the gain on the bargain purchase is immediately recognized in income.

The Group may choose to measure any non-controlling interests resulting from each business combination at fair value (full goodwill method) or at the proportionate share in the identifiable net assets acquired, which are also generally measured at fair value (partial goodwill method).

Goodwill is determined at the date control over the acquired entity is obtained and may not be adjusted after the measurement period. No additional goodwill is recognized on any subsequent acquisition of non-controlling interests. Acquisitions and disposals of non-controlling interests are recognized directly in consolidated equity.

The accounting for a business combination must be completed within 12 months of the acquisition date. This applies to the measurement of identifiable assets and liabilities, consideration transferred and non-controlling interests.

2.5 Foreign currency translation

2.5.1 Functional and presentation currency

Items included in the financial statements of each Group entity are valued using the currency of the primary economic environment in which the entity operates (functional currency). The Group's consolidated financial statements are presented in euros, which serves as its presentation currency.

2.5.2 Foreign currency transactions

Transactions denominated in foreign currencies are recognized in the entity's functional currency at the exchange rate prevailing on the transaction date.

Monetary items in foreign currencies are translated at the closing exchange rate at the end of each reporting period. Translation adjustments arising from the settlement of these items are recognized in income or expenses for the period.

Non-monetary items in foreign currencies valued at historical cost are translated at the rate prevailing on the transaction date, and non-monetary items in foreign currencies measured at fair value are translated at the rate prevailing on the date the fair value is determined. When a gain or loss on a non-monetary item is recognized directly in other comprehensive income, the foreign exchange component is also recognized in other comprehensive income. Otherwise, the component is recognized in income or expenses for the period.

The treatment of foreign exchange rate hedges in the form of derivatives is described in the section on derivative instruments in Note 2.11 – Financial assets and liabilities.

2.5.3 Translation of the financial statements of foreign subsidiaries

The results and financial statements of Group entities with a functional currency that differs from the presentation currency are translated into euros as follows:

- items recorded in the statement of financial position other than equity are translated at the exchange rate at the end of the reporting period;
- income and cash flow statement items are translated at the average exchange rate for the period, corresponding to an approximate value for the rate at the transaction date in the absence of significant fluctuations;
- foreign exchange differences are recognized as translation adjustments in the statement of comprehensive income under other comprehensive income.

Goodwill and fair value adjustments arising from a business combination with a foreign activity are recognized in the functional currency of the entity acquired. They are subsequently translated into the Group's presentation currency at the closing exchange rate, and any resulting

differences are transferred to other comprehensive income within the statement of comprehensive income.

2.5.4 Net investment in a foreign subsidiary

Foreign exchange gains or losses arising on the translation of a net investment in a foreign subsidiary are recognized in the consolidated financial statements as a separate component within the statement of comprehensive income, and in income on disposal of the net investment. Foreign exchange gains or losses in respect of foreign currency borrowings designated as a net investment in a foreign subsidiary are recognized in other comprehensive income (to the extent that the hedge is effective) within the statement of comprehensive income, and in income on disposal of the net investment.

2.6 Goodwill

Goodwill is determined as indicated in Note 2.4.3 – Business combinations.

Goodwill is allocated as of the acquisition date to cash-generating units (CGUs) or groups of CGUs defined by the Group based on the characteristics of the core business, market or geographical segment of each brand. The CGUs or groups of CGUs to which goodwill has been allocated are tested for impairment during the second half of each fiscal year or whenever events or circumstances indicate that an impairment loss is likely.

Impairment tests are described in Note 2.10 – Asset impairment.

2.7 Brands and other intangible assets

Intangible assets are recognized at cost less accumulated amortization and impairment losses.

Intangible assets acquired as part of a business combination, which are controlled by the Group and are separable or arise from contractual or other legal rights, are recognized separately from goodwill.

Intangible assets are amortized over their useful lives where this is finite and are tested for impairment when there is an indication that they may be impaired. Intangible assets with indefinite useful lives are not amortized but are tested for impairment at least annually or more frequently when there is an indication that an impairment loss is likely.

Brands representing a predominant category of the Group's intangible assets are recognized separately from goodwill when they meet the criteria set out in IAS 38. Recognition and durability criteria are then taken into account to assess the useful life of the brand. Most of the Group's brands are intangible assets with indefinite useful lives.

Impairment tests are described in Note 2.10 – Asset impairment.

In addition to the projected future cash flows method, the Group applies the royalties method, which consists of determining the value of a brand based on future royalty revenue receivable where it is assumed that the brand will be operated under license by a third party.

Software acquired as part of recurring operations is usually amortized over a period not exceeding 12 months.

Software developed in-house by the Group and meeting all the criteria set out in IAS 38 is capitalized and amortized on a straight-line basis over its useful life, which is generally between three and ten years.

2.8 Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation and impairment losses with the exception of land, which is presented at cost less impairment losses. The various components of property, plant and equipment are recognized separately when their estimated useful life and therefore their depreciation periods are significantly different. The cost of an asset includes the expenses that are directly attributable to its acquisition.

Subsequent costs are included in the carrying amount of the asset or recognized as a separate component, where necessary, if it is probable that future economic benefits will flow to the Group and the cost of the asset can be reliably measured. All other routine repair and maintenance costs are expensed in the year they are incurred.

Depreciation is calculated using the straight-line method, based on the purchase price or production cost, less any residual value, which is reviewed annually if considered material, over a period corresponding to the useful life of each asset category, i.e., 10 to 40 years for buildings and improvements to land and buildings, and 3 to 10 years for equipment.

Property, plant and equipment are tested for impairment when an indication of impairment exists, such as a scheduled closure, a redundancy plan or a downward revision of market forecasts. When an asset's recoverable amount is less than its net carrying amount, an impairment loss is recognized. Where the recoverable amount of an individual asset cannot be determined precisely, the Group determines the recoverable amount of the CGU or group of CGUs to which the asset belongs.

2.9 Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated sale price in the normal course of operations, net of costs to be incurred to complete the sale.

The same method for determining costs is adopted for inventories of a similar nature and use within the Group. Inventories are valued using the retail method or weighted average cost method, depending on the Group activity.

Interest expenses are excluded from inventories and expensed as finance costs in the year they are incurred.

The Group may recognize an inventory allowance based on expected turnover, if inventory items are damaged, have become wholly or partially obsolete, the selling price has declined, or if the estimated costs to completion or to be incurred to make the sale have increased.

2.10 Asset impairment

For the purposes of impairment testing, assets are grouped into cash-generating units (CGUs), i.e., the smallest group of assets that generates cash inflows from continuing use, that are largely independent of the cash inflows from other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

CGUs comprising goodwill and/or intangible assets with indefinite useful lives, such as certain brands, are tested for impairment at least annually during the second half of each fiscal year.

An impairment test is also performed for all CGUs when events or circumstances indicate that they may be impaired. Such events or circumstances concern material unfavorable changes of a permanent nature affecting either the economic environment or the assumptions or objectives used on the acquisition date of the assets.

Impairment tests seek to determine whether the recoverable amount of a CGU is less than its net carrying amount.

The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use.

The value in use is determined with respect to future cash flow projections, taking into account the time value of money and the specific risks attributable to the asset, CGU or group of CGUs.

Future cash flow projections are based on medium-term budgets and plans. These plans are drawn up for a period of five years with the exception of certain CGUs or groups of CGUs undergoing strategic repositioning, for which a longer period may be applied. To calculate value in use, a terminal value equal to the perpetual capitalization of a normative annual cash flow is added to the estimated future cash flows.

Fair value corresponds to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These values are determined based on market data (comparison with similar listed companies, values adopted in recent transactions and stock market prices).

When the CGU's recoverable amount is less than its net carrying amount, an impairment loss is recognized.

Impairment is charged first to goodwill where appropriate, and recognized under "Other non-recurring operating income and expenses" in the income statement as part of operating income.

Impairment losses recognized in respect of property, plant and equipment and other intangible assets may be reversed at a later date if there is an indication that the impairment loss no longer exists or has decreased. Impairment losses in respect of goodwill may not be reversed.

Goodwill relating to the disposed portion of a CGU is measured on a proportionate basis, except where an alternative method is more appropriate.

2.11 Financial assets and liabilities

Derivative instruments are recognized in the statement of financial position at fair value, in assets (positive fair value) or liabilities (negative fair value).

2.11.1 Financial assets

Pursuant to IFRS 9, financial assets are classified within one of the following three categories:

- financial assets at fair value through the income statement (profit or loss);
- financial assets at amortized cost;
- financial assets at fair value through other comprehensive income.

The classification determines the accounting treatment for the instrument. It is defined by the Group upon initial recognition, based on the characteristics of the instrument and the management objective behind the asset's purchase. Purchases and sales of financial assets are recognized on the transaction date, which is the date the Group is committed to the purchase or sale of the asset. A financial asset is derecognized if the contractual rights to the cash flows from the financial asset expire or the asset is transferred.

1. Financial assets at fair value through the income statement

Financial assets at fair value through the income statement mostly comprise financial assets giving rise to contractual cash flows that are not solely payments of principal and interest on the principal amount outstanding.

This category includes:

- trading assets the Group intends to resell in the near term and that are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivative instruments not eligible for hedge accounting are also classified as assets and liabilities contracted for trading purposes;
- assets designated as at fair value under the fair value option. These primarily relate to the portfolio of money market funds (UCITS⁽¹⁾) that are managed and whose performance is tracked on a fair value basis.

Changes in the fair value of these assets are taken to the income statement. Net gains or losses arising on assets at fair value through the income statement correspond to interest income, dividends and changes in the fair value of the assets.

Net gains and losses arising on derivatives contracted for trading purposes relate to the amounts traded and to changes in the fair value of the corresponding instruments.

2. Financial assets at amortized cost

Financial assets are carried at amortized cost if they are held as part of a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Loans and receivables due from non-consolidated investments, deposits and guarantees, trade receivables and other short-term receivables are included in this category and are shown in "Non-current financial assets", "Trade receivables" and "Other current financial assets" in the statement of financial position.

These financial assets are initially recognized at fair value and subsequently at amortized cost using the effective interest method. Net gains and losses on loans and receivables relate to interest income and impairment allowances.

Impairment allowances are recognized in the income statement based on the expected loss model:

- for its trade receivables, the Group applies a provision matrix for each country/brand based on historical loss data. Credit insurance that may be taken out by the Group is taken into account in the evaluation of the risk and therefore of the provision;
- for its other financial assets, an analysis is carried out taking into account the probability of counterparty default.

(1) *Undertakings for Collective Investment in Transferable Securities.*

3. Financial assets at fair value through other comprehensive income

Financial assets are carried at fair value. Changes in fair value are recognized through other comprehensive income if the financial assets are held as part of a business model whose objective is achieved both by (i) collecting contractual cash flows (corresponding solely to payments of principal and interest on the principal amount outstanding) and (ii) selling these financial assets.

This category includes debt instruments meeting the contractual cash flow and business model characteristics set out above.

It also includes shares where the Group has elected to classify shares in this category, in which case changes in the fair value of the shares are recognized directly in other comprehensive income until the shares are sold, with the exception of dividends received in respect of these shares, which are systematically recognized in the income statement.

2.11.2 Financial liabilities

The measurement of financial liabilities depends on their IFRS 9 classification. Excluding put options granted to non-controlling interests, derivative liabilities and financial liabilities accounted for under the fair value option, the Group recognizes all financial liabilities and particularly borrowings, trade payables and other liabilities initially at fair value less transaction costs and subsequently at amortized cost, using the effective interest method.

The effective interest rate is determined for each transaction and corresponds to the rate that would provide the net carrying amount of the financial liability by discounting its estimated future cash flows until maturity or the nearest date the price is reset to the market rate. The calculation includes transaction costs and any premiums and/or discounts. Transaction costs correspond to the costs directly attributable to the acquisition or issue of a financial liability.

The net carrying amount of financial liabilities that qualify as hedged items as part of a fair value hedging relationship and are valued at amortized cost is adjusted with respect to the hedged risk.

Hedging relationships are described in Note 2.11.4 – Derivative instruments.

Financial liabilities accounted for under the fair value option, other than derivative liabilities, are carried at fair value. Changes in fair value are taken to the income statement. Transaction costs incurred in setting up these financial liabilities are recognized immediately in expenses.

2.11.3 Hybrid instruments

Certain financial instruments have both a standard debt component and an equity component.

For the Group, this concerns in particular bonds convertible into Kering shares or bonds exchangeable into shares other than Kering shares.

Under IAS 32, convertible bonds are considered hybrid instruments insofar as the conversion option provides for the repayment of the instrument against a fixed number of equity instruments. There are several components:

- a financial liability (corresponding to the contractual commitment to pay cash), representing the debt component;
- the option converting the bonds into a fixed number of ordinary shares, similar to a call option written by the issuer, representing the equity component, when referring to bonds exchangeable into Kering shares;
- potentially one or more embedded derivatives, such as bonds exchangeable into shares other than Kering shares.

The accounting policies applicable to each of these components, at the issue date and at the end of each subsequent reporting period, are as follows:

- debt component: the amount initially recognized as debt corresponds to the present value of the future cash flows arising from interest and principal payments at the market rate for a similar bond with no conversion option. If the convertible bond contains embedded derivatives closely related to the borrowing within the meaning of IFRS 9, the value of these components is allocated to the debt in order to determine the value of the equity component. The debt component is subsequently recognized at amortized cost;
- embedded derivatives not closely related to the debt are recognized at fair value with changes in fair value recognized in income;
- equity component: the value of the conversion option is determined by deducting the value of any embedded derivatives from the amount of the issue less the carrying amount of the debt component. The conversion option continues to be recorded in equity at its initial value. Changes in the value of the option are not recognized;
- transaction costs are allocated pro rata to each component.

2.11.4 Derivative instruments

The Group uses various financial instruments to reduce its exposure to foreign exchange, interest rate and equity risk. These instruments are listed on organized markets or traded over the counter with leading counterparties.

All derivatives are recognized in the statement of financial position under other current or non-current assets and liabilities depending on their maturity and accounting classification, and are valued at fair value as of the transaction date. Changes in the fair value of derivatives are always recorded in income except in the case of cash flow and net investment hedges.

Derivatives designated as hedging instruments are classified by category of hedge based on the nature of the risks being hedged:

- a cash flow hedge is used to hedge the risk of changes in cash flow from recognized assets or liabilities or a highly probable transaction that would impact net income;
- a fair value hedge is used to hedge the risk of changes in the fair value of recognized assets or liabilities or a firm commitment not yet recognized that would impact net income;
- a net investment hedge is used to hedge the foreign exchange risk arising on foreign activities.

Hedge accounting can only be applied if all of the following conditions are met:

- the hedged instrument and the hedging instrument are both eligible;
- there is a formal designation and documentation of the hedging relationship as of the date of inception;
- there is an economic relationship between the hedged item and the hedging instrument.

Any hedge ineffectiveness must be recognized in the income statement at each reporting date.

The accounting treatment of financial instruments qualified as hedging instruments, and their impact on the income statement and the statement of financial position, depends on the type of hedging relationship:

- for cash flow and net investment hedges, fair value gains and losses attributable to the effective portion of the hedging instrument are recognized directly in other comprehensive income. For foreign currency derivatives, changes in the time value of the options and changes in premiums and discounts are also recognized in other comprehensive income. These amounts are reclassified to the income statement to match the recognition of the hedged items, mainly in gross margin for the effective portion of commercial transaction hedges, and in net finance costs for financial hedges and the time value of commercial hedges;
- for fair value hedges, the hedged component of these items is measured in the statement of financial position at fair value with respect to the hedged risk. Fair value gains and losses are recorded in the income statement and are offset, to the extent effective, by matching fair value gains and losses on the hedging instrument.

2.11.5 Cash and cash equivalents

The “Cash and cash equivalents” line item recorded on the assets side of the consolidated statement of financial position comprises cash, mutual or similar funds, short-term investments and other highly liquid instruments that are readily convertible to known amounts of cash, subject to an insignificant risk of changes in value, and have a maximum maturity of three months as of the purchase date.

Investments with a maturity exceeding three months, and blocked or pledged bank accounts, are excluded from cash. Bank overdrafts are presented in borrowings on the liabilities side of the statement of financial position.

In the statement of cash flows, cash and cash equivalents include accrued interest receivable on assets presented in cash and cash equivalents and bank overdrafts. A schedule reconciling cash in the statement of cash flows and in the statement of financial position is provided in Note 34 – Statement of cash flows.

2.11.6 Definition of consolidated net debt

The definition of net debt used by Group companies comprises gross debt including accrued interest receivable, less net cash as defined by French accounting standards authority (*Autorité des normes comptables* – ANC) recommendation no. 2013-03. Net debt includes fair value hedging instruments recorded in the statement of financial position relating to bank borrowings and bonds, on which the interest rate risk is fully or partly hedged as part of a fair value hedging relationship.

2.12 Treasury shares

Treasury shares, whether specifically allocated for grant to employees or allocated to the liquidity agreement or in any other case, as well as directly related transaction costs, are deducted from equity attributable to owners of the parent. On disposal, the consideration received for these shares, net of transaction costs and the related tax impacts, is recognized in equity attributable to owners of the parent.

2.13 Treasury share options

Treasury share options are accounted for as derivative instruments, equity instruments or non-derivative financial liabilities, as appropriate based on their characteristics.

Options classified as derivatives are recognized at fair value through the income statement. Options classified as equity instruments are recorded in equity for their initial amount, and any changes in their value are not recognized. The accounting treatment of financial liabilities is described in Note 2.11.2 – Financial liabilities.

2.14 Share-based payment

The Group may award free share plans, stock purchase plans and stock subscription plans settled in shares. In accordance with IFRS 2 – *Share-based Payment*, the fair value of these plans, determined by reference to the fair value of the services rendered by the beneficiaries, is assessed at the grant date.

During the rights vesting period, the fair value of options and free shares calculated as described above is amortized in proportion to the vesting of rights. This expense is recorded in payroll expenses with an offsetting increase in equity.

The Group may also award share-based payment plans systematically settled in cash, which result in the recognition of payroll expenses spread over the rights vesting period and a matching liability, which is measured at fair value through the income statement at the end of each reporting period.

2.15 Income taxes

Income tax expense for the year comprises the current and deferred tax expense.

Deferred tax is calculated using the liability method on all temporary differences between the carrying amount recorded in the consolidated statement of financial position and the tax value of assets and liabilities, except for goodwill that is not deductible for tax purposes and certain other exceptions. The valuation of deferred tax balances depends on the way in which the Group intends to recover or settle the carrying amount of assets and liabilities, using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and liabilities are not discounted and are classified in the statement of financial position within non-current assets and liabilities.

A deferred tax asset is recognized on deductible temporary differences and for tax loss carry-forwards and tax credits to the extent that their future offset is probable.

A deferred tax liability is recognized on taxable temporary differences relating to investments in subsidiaries, associates and joint ventures unless the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

2.16 Provisions

Provisions for litigation, disputes and miscellaneous contingencies and losses are recognized as soon as a present obligation arises from past events, which is likely to result in an outflow of resources embodying economic benefits, the amount of which can be reliably estimated.

Provisions maturing in more than one year are valued at their discounted amount, representing the best estimate of the expense necessary to extinguish the current obligation at the end of the reporting period. The discount rate used reflects current assessments of the time value of money and specific risks related to the liability.

A provision for restructuring costs is recognized when there is a formal and detailed restructuring plan and the plan has begun to be implemented or its main features have been announced before the end of the reporting period. Restructuring costs for which a provision is made essentially represent employee costs (severance pay, early retirement plans, payment in lieu of notice, etc.), work stoppages and compensation for breaches of contract with third parties.

2.17 Post-employment benefits and other long-term employee benefits

Based on the laws and practices of each country, the Group recognizes various types of employee benefits.

Under defined contribution plans, the Group is not obliged to make additional payments over and above contributions already made to a fund, if the fund does not have sufficient assets to cover the benefits corresponding to services rendered by personnel during the current period and prior periods. Contributions paid into these plans are expensed as incurred.

Under defined benefit plans, obligations are valued using the projected unit credit method based on agreements in effect in each entity. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. The obligation is then discounted. The actuarial assumptions used to determine the obligations vary according to the economic conditions of the country where the plan is established. These plans are valued by independent actuaries on an annual basis. The valuations take into account the level of future compensation, the probable active life of employees, life expectancy and staff turnover.

Actuarial gains and losses are primarily due to changes in assumptions and the difference between estimated results based on actuarial assumptions and actual results. All actuarial differences in respect of defined benefit plans are recognized immediately in other comprehensive income.

The past service cost, designating the increase in an obligation following the introduction of a new plan or changes to an existing plan, is expensed immediately whether the benefit entitlement has already vested or is still vesting.

Expenses relating to this type of plan are recognized in recurring operating income (service cost) and net finance costs (net interest on the net defined benefit liability or asset). Curtailments, settlements and past service costs are recognized in recurring operating income. The provision recognized in the statement of financial position corresponds to the present value of the obligations calculated as described above, less the fair value of plan assets.

2.18 Non-current assets (and disposal groups) held for sale and discontinued operations

The Group applies IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations*. This requires the separate recognition and presentation of non-current assets (or disposal groups) held for sale and discontinued operations.

Non-current assets, or groups of assets and liabilities directly associated with those assets, are considered as held for sale if it is highly probable that their carrying amount will be recovered principally through a sale rather than through continuing use. Non-current assets (or disposal groups) held for sale are measured and recognized at the lower of their net carrying amount and their fair value less the costs of disposal. These assets are no longer depreciated from the time they qualify as assets (or disposal groups) held for sale. They are presented on separate lines in the consolidated statement of financial position, without restatement for previous periods.

A discontinued operation is defined as a component of a group that generates cash flows that can be clearly distinguished from the rest of the group and represents a separate major line of business or geographical area of operations. For all periods presented, the net income or loss from these activities is shown on a separate line of the income statement ("Discontinued operations"), and is restated in the statement of cash flows.

2.19 Revenue recognition

Revenue mainly comprises sales of goods, together with income from associated services, and income from royalties and operating licenses.

Sales of goods and associated services

Sales of goods, whether through a retail network or wholesale operations, are recognized when the Group satisfies its performance obligation to its customers, typically upon delivery.

Sales of goods are measured:

- at the fair value of the consideration received;
- excluding taxes;
- net of any rebates or discounts;
- net of any returned goods, when a wholesaler has a contractual right of return or routinely makes returns, in which case a specific provision is set aside. When such returns are not contractual, the provision for returns is estimated based on historical data. Provisions for returns are presented in the statement of financial position under liabilities in respect of future refunds. A corresponding asset (with an offsetting adjustment to cost of sales) representing the right to recover the goods from the customer is also recognized;
- in the event of deferred payment beyond habitual credit terms that is not backed by a financing institution, the revenue from the sale corresponds to the discounted price. The difference between the discounted price and the cash value is recognized under "Other financial income and expenses".

Warranties in connection with certain product categories are recognized under "Other provisions" and have no impact on revenue recognition.

Revenue from services directly related to the sale of goods is recognized in the period in which such services are rendered.

Income from royalties and operating licenses

Income from royalties and operating licenses is recognized in accordance with the contractual obligations specific to each agreement, over time as the performance obligation is satisfied, for example, when calculated based on the value of the underlying sales generated by the licensee under the agreement.

2.20 Operating income

Operating income includes all revenue and expenses directly related to Group activities, both recurring revenue and expense items and revenue and expenses arising from non-recurring decisions or transactions.

Recurring operating income is an analytical balance intended to facilitate the understanding of the entity's operating performance.

Other non-recurring operating income and expenses consist of items which by their nature, amount or frequency could distort the assessment of Group entities' operating performance. Other non-recurring operating income and expenses may include:

- impairment of goodwill and of other intangible assets and property, plant and equipment;
- gains or losses on disposals of non-current assets;
- restructuring costs and costs relating to employee retraining measures.

2.21 Earnings per share

Earnings per share are calculated by dividing net income attributable to owners of the parent by the weighted average number of outstanding shares during the period, after deduction of the weighted average number of treasury shares held by consolidated companies.

Fully diluted earnings per share are calculated by adjusting net income attributable to owners of the parent and the number of outstanding shares for all instruments granting deferred access to the share capital of the Company, whether issued by Kering or by one of its subsidiaries. Dilution is determined separately for each instrument based on the following conditions:

- when the proceeds corresponding to potential future share issues are received at the time dilutive securities are issued (e.g., convertible bonds), the numerator is equal to net income before dilution plus the interest expense that would be saved in the event of conversion, net of tax;

- when the proceeds are received at the time the rights are exercised (e.g., stock subscription options), the dilution attached to the options is determined using the treasury shares method (theoretical number of shares purchased at market price [average price over the period] based on the proceeds received at the time the rights are exercised).

In the case of material non-recurring items, earnings per share excluding non-recurring items are calculated by adjusting net income attributable to owners of the parent for non-recurring items net of taxes and non-controlling interests. Non-recurring items taken into account for this calculation correspond to all of the items included under “Other non-recurring operating income and expenses” in the income statement.

2.22 Operating segments

In accordance with IFRS 8 – *Operating Segments*, segment information is reported on the same basis as used internally by the Chairman and Chief Executive Officer and the Group Managing Director – the Group’s chief operating decision makers – to allocate resources to segments and assess their performance.

An operating segment is a separate component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity’s chief operating decision maker, and for which discrete financial information is available.

Each operating segment is monitored separately for internal reporting purposes, according to performance indicators common to all of the Group’s segments.

The segments presented are operating segments or groups of similar operating segments.

Note 3 – Changes in Group structure and other highlights

3.1 Strategic redeployment and discontinued operations

On April 2, 2019, Kering announced that it had completed the sale of its US sports and lifestyle brand Volcom. US company Authentic Brands Group (ABG) purchased the intellectual property rights of Volcom, effective from April 1, 2019. The current Volcom management team has acquired the operating license of Volcom and will continue the development of its operations based in the United States, France, Australia and Japan.

On July 15, 2019, Kering finalized the sale of its stake in Stella McCartney, following a transition phase and carve-out process that began on March 28, 2018 (see Note 13 – Discontinued operations, to the consolidated financial statements).

3.2 Italy tax settlement

On May 9, 2019, Kering announced that it had concluded a settlement with the Italian Revenue Agency relating to claims vis-à-vis its Swiss subsidiary Luxury Goods International (LGI). The settlement, concluded after in-depth analysis and with a collaborative spirit, acknowledged that the claims raised during the tax audit pertained both to the existence of a permanent establishment in Italy in the period 2011-2017 with the associated profits, and to the transfer prices applied by LGI in the same period with its related party Guccio Gucci S.p.A. (see Note 12 – Income taxes).

3.3 Logistics activities: restructuring and transfer

Against a backdrop of rapid change in the industry and strong growth, Kering is undertaking a complete restructuring of its logistics activities, using the latest technologies, in order to meet the Luxury Houses’ new needs in terms of volumes, lead time and omni-channel integration.

Already initiated in the United States with the construction of a new site in New Jersey, the project will be gradually implemented by 2022. It will include the transfer of most of the logistics activities currently located in Switzerland to a new hub in Italy, close to Novara.

The new Italian hub will be designed to handle the Group’s future growth and will have greater storage capacity, reflecting increased volumes. It will also meet the growing demand for interconnectivity with the main transportation hubs.

3.4 Stock repurchase program

On October 29, 2018, Kering announced that it had set up a stock repurchase program covering up to 1.0% of its share capital over a 12-month period.

Between October 29, 2018 and February 28, 2019, a total of 603,406 shares were repurchased under a first tranche of the program. A further 658,000 shares were repurchased under a second tranche between June 17 and July 31, 2019. The repurchased shares will be canceled during 2020.

3.5 Placement of bonds exchangeable into PUMA shares

On September 25, 2019 Kering completed a placement of bonds exchangeable into existing ordinary shares of PUMA. Following strong demand, the nominal amount of the issuance was increased from €500 million to €550 million. The net proceeds of the issuance will be used for Kering's general corporate purposes. The bonds were issued at a principal amount of €100,000 per bond and bear no interest (zero coupon). They were offered at an issue price equal to 108.75% of the principal amount, namely €108,750, corresponding to an annual yield-to-maturity of -2.78%. They will be redeemed at their principal amount on September 30, 2022 (save in the event of early redemption). Throughout the life of the bonds and at their maturity, Kering has an option to redeem them in PUMA shares, cash or a combination of shares and cash.

3.6 Appointments and corporate governance at Kering

At its meeting on February 11, 2019, the Board of Directors of Kering appointed Sophie L'Hélias as lead independent director. In coordination with the Chairman of the Board, Sophie L'Hélias will notably represent the Board in its dealings with investors concerning ESG (Environmental, Societal, Governance) matters.

Kering also announced the appointment of Cédric Charbit, CEO of Balenciaga, to the Group's Executive Committee, effective from July 1, 2019.

In addition, Bartolomeo Rongone succeeded Claus-Dietrich Lahrs as CEO of Bottega Veneta, effective from September 1, 2019. He reports to François-Henri Pinault, Chairman and Chief Executive Officer of Kering, and is a member of the Group's Executive Committee.

Lastly, on December 17, 2019 Kering announced the appointment of Mehdi Benabadji as CEO of Brioni, with effect from January 1, 2020. Taking over from Fabrizio Malverdi, Mehdi Benabadji will report to Jean-François Palus, Group Managing Director of Kering.

Note 4 – First-time application of IFRS 16 – Leases

This note describes Kering's first-time application of IFRS 16 – Leases in its capacity as lessee, which is by far the most common situation in its business due to the network of stores operated directly by the Luxury Houses. The majority of the Group's leases are property leases. Its activity as lessor is not material, and there are no major changes compared to IAS 17 lessor accounting. Accordingly, this note does not deal with the accounting for leases in which Kering acts as lessor.

4.1 Accounting policies and methods applied to leases as of January 1, 2019

4.1.1 Leases affected by the application of IFRS 16

According to IFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract, on the other hand, is an agreement between two or more parties that creates enforceable rights and obligations.

In accordance with the exemptions provided by paragraph 5 of the standard, Kering has elected to apply IFRS 16 to all of its leases, save the following:

- short-term leases, with a lease term of 12 months or less as of the commencement date;

- leases for which the underlying asset is of low value, based on the value of the asset when it is new;
- variable lease payments that, by definition, cannot be considered firm and therefore constitute lease liabilities to be recognized in the statement of financial position.

In addition, certain leases may contain a substantive substitution right for the lessor. If the lessor has a right or an obligation to substitute the asset only on or after either a particular date (lease or notice period) or the occurrence of a specified event (renovation, construction, etc.), its substitution right is not deemed substantive. It follows that only non-property leases may contain substantive substitution rights.

The lease payments associated with these leases will continue to be recognized as an expense on a straight-line basis over the term of the lease, as was the case under IAS 17.

Furthermore, where certain lease agreements include explicitly identifiable non-lease components, those components are recognized in the appropriate item under recurring operating expenses.

4.1.2 Recognition of leases under IFRS 16

Under IFRS 16, for each affected lease, the following items are recognized in the consolidated statement of financial position as of the commencement date:

- a lease liability, corresponding to the present value of all fixed future payments for the estimated term of the lease. The current and non-current portions of the liability are presented separately. Fixed future lease payments include the remeasurement of any payments that depend on an index or a growth rate established in the lease. They may also include the value of any purchase options or estimated penalties for terminating the lease, where Kering is reasonably certain to exercise these options. In addition, any lease incentives receivable as of the commencement date are deducted from fixed payments;
- a right-of-use asset, corresponding to the value of the lease liability less any incentives received from the lessor and plus any prepaid lease payments, initial direct costs and the estimated cost of restoring the asset where required by the terms and conditions of the lease.

After the commencement date and at each reporting date:

- the lease liability is remeasured as follows:
 - an increase reflecting the discounting adjustments made over the period depending on the incremental borrowing rate applied to the lease, with a corresponding entry to "Interest expense on leases", a new line item included within "Finance costs, net" in the consolidated income statement,
 - a reduction reflecting the lease payments made over the period, with a corresponding entry to "Cash and cash equivalents" in the consolidated statement of financial position,
 - an increase reflecting any revisions to the index or growth rate applicable to the lease payments, where appropriate, with a corresponding entry to "Right-of-use assets" in the consolidated statement of financial position,
 - an increase or a reduction reflecting the remeasurement of future lease payments further to a change in the estimated lease term, with a corresponding entry to "Right-of-use assets" in the consolidated statement of financial position;
- the right-of-use asset is remeasured as follows:
 - a reduction reflecting the depreciation of the asset on a straight-line basis over the term of the lease, with a corresponding entry to "Depreciation of right-of-use assets" within "Recurring operating income" in the income statement,
 - a reduction reflecting the potential impairment of right-of-use assets, with a corresponding entry to "Other non-recurring operating income and expenses" in the income statement,
 - an increase reflecting any revisions to the index or growth rate applicable to the lease payments, where appropriate, with a corresponding entry to "Lease liabilities" in the consolidated statement of financial position,
 - an increase or a reduction reflecting the remeasurement of future lease payments further to a change in the estimated lease term, with a corresponding entry to "Lease liabilities" in the consolidated statement of financial position.

The impact of applying IFRS 16 on the income statement can be summarized as follows:

- within "Other recurring operating income and expenses", as part of "Recurring operating income":
 - variable lease payments, rental charges and payments under short-term leases or leases with a low-value underlying asset,
 - straight-line depreciation of right-of-use assets;
- within "Finance costs, net", the interest expense corresponding to the unwinding of the discount on lease liabilities.

Lastly, the impact of applying IFRS 16 on the consolidated statement of cash flows can be summarized as follows:

- within "Net cash from operating activities": variable lease payments, rental charges and payments under short-term leases or leases with a low-value underlying asset;
- within "Net cash used in financing activities": repayments of the principal amount ("Repayment of lease liabilities") and interest expense on lease liabilities ("Interest paid and equivalent").

4.1.3 Estimation of lease terms

The lease term corresponds to the non-cancelable period for which a lessee has the right to use an underlying asset, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

When estimating the terms of its property leases, Kering divides the underlying assets into two categories:

- points of sale: the lease term corresponds to the initial term of the lease on the signature date, namely without taking into account any extension options, as Kering views the ability to take advantage of opportunities to relocate its stores throughout the term of the lease to be a key part of its store network management policy. Consequently, options to extend or even terminate leases are only accounted for if Kering has actually exercised them;
- other properties (offices, logistics and production centers): the lease term corresponds to the initial term of the lease together with any periods covered by an extension option if Kering is reasonably certain to exercise that option, based on expected future usage of the underlying assets.

In the specific case of “3-6-9”-type commercial leases in France, Kering has adopted nine years as the enforceable lease term as of the commencement of the lease, in accordance with the conclusions published by the French accounting standards authority (*Autorité des normes comptables* – ANC) in its position statement of February 16, 2018. For certain “6+6”-type commercial leases in Italy, Kering has adopted 12 years as the enforceable lease term as of the commencement of the lease.

Certain leases include automatic renewal clauses or have indefinite terms. Kering is unable to reliably determine the estimated lease term for these leases beyond their strictly contractual period. Accordingly, they are accounted for as leases with no extension option.

Kering continues to depreciate improvements to its stores and other buildings consistently with the term of the underlying leases, and has not changed its approach compared to the accounting treatment applicable in this respect under IAS 17. Many different factors are taken into account in determining the depreciation period of leasehold improvements, including the term of the underlying lease.

December 16, 2019 decision of the IFRS Interpretations Committee

On December 16, 2019 the IFRS Interpretations Committee (IFRS IC) published its final agenda decision on cancelable or renewable leases with a notice to terminate. In its decision the Committee defined the criteria to apply for determining the enforceable period of the lease and interaction between the lease term and the useful life of non-removable leasehold improvements.

The Group has identified its leases that may be affected by this decision in order to estimate any potential impacts. However, as the IFRS IC decision was published so recently, the Group is still in the process of collecting the required information and will finalize its full list of leases during the first half of 2020. The leases that have been identified to date correspond to department store leases, which mainly have the following characteristics: (i) non-removable leasehold improvements that are relatively non-onerous compared with leasehold improvements in directly operated stores (particularly flagships) and (ii) a predominantly – and at times exclusively – variable payment component. Consequently, the costs of abandoning or dismantling non-removable leasehold improvements related to these leases cannot be considered as a penalty. In addition, as the fixed lease payment only represents a low amount for the vast majority of these leases, any recognition of right-of-use assets and lease liabilities relating to this type of lease would not have a significant impact at Group level.

In accordance with the conclusions published on February 16, 2018 by the ANC for certain “3-6-9”-type commercial leases in France, Kering has applied nine years as the enforceable lease term as of the commencement of this type of lease. The IFRS IC agenda decision could require a change in this accounting treatment and potentially result in a longer term for some leases, as well as an increase in the value of the recognized right-of-use assets and lease liabilities. However, this would not have a significant impact at Group level.

4.1.4 Determination of the discount rate applicable to lease liabilities

Kering believes that there is no readily available means of determining the interest rates implicit in its leases and has thus elected to apply the incremental borrowing rate.

The incremental borrowing rate corresponds to the rate of interest that Kering would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The rates applied by Kering are based on a combination of risk-free interest rate curves per currency/country, euro/foreign currency swap points, and Kering’s credit spread, also accounting for the nature of the underlying asset (property).

An “industry” beta is added to these inputs to reflect the specific risk of each activity, as follows:

- Kering and the principal Couture and Leather Goods Houses: Gucci, Saint Laurent and Bottega Veneta;
- other Couture and Leather Goods Houses: Alexander McQueen, Balenciaga and Brioni;
- other Watches and Jewelry Houses: Boucheron, Pomellato, Qeelin, Sowind and Ulysse Nardin.

The rate curves take into account the average lease term and are prepared on a quarterly basis.

The rates used as of January 1, 2019 to calculate the impact of the transition to IFRS 16 were based on the average remaining lease term as of that date.

4.1.5 Lease rights taken into account when calculating right-of-use assets

As of January 1, 2019, lease rights attached to certain leases were reclassified from “Brands and other intangible assets” to “Right-of-use assets” in the consolidated statement of financial position. Depending on the legal arrangements applicable to each lease right, they are either amortized over the term of the underlying lease or are not amortized but tested each year for impairment.

4.1.6 Deferred taxes relating to leases accounted for under IFRS 16

The first-time application of IFRS 16 did not give rise to any deferred tax assets or liabilities as of January 1, 2019 because the Group has applied the modified retrospective approach for its transition to the standard, with no impact on equity.

However, future changes in lease liabilities and right-of-use assets, which each follow their own respective logic in terms of financial amortization/straight-line depreciation, along with any potential accelerated amortization/depreciation, will generate deferred taxes in subsequent periods. These deferred taxes are recognized on a net basis (deferred tax asset or liability) for each contract.

4.2 Transition approach and practical expedients applied as of January 1, 2019

4.2.1 Transition approach

In accordance with the transitional provisions set out in paragraph C5 (b) of IFRS 16, Kering has chosen to apply the modified retrospective approach for its transition to the standard, which consists in accounting for the cumulative impact of applying IFRS 16 in its consolidated financial statements as of the date of first-time application, i.e., January 1, 2019. Under this method, comparative periods are not restated. The financial data for 2018 was prepared in accordance with the accounting principles of IAS 17 – *Leases*, as described in the 2018 Reference Document (see Note 2.8 – Property, plant and equipment).

Accordingly, as of January 1, 2019, Kering recognized:

- current and non-current lease liabilities for leases previously classified as operating leases in accordance with IAS 17. These liabilities represent the present value of outstanding fixed lease payments, discounted at the incremental borrowing rate applicable to each of the leases as of January 1, 2019;
- right-of-use assets for these same leases, at the amount of the corresponding lease liability, adjusted for any prepaid or accrued lease payments previously recognized within other current assets or other current liabilities in the consolidated statement of financial position.

Leases previously classified as finance leases in accordance with IAS 17 and included in the calculation of net debt have been reclassified to current and non-current lease liabilities for the same amounts. The corresponding property, plant and equipment have been reclassified to right-of-use assets.

4.2.2 Practical expedients

In accordance with the transitional provisions of IFRS 16 (paragraph C10), Kering has elected to apply the following practical expedients to all of the leases concerned:

- use of the same scope of leases as defined under IAS 17;
- recognition exemption for leases with a residual term of less than one year as of the transition date, i.e., January 1, 2019;
- use of hindsight to determine the lease term.

4.3 Impact of the transition approach on subsequent periods

Owing to its technical features, the modified retrospective transition approach is likely to give rise to two measurement discrepancies compared to the full retrospective approach. These two discrepancies, which will impact subsequent reporting periods, are as follows:

- in a historically low interest rate environment, the use for all leases of incremental borrowing rates calculated at prevailing market conditions as of January 1, 2019 tends to overstate lease liabilities and the corresponding right-of-use assets recognized in the consolidated statement of financial position as of January 1, 2019. The weighted average incremental borrowing rate as of January 1, 2019 was 2.3%. The impact on subsequent reporting periods will be an increase in the depreciation charged against right-of-use assets (affecting recurring operating income) compared to the depreciation that would have been charged had the full retrospective approach been adopted. Conversely, the interest expense on lease liabilities will be less than if the full retrospective approach had been adopted using higher historical incremental borrowing rates;
- taking January 1, 2019 as the commencement date of all leases in force as of the transition date, regardless of their actual commencement date, will lead to higher interest expenses on lease liabilities in 2019, which will gradually decrease throughout the remaining term of the leases. This would not have been the case had the Group adopted the full retrospective approach. This impact will gradually reduce over subsequent periods, as the lease portfolio is renewed.

4.4 Impact of the transition on the consolidated statement of financial position as of January 1, 2019

ASSETS

<i>(in € millions)</i>	Dec. 31, 2018	First-time application of IFRS 16	Jan. 1, 2019
Goodwill	2,399.2		2,399.2
Brands and other intangible assets	7,393.6	(144.7)	7,248.9
Right-of-use assets	N/A	3,759.1	3,759.1
Property, plant and equipment	2,228.5	(120.2)	2,108.3
Investments in equity-accounted companies	1,074.7		1,074.7
Non-current financial assets	336.3		336.3
Deferred tax assets	830.1		830.1
Other non-current assets	34.2		34.2
Non-current assets	14,296.6	3,494.2	17,790.8
Inventories	2,414.7		2,414.7
Trade receivables	849.5		849.5
Current tax receivables	90.6		90.6
Other current financial assets	60.9		60.9
Other current assets	899.5	(45.8)	853.7
Cash and cash equivalents	2,216.6		2,216.6
Current assets	6,531.8	(45.8)	6,486.0
Assets held for sale	539.1		539.1
TOTAL ASSETS	21,367.5	3,448.4	24,815.9

EQUITY AND LIABILITIES

<i>(in € millions)</i>	Dec. 31, 2018	First-time application of IFRS 16	Jan. 1, 2019
Total equity	10,061.6		10,061.6
Non-current borrowings	3,171.6	(42.8)	3,128.8
Non-current lease liabilities	N/A	3,177.2	3,177.2
Other non-current financial liabilities	3.0		3.0
Provisions for pensions and other post-employment benefits	88.0		88.0
Other non-current provisions	14.2		14.2
Deferred tax liabilities	1,578.6		1,578.6
Other non-current liabilities	40.0		40.0
Non-current liabilities	4,895.4	3,134.4	8,029.8
Current borrowings	756.4	(35.9)	720.5
Current lease liabilities	N/A	552.9	552.9
Other current financial liabilities	553.2		553.2
Trade payables	745.8		745.8
Provisions for pensions and other post-employment benefits	8.6		8.6
Other current provisions	255.7		255.7
Current tax liabilities	1,303.3		1,303.3
Other current liabilities	2,598.9	(203.0)	2,395.9
Current liabilities	6,221.9	314.0	6,535.9
Liabilities associated with assets held for sale	188.6		188.6
TOTAL EQUITY AND LIABILITIES	21,367.5	3,448.4	24,815.9

4.5 Reconciliation between off-balance sheet commitments relating to operating leases as of December 31, 2018 and lease liabilities as of January 1, 2019

<i>(in € millions)</i>	Reconciliation
Off-balance sheet commitments relating to operating leases as of December 31, 2018 (reported)	4,148.9
Impact of incremental borrowing rates on off-balance sheet commitments relating to operating leases as of December 31, 2018	(432.3)
Off-balance sheet commitments relating to operating leases as of December 31, 2018 (discounted at the incremental borrowing rate)	3,716.6
Leases with a commencement date after January 1, 2019 (not included in lease liabilities)	(196.1)
Short-term leases (initial and remaining terms as of January 1, 2019)	(57.1)
Leases with a low-value underlying asset	(3.0)
Difference in estimated lease terms (including periods covered by extension or termination options in lease liabilities)	168.9
Other impacts	100.8
Lease liabilities as of January 1, 2019	3,730.1

4.6 Breakdown of leases as of December 31, 2019

<i>(in € millions)</i>	2019
Charges to depreciation on right-of-use assets – Property leases	736.7
Interest expense on lease liabilities	109.6
Rental expense – Short-term leases	44.6
Rental expense – Leases with a low-value underlying asset	9.5
Rental expense – Variable lease payments	939.3
Sub-lease revenue	7.5
Cash outflows in respect of leases	749.1
Additions to right-of-use assets	1,078.6
Carrying amount of right-of-use assets as of December 31, 2019	4,246.7

Maturity schedule of lease liabilities

<i>(in € millions)</i>	Dec. 31, 2019
Y+1	720.0
Y+2	642.0
Y+3	563.5
Y+4	475.2
Y+5 and beyond	1,917.9
Lease liabilities	4,318.6

Note 5 – Operating segments

The policies applied to determine the operating segments presented are set out in Note 2.22 – Operating segments.

Information provided on operating segments is prepared in accordance with the same accounting rules as used for the consolidated financial statements and set out in the notes thereto.

The performance of each operating segment is measured based on recurring operating income, which is the approach used by the Group's chief operating decision maker.

Net recurring charges to depreciation, amortization and provisions on non-current operating assets reflect net charges to depreciation, amortization and provisions on intangible assets, right-of-use assets (as of 2019) and property, plant and equipment recognized in recurring operating income.

Purchases of property, plant and equipment and intangible assets correspond to gross non-current asset purchases, including cash timing differences.

Segment assets comprise goodwill, brands and other intangible assets, right-of-use assets (as of 2019), property, plant and equipment, other non-current assets, inventories, trade receivables and other current assets.

Segment liabilities comprise deferred tax liabilities on brands, lease liabilities (as of 2019), trade payables and other current liabilities.

5.1 Information by segment

<i>(in € millions)</i>	Gucci	Yves Saint Laurent
2019		
Revenue ⁽¹⁾	9,628.4	2,049.1
Recurring operating income (loss)	3,946.9	562.2
Adjusted recurring operating income (loss) (IAS 17) ⁽²⁾	3,926.1	552.5
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	516.7	171.5
Other non-cash recurring operating income and expenses	(155.2)	(29.2)
Purchases of property, plant and equipment and intangible assets	337.3	98.0
Segment assets as of December 31, 2019	11,619.8	2,523.4
Segment liabilities as of December 31, 2019	4,380.6	1,245.9
2018		
Revenue ⁽¹⁾	8,284.9	1,743.5
Recurring operating income (loss)	3,275.2	459.4
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	239.4	43.4
Other non-cash recurring operating income and expenses	(199.0)	(38.3)
Purchases of property, plant and equipment and intangible assets	312.7	89.0
Segment assets as of December 31, 2018	9,401.3	1,758.5
Segment liabilities as of December 31, 2018	2,812.0	505.4

(1) Non-Group.

(2) Adjusted recurring operating income (IAS 17) represents recurring operating income as though IAS 17 had been applied instead of IFRS 16. Adjusted recurring operating income was introduced in the context of the Group's transition to IFRS 16 in order to provide clearer information for both internal and external users of the financial statements. See the Activity report for a reconciliation of recurring operating income with adjusted recurring operating income (IAS 17).

Bottega Veneta	Other Houses	Total Luxury Houses	Corporate and other	Total
1,167.6	2,537.5	15,382.6	500.9	15,883.5
215.2	317.7	5,042.0	(263.7)	4,778.3
207.4	305.9	4,991.9	(267.5)	4,724.4
159.1	232.3	1,079.6	165.7	1,245.3
(16.7)	0.8	(200.3)	300.5	100.2
57.8	158.8	651.9	303.9	955.8
1,614.1	3,842.9	19,600.2	2,005.6	21,605.8
925.1	1,550.4	8,102.0	1,081.3	9,183.3
1,109.1	2,109.2	13,246.7	418.5	13,665.2
242.0	214.4	4,191.0	(247.2)	3,943.8
42.3	82.4	407.5	84.4	491.9
(38.4)	(39.9)	(315.6)	246.8	(68.8)
68.6	140.0	610.3	217.7	828.0
868.6	2,921.1	14,949.5	1,269.7	16,219.2
244.0	717.0	4,278.4	587.2	4,865.6

5.2 Information by geographic area

The presentation of revenue by geographic area is based on the geographic location of customers. Non-current segment assets are not broken down by geographic area since these assets largely consist of goodwill and brands, which are analyzed based on the revenue generated in each region, and not based on their geographic location.

<i>(in € millions)</i>	2019	2018
Western Europe	5,120.2	4,471.5
North America	3,039.7	2,704.7
Japan	1,309.8	1,157.5
Sub-total – mature markets	9,469.7	8,333.7
Eastern Europe, Middle East and Africa	770.2	725.1
South America	222.1	186.1
Asia-Pacific (excluding Japan)	5,421.6	4,420.3
Sub-total – emerging markets	6,413.8	5,331.5
Revenue	15,883.5	13,665.2

5.3 Reconciliation of segment assets and liabilities

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Goodwill	2,525.9	2,399.2
Brands and other intangible assets	7,260.5	7,393.6
Right-of-use assets	4,246.7	N/A
Property, plant and equipment	2,619.3	2,228.5
Other non-current assets	18.8	34.2
Non-current segment assets	16,671.2	12,055.5
Inventories	2,959.2	2,414.7
Trade receivables	996.0	849.5
Other current assets	979.4	899.5
Segment assets	21,605.8	16,219.2
Investments in equity-accounted companies	1,105.3	1,074.7
Non-current financial assets	458.4	336.3
Deferred tax assets	1,367.6	830.1
Current tax receivables	280.7	90.6
Other current financial assets	38.4	60.9
Cash and cash equivalents	2,285.9	2,216.6
Assets held for sale	6.1	539.1
TOTAL ASSETS	27,148.2	21,367.5

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Deferred tax liabilities on brands	1,503.5	1,520.9
Lease liabilities	4,318.6	N/A
Trade payables	808.7	745.8
Other current liabilities	2,552.5	2,598.9
Segment liabilities	9,183.3	4,865.6
Total equity	10,438.6	10,061.6
Non-current borrowings	3,122.2	3,171.6
Other non-current financial liabilities	47.9	3.0
Other non-current liabilities	141.4	40.0
Non-current provisions for pensions and other post-employment benefits	106.5	88.0
Other non-current provisions	15.1	14.2
Other deferred tax liabilities	26.9	57.7
Current borrowings	1,975.9	756.4
Other current financial liabilities	503.2	553.2
Current provisions for pensions and other post-employment benefits	8.9	8.6
Other current provisions	216.0	255.7
Current tax liabilities	1,361.5	1,303.3
Liabilities associated with assets held for sale	0.8	188.6
TOTAL EQUITY AND LIABILITIES	27,148.2	21,367.5

Note 6 – Revenue

<i>(in € millions)</i>	2019	2018
Net sales of goods	15,681.6	13,488.4
Net sales of services	17.2	15.1
Revenue from concessions and licenses	157.4	134.1
Other revenue	27.3	27.6
TOTAL	15,883.5	13,665.2

Note 7 – Payroll expenses and headcount

7.1 Payroll expenses by activity

Payroll expenses primarily include fixed and variable remuneration, payroll taxes, charges relating to employee profit-sharing and other incentives, training costs, share-based payment expenses (as detailed in Note 8 – Share-based payment) and expenses relating to employee benefits recognized in recurring operating income (as detailed in Note 27 – Provisions for pensions and other post-employment benefits).

<i>(in € millions)</i>	2019	2018
Total Luxury Houses	(1,913.1)	(1,732.7)
Corporate and other	(377.7)	(347.7)
TOTAL	(2,290.8)	(2,080.4)

7.2 Average headcount on a full-time equivalent basis by activity

	2019	2018
Total Luxury Houses	30,956	27,057
Corporate and other	3,946	3,538
TOTAL	34,902	30,595

7.3 Headcount on the payroll at year-end by activity

	2019	2018
Total Luxury Houses	33,893	30,925
Corporate and other	4,175	3,870
TOTAL	38,068	34,795

Note 8 – Share-based payment

Kering Monetary Units (KMUs)

Since 2013, the Group has granted certain employees Kering Monetary Units (KMUs), namely long-term incentive plans based on synthetic shares that are systematically settled in cash.

The Group recognizes its obligation as services are rendered by the beneficiaries, over the period from the grant date to the vesting date:

- the grant date is the date on which the plans were individually approved by the relevant decision-making body (Board of Directors or other) and corresponds to the initial measurement date of the plans;
- as from the grant date, the rights vesting period is the so-called "lock-in" period during which the specified vesting conditions are to be satisfied (service conditions for all beneficiaries, plus performance conditions for executive corporate officers);
- the exercise date is the date at which all of the specified vesting conditions have been satisfied, and as of which the beneficiaries are entitled to ask for payment of their rights.

The unit value of the KMUs awarded is determined and changes based on intrinsic movements in the Kering share and in comparison with the average increase in a basket of seven stocks from the luxury industry.

The terms and conditions of outstanding KMU plans are as follows:

Plans based on Kering Monetary Units	2015 Plan	2016 Plan	2017 Plan	2018 Plan	2019 Plan
Grant date	05/22/2015	05/20/2016	05/29/2017	05/18/2018	05/22/2019
Vesting period	3 years	3 years	3 years	3 years ⁽²⁾	3 years
Exercise period ⁽¹⁾	2 years	2 years	2 years	2 years	2 years
Number of beneficiaries	316	323	319	331	345
Number initially granted	114,997	126,974	111,000	64,281	38,205
Number of existing KMUs as of Jan. 1, 2019	3,207	113,927	94,126	64,281	
Number awarded in 2019					38,205
Number forfeited in 2019		8,754	11,752	2,206	853
Number exercised in 2019	3,207	100,247		9,961	
Number of existing KMUs as of Dec. 31, 2019		4,926	85,416	52,114	37,352
Number exercisable as of Dec. 31, 2019		4,926	N/A	N/A ⁽²⁾	N/A
Fair value at grant date (in €)	167.00	166.00	249.00	581.0	753.0
Weighted average price of KMUs paid (in €)	727.33	895.04	N/A	948.58	N/A

(1) Vested rights may be exercised over a period of two years, during which beneficiaries can opt to cash out some or all of their KMUs in April or October, at their discretion, based on the most recently determined value.

(2) The rights vesting period is three years, except for certain KMUs that were awarded in 2018 as exceptional remuneration in recognition of the successful transformation of the Group and the refocus on Luxury following the relinquishment of control of PUMA. These KMUs were mainly awarded to corporate officers. The vesting period of half of the rights was reduced to one year, and to two to three years for the other half. The corresponding expense is recognized within net income from discontinued operations under net gain on the disposal of PUMA.

In 2019, the Group recognized a €155.2 million payroll expense within recurring operating income in respect of vested KMUs (€102.8 million expense in 2018). The KMU plans also gave rise to a cash outflow of €123.9 million in 2019 (€100.7 million in 2018).

Note 9 – Recurring operating income

Recurring operating income and EBITDA are key indicators of the Group's operating performance.

9.1 Recurring operating income by activity

(in € millions)	2019	2018
Total Luxury Houses	5,042.0	4,191.0
Corporate and other	(263.7)	(247.2)
TOTAL	4,778.3	3,943.8

9.2 Reconciliation of recurring operating income with EBITDA

(in € millions)	2019	2018
Recurring operating income	4,778.3	3,943.8
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	1,245.3	491.9
EBITDA	6,023.6	4,435.7

Note 10 – Other non-recurring operating income and expenses

<i>(in € millions)</i>	2019	2018
Non-recurring operating expenses	(173.0)	(227.8)
Asset impairment	(94.9)	(140.4)
Restructuring costs	(28.5)	(53.2)
Capital losses on disposals	(1.1)	(0.4)
Other	(48.5)	(33.8)
Non-recurring operating income	4.5	5.4
Capital gains on disposals	1.6	0.6
Other	2.9	4.8
TOTAL	(168.5)	(222.4)

Other non-recurring operating income and expenses consist of unusual items that could distort the assessment of each House's financial performance.

Other non-recurring operating income and expenses represented a net expense of €168.5 million in 2019, chiefly comprising:

- €76.5 million in impairment losses recognized against Sowind's goodwill and the Ulysse Nardin and Brioni brands, with no impact on consolidated cash;
- €28.5 million in restructuring costs, mainly concerning the Group's logistics operations and the Watches and Jewelry Division;
- other expenses, primarily relating to claims and litigation.

In 2018, other non-recurring operating income and expenses represented a net expense of €222.4 million, chiefly comprising:

- impairment of goodwill relating to Ulysse Nardin and Brioni (Other Houses) for €88.3 million, with no impact on consolidated cash;
- impairment of assets for €52.1 million, mainly relating to Houses within the Couture and Leather Goods Division;
- costs of restructuring industrial and sales operations for €53.2 million, mainly relating to Houses within the Couture and Leather Goods Division;
- other costs, including costs associated with the departure of Tomas Maier, Bottega Veneta's Creative Director.

Note 11 – Finance costs, net

<i>(in € millions)</i>	2019	2018
Cost of net debt	(52.3)	(77.4)
Income from cash and cash equivalents	10.6	6.4
Finance costs at amortized cost	(63.7)	(84.2)
Gains and losses on cash flow hedging derivatives	0.8	0.4
Other financial income and expenses	(147.6)	(129.9)
Net gains and losses on financial assets measured at fair value	(0.1)	(0.3)
Foreign exchange gains and losses	(10.9)	(6.2)
Ineffective portion of cash flow and fair value hedges	(133.5)	(89.8)
Gains and losses on derivative instruments not qualifying for hedge accounting (foreign exchange and interest rate hedges)	0.9	0.0
Impact of discounting assets and liabilities	(1.7)	(2.1)
Other finance costs	(2.3)	(31.5)
Total finance costs, net (excluding leases)	(199.9)	(207.3)
Interest expense on lease liabilities ⁽¹⁾	(109.6)	N/A
TOTAL	(309.5)	(207.3)

(1) See Note 4 – First-time application of IFRS 16 – Leases.

The Group's cost of net debt was €52.3 million in 2019, 32.4% lower than the €77.4 million recorded for 2018. This significant improvement was primarily due to the positive impact of the year-on-year reduction in the average amount of outstanding bonds in 2019.

Other financial income and expenses represented a net expense of €147.6 million in 2019, up 13.6% on the €129.9 million net expense recorded for 2018. This rise includes a negative currency effect, which led to an increase in the finance cost of currency hedges, and a favorable basis of comparison, as one-off finance costs of €28 million were recognized in 2018 in respect of bonds redeemed ahead of maturity.

Note 12 – Income taxes

12.1 Income tax expense

12.1.1 Income tax expense and effective tax rate

(in € millions)

	2019	2018
Income before tax	4,300.3	3,514.1
Current tax expense	(2,597.9)	(1,062.4)
o/w		
Tax expense relating to the tax settlement in Italy	(904.0)	-
Deferred tax income (expense)	464.2	194.7
Income tax expense	(2,133.7)	(867.7)
Effective tax rate	49.6%	24.7%
Other non-recurring operating income and expenses	(168.5)	(222.4)
Recurring income before tax	4,468.8	3,736.5
Tax income on other non-recurring operating income and expenses	27.9	36.3
Tax expense relating to the tax settlement in Italy	(904.0)	-
Tax expense on recurring income (excluding effect of the tax settlement in Italy)	(1,257.6)	(904.0)
Effective tax rate on recurring income (excluding effect of the tax settlement in Italy)	28.1%	24.2%

On May 9, 2019, Kering announced that it had concluded a settlement with the Italian Revenue Agency relating to claims vis-à-vis its Swiss subsidiary Luxury Goods International (LGI). The settlement, concluded after in-depth analysis and with a collaborative spirit, acknowledged that the claims raised during the tax audit pertained both to the existence of a permanent establishment in Italy in the period 2011-2017 with the associated profits, and to the transfer prices applied by LGI in the same period with its related party Guccio Gucci S.p.A.

Under the terms of the settlement, additional tax payable amounts to €897 million, plus penalties and interest. The total amount of the settlement is €1.25 billion. The Group drew the necessary conclusions from the settlement in assessing the 2018 tax expense for LGI and Guccio Gucci S.p.A., which was recognized in 2019.

Net of the reversal of the provision booked as of December 31, 2018 in respect of its transfer pricing policy, the total tax expense relating to the tax settlement in Italy was €904.0 million for 2019. The total amount paid out in 2019 for the additional tax due as a result of (i) the agreement with the Italian tax authorities for the period from 2011 through 2017 and (ii) the reassessment of the tax expense for 2018, was approximately €1.61 billion in total.

Excluding the above-described impacts, the increase in the effective tax rate on recurring income is broadly the result of overhauling the Luxury Houses' business models, particularly in terms of supply chain and logistics.

This change in the Group's business model and value chain will result in a significant increase in current tax liabilities, as well as deferred tax assets, in terms of recognizing tax loss carryforwards and of temporary differences.

12.1.2 Reconciliation of the tax rate

<i>(as a % of pre-tax income)</i>	2019	2018
Tax rate applicable in France	34.4%	34.4%
Impact of taxation of foreign subsidiaries	-8.8%	-20.1%
Effect of items taxed at reduced rates	0.0%	0.0%
Effect of permanent differences	-1.6%	-0.8%
Effect of unrecognized temporary differences	0.1%	0.4%
Effect of unrecognized tax losses carried forward	-3.4%	-1.9%
Effect of changes in tax rates	-0.2%	-0.4%
Other	7.6%	12.6%
Effective tax rate on recurring income (excluding effect of the tax settlement in Italy)	28.1%	24.2%
Effect on other non-recurring operating income and expenses (permanent differences and differences in foreign tax rates)	-0.2%	0.5%
Effect of the tax settlement in Italy	21.7%	N/A
Effective tax rate	49.6%	24.7%

In 2019, the income tax rate applicable in France was the standard rate of 33.33%, plus a social surtax of 3.3%, bringing the overall rate to 34.43%.

In 2019 and 2018, "Other" relates mainly to the CVAE tax on value-added in France, the IRAP regional production tax in Italy, and tax reassessments.

12.2 Tax assets and liabilities

12.2.1 Current tax receivables and liabilities

<i>(in € millions)</i>	Dec. 31, 2018	Income tax expense	Cash outflows relating to operating activities	Other ⁽¹⁾	Dec. 31, 2019
Current tax receivables	90.6				280.7
Current tax liabilities	(1,303.3)				(1,361.5)
Net current tax liabilities	(1,212.7)	(2,597.9)	2,903.5	(173.7)	(1,080.8)

(1) "Other" includes changes in Group structure and exchange rates, and reclassifications of statement of financial position items.

12.2.2 Deferred tax assets and liabilities

<i>(in € millions)</i>	Dec. 31, 2018	Income tax benefit (expense)	Other ⁽¹⁾	Other items recognized in equity	Dec. 31, 2019
Brands	(1,520.9)	18.4	(1.0)		(1,503.5)
Other intangible assets	(5.0)	3.8	(2.0)		(3.2)
Property, plant and equipment	24.0	(4.6)	9.3		28.7
Other non-current assets	12.9	11.5	1.8		26.2
Other current assets	526.0	276.4	15.0		817.4
Equity	(0.4)	-	-		(0.4)
Borrowings	(3.1)	0.6	-		(2.5)
Leases	N/A	12.8	-		12.8
Provisions for pensions and other post-employment benefits	139.5	(2.9)	(1.8)	3.8	138.6
Other provisions	25.6	(0.4)	(0.6)		24.6
Other current liabilities	(14.5)	182.0	(8.0)	(1.0)	158.7
Recognized tax losses and tax credits	67.4	68.3	4.3		140.0
Net deferred tax assets (liabilities)	(748.5)	565.9	17.0	2.8	(162.8)
<i>o/w related to continuing operations</i>		464.2			
<i>o/w related to discontinued operations</i>		101.7			
Deferred tax assets	830.1				1,367.6
Deferred tax liabilities	(1,578.6)				(1,530.4)

(1) "Other" includes changes in Group structure and exchange rates, and deferred tax item reclassifications.

12.3 Unrecognized deferred tax assets

Changes in and maturities of tax losses and tax credits in respect of continuing operations for which no deferred tax assets were recognized in the statement of financial position can be analyzed as follows:

(in € millions)

As of January 1, 2018	2,511.1
Losses generated during the year	212.4
Losses utilized and time-barred during the year	(279.8)
Assets held for sale	(380.5)
Effect of changes in Group structure and exchange rates	(56.7)
As of December 31, 2018	2,006.5
Losses generated during the year	180.5
Losses utilized and time-barred during the year	(621.5)
Effect of changes in Group structure and exchange rates	16.5
As of December 31, 2019	1,582.0
Ordinary tax loss carry-forwards expiring in	902.2
Less than five years	418.2
More than five years	484.0
Indefinite tax loss carry-forwards	679.8
TOTAL	1,582.0

There are no unrecognized deferred taxes in respect of temporary differences relating to investments in subsidiaries, associates and joint ventures.

Note 13 – Discontinued operations

Discontinued operations include Stella McCartney, Volcom and Christopher Kane and the gains resulting from their sale for 2019, and PUMA and the gain realized when the Group ceased to exercise control over that company for 2018.

13.1 Impact on the consolidated income statement

(in € millions)

	2019	2018
Revenue	150.0	1,949.5
Cost of sales	(68.2)	(979.7)
Gross margin	81.8	969.8
Payroll expenses	(46.8)	(275.2)
Other recurring operating income and expenses	(69.5)	(547.0)
Recurring operating income (loss)	(34.5)	147.6
Other non-recurring operating income and expenses	(1.0)	(175.2)
Operating income (loss)	(35.5)	(27.6)
Finance costs, net	(5.3)	(26.4)
Income (loss) before tax	(40.8)	(54.0)
Income tax	(12.8)	(29.1)
Share in earnings (losses) of equity-accounted companies	-	(0.9)
Net gain (loss) on disposal of discontinued operations	179.0	1,179.2
Net income (loss)	125.4	1,095.2
o/w attributable to owners of the parent	141.7	1,084.3
o/w attributable to non-controlling interests	(16.3)	10.9

The Group's relinquishment of control of PUMA following the distribution of the stock dividend gave rise to a net gain of €1,181 million in 2018.

13.2 Impact on the consolidated statement of cash flows

<i>(in € millions)</i>	2019	2018
Net cash from (used in) operating activities	160.6	(193.8)
Net cash used in investing activities	(29.0)	(71.2)
Net cash from (used in) financing activities	(9.3)	98.0
Impact of exchange rate variations	(1.1)	2.6
Net change in cash and cash equivalents	121.2	(164.4)
Opening cash and cash equivalents and changes in intra-Group cash flows	11.5	(214.7)
Net cash from (used in) discontinued operations	132.7	(379.1)

Note 14 – Earnings per share

Basic earnings per share are calculated on the basis of the weighted average number of shares outstanding, after deduction of the weighted average number of shares held by consolidated companies.

Fully diluted earnings per share are based on the weighted average number of shares as defined above, plus the weighted average number of potentially dilutive ordinary shares, which may be granted to employees as part of equity-settled share-based payment plans. Earnings are adjusted for the theoretical interest charge, net of tax, on convertible and exchangeable instruments.

14.1 Earnings per share

2019

<i>(in € millions)</i>	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	2,308.6	2,166.9	141.7
Weighted average number of ordinary shares outstanding	126,332,226	126,332,226	126,332,226
Weighted average number of treasury shares	(833,460)	(833,460)	(833,460)
Weighted average number of ordinary shares	125,498,766	125,498,766	125,498,766
Basic earnings per share (in €)	18.40	17.27	1.13
Net income attributable to ordinary shareholders	2,308.6	2,166.9	141.7
Convertible and exchangeable instruments	-	-	-
Diluted net income attributable to owners of the parent	2,308.6	2,166.9	141.7
Weighted average number of ordinary shares	125,498,766	125,498,766	125,498,766
Potentially dilutive ordinary shares	-	-	-
Weighted average number of diluted ordinary shares	125,498,766	125,498,766	125,498,766
Fully diluted earnings per share (in €)	18.40	17.27	1.13

2018

<i>(in € millions)</i>	Consolidated Group	Continuing operations	Discontinued operations
Net income attributable to ordinary shareholders	3,714.9	2,630.6	1,084.3
Weighted average number of ordinary shares outstanding	126,332,226	126,332,226	126,332,226
Weighted average number of treasury shares	(376,188)	(376,188)	(376,188)
Weighted average number of ordinary shares	125,956,038	125,956,038	125,956,038
Basic earnings per share (in €)	29.49	20.88	8.61
Net income attributable to ordinary shareholders	3,714.9	2,630.6	1,084.3
Convertible and exchangeable instruments	-	-	-
Diluted net income attributable to owners of the parent	3,714.9	2,630.6	1,084.3
Weighted average number of ordinary shares	125,956,038	125,956,038	125,956,038
Potentially dilutive ordinary shares	-	-	-
Weighted average number of diluted ordinary shares	125,956,038	125,956,038	125,956,038
Fully diluted earnings per share (in €)	29.49	20.88	8.61

14.2 Earnings per share from continuing operations excluding non-recurring items

Non-recurring items presented below consist of the income statement line “Other non-recurring operating income and expenses” (see Note 10 – Other non-recurring operating income and expenses), reported net of tax and non-controlling interests.

<i>(in € millions)</i>	2019	2018
Net income attributable to ordinary shareholders	2,166.9	2,630.6
Other non-recurring operating income and expenses	(168.5)	(222.4)
Income tax on other non-recurring operating income and expenses	27.9	36.3
Tax expense relating to the tax settlement in Italy	(904.0)	-
Net income excluding non-recurring items	3,211.5	2,816.7
Weighted average number of ordinary shares outstanding	126,332,226	126,332,226
Weighted average number of treasury shares	(833,460)	(376,188)
Weighted average number of ordinary shares	125,498,766	125,956,038
Basic earnings per share excluding non-recurring items (in €)	25.59	22.36
Net income excluding non-recurring items	3,211.5	2,816.7
Convertible and exchangeable instruments	-	-
Diluted net income attributable to owners of the parent	3,211.5	2,816.7
Weighted average number of ordinary shares	125,498,766	125,956,038
Potentially dilutive ordinary shares	-	-
Weighted average number of diluted ordinary shares	125,498,766	125,956,038
Fully diluted earnings per share (in €)	25.59	22.36

Note 15 – Other comprehensive income

The main components of other comprehensive income are:

- gains and losses arising from translating the financial statements of foreign operations;
- gains and losses on cash flow hedging instruments;
- gains and losses on the remeasurement and disposal of financial assets at fair value;
- components relating to the measurement of provisions for pensions and other post-employment benefits: unrecognized surplus of pension plan assets and actuarial gains and losses on defined benefit plans.

<i>(in € millions)</i>	Gross	Income tax	Net
Foreign exchange gains and losses	33.6		33.6
Cash flow hedges	18.8	(1.0)	17.8
- <i>change in fair value</i>	(85.0)		
- <i>gains and losses reclassified to income</i>	103.8		
Financial assets at fair value	(0.1)		(0.1)
- <i>change in fair value</i>	(0.1)		
- <i>gains (losses) on financial assets at fair value</i>			
Share in other comprehensive income (loss) of equity-accounted companies	(7.0)		(7.0)
Actuarial gains and losses	(19.9)	3.8	(16.1)
Other comprehensive income for 2019	25.4	2.8	28.2

<i>(in € millions)</i>	Gross	Income tax	Net
Foreign exchange gains and losses	(70.6)		(70.6)
Cash flow hedges	(148.8)	6.8	(142.0)
- <i>change in fair value</i>	(53.3)		
- <i>gains and losses reclassified to income</i>	(95.5)		
Financial assets at fair value	(13.3)		(13.3)
- <i>change in fair value</i>	(13.7)		
- <i>gains (losses) on financial assets at fair value</i>	0.4		
Share in other comprehensive income of equity-accounted companies	12.0		12.0
Actuarial gains and losses	12.0	(2.4)	9.6
Other comprehensive income (loss) for 2018	(208.7)	4.4	(204.3)

A negative amount on the "Gains and losses reclassified to income" line item corresponds to a gain recognized in the income statement. Conversely, a positive amount on the "Gains and losses reclassified to income" line item corresponds to a loss recognized in the income statement.

Gains and losses on cash flow hedging instruments reclassified to income are recognized under gross margin.

Note 16 – Non-controlling interests

16.1 Net income attributable to non-controlling interests

<i>(in € millions)</i>	2019	2018
Continuing operations	41.5	27.7
Total Luxury Houses	38.9	27.7
Corporate and other	2.6	-
Discontinued operations	(16.3)	10.9
TOTAL	25.2	38.6

16.2 Non-controlling interests in equity

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Total Luxury Houses	133.1	130.2
Corporate and other	27.4	25.5
TOTAL	160.5	155.7

Note 17 – Goodwill

<i>(in € millions)</i>	Gross	Impairment losses	Net
Goodwill as of January 1, 2018	4,407.9	(986.7)	3,421.2
Assets held for sale ⁽¹⁾	(1,612.9)	628.7	(984.2)
Acquisitions	16.4		16.4
Impairment losses		(60.6)	(60.6)
Translation adjustments	13.5	(5.9)	7.6
Other movements	(21.3)	20.1	(1.2)
Goodwill as of December 31, 2018	2,803.6	(404.4)	2,399.2
Acquisitions	80.9		80.9
Impairment losses		(8.6)	(8.6)
Translation adjustments	18.5	(13.6)	4.9
Other movements	45.7	3.8	49.5
Goodwill as of December 31, 2019	2,948.7	(422.8)	2,525.9

(1) All of the assets and liabilities of PUMA, Stella McCartney, Volcom and Christopher Kane were reclassified to "Assets held for sale" and "Liabilities associated with assets held for sale" at their respective classification dates, in accordance with IFRS 5.

The Group did not carry out any material acquisitions in 2019 or 2018. Note 20.2 – Impairment losses recognized during the period provides details of goodwill impairment recognized in 2019 and 2018.

Note 18 – Brands and other intangible assets

<i>(in € millions)</i>	Brands	Internally generated intangible assets	Other intangible assets	Total
Carrying amount as of January 1, 2019	6,789.8	121.8	482.0	7,393.6
First-time application of IFRS 16			(144.7)	(144.7)
Acquisitions		87.9	135.3	223.2
Amortization		(11.6)	(110.3)	(121.9)
Impairment losses	(68.1)			(68.1)
Translation adjustments	12.7		1.4	14.1
Other movements	(4.5)	16.1	(47.3)	(35.7)
Carrying amount as of December 31, 2019	6,729.9	214.2	316.4	7,260.5
Gross value as of December 31, 2019	6,942.6	228.1	941.4	8,112.1
Accumulated amortization and impairment as of December 31, 2019	(212.7)	(13.9)	(625.0)	(851.6)

<i>(in € millions)</i>	Brands	Internally generated intangible assets	Other intangible assets	Total
Carrying amount as of January 1, 2018	10,626.0	63.2	469.8	11,159.0
Assets held for sale ⁽¹⁾	(3,813.2)		(57.4)	(3,870.6)
Acquisitions		58.1	189.4	247.5
Amortization			(121.2)	(121.2)
Impairment losses	(31.2)			(31.2)
Translation adjustments	8.1		2.9	11.0
Other movements	0.1	0.5	(1.5)	(0.9)
Carrying amount as of December 31, 2018	6,789.8	121.8	482.0	7,393.6
Gross value as of December 31, 2018	6,934.8	121.8	1,138.2	8,194.8
Accumulated amortization and impairment as of December 31, 2018	(145.0)		(656.2)	(801.2)

(1) All of the assets and liabilities of PUMA, Stella McCartney, Volcom and Christopher Kane were reclassified to "Assets held for sale" and "Liabilities associated with assets held for sale" at their respective classification dates, in accordance with IFRS 5.

Note 20.2 – Impairment losses recognized during the period provides details of goodwill impairment recognized in 2019 and 2018.

Note 19 – Property, plant and equipment

<i>(in € millions)</i>	Land and buildings	Plant and equipment	Other PP&E	Total
Carrying amount as of January 1, 2019	713.3	1,391.9	123.3	2,228.5
First-time application of IFRS 16	(65.4)	(54.8)	-	(120.2)
Acquisitions	17.2	526.8	248.5	792.5
Disposals	(1.7)	(8.9)	(0.8)	(11.4)
Depreciation	(24.3)	(357.8)	(8.1)	(390.2)
Translation adjustments	11.9	23.2	1.0	36.1
Other movements	47.3	130.4	(93.7)	84.0
Carrying amount as of December 31, 2019	698.3	1,650.8	270.2	2,619.3
o/w gross value	871.8	3,471.9	309.2	4,652.9
o/w depreciation and impairment	(173.5)	(1,821.1)	(39.0)	(2,033.6)

<i>(in € millions)</i>	Land and buildings	Plant and equipment	Other PP&E	Total
Carrying amount as of January 1, 2018	771.5	1,205.0	291.1	2,267.6
Assets held for sale ⁽¹⁾	(104.6)	(124.3)	(98.2)	(327.1)
Changes in Group structure	-	1.6	0.6	2.2
Acquisitions	18.4	484.9	115.8	619.1
Disposals	(3.2)	(4.8)	(0.5)	(8.5)
Amortization	(26.4)	(354.0)	(1.4)	(381.8)
Translation adjustments	17.4	22.8	1.9	42.1
Other movements	40.2	160.7	(186.0)	14.9
Carrying amount as of December 31, 2018	713.3	1,391.9	123.3	2,228.5
o/w gross value	942.6	3,117.3	126.4	4,186.3
o/w depreciation and impairment	(229.3)	(1,725.4)	(3.1)	(1,957.8)

(1) All of the assets and liabilities of PUMA, Stella McCartney, Volcom and Christopher Kane were reclassified to "Assets held for sale" and "Liabilities associated with assets held for sale" at their respective classification dates, in accordance with IFRS 5.

Charges to depreciation are recognized under "Cost of sales" and "Other recurring operating income and expenses" in the income statement.

Note 20 – Impairment tests on non-financial assets

The principles governing the impairment of non-financial assets are set out in Note 2.10 – Asset impairment.

The main items of goodwill, brands and other intangible assets are broken down by activity in Note 17 – Goodwill, and Note 18 – Brands and other intangible assets.

20.1 Impairment tests and main assumptions adopted

2019	Goodwill		Brands			
	Net carrying amount (in € millions)	Discount rate (before tax)	Net carrying amount (in € millions)	Discount rate (before tax)	Perpetual growth rate	Business plan time frame
Gucci	1,647.4	9.9%	4,800.0	9.8%	3.0%	5 years
Other Houses	873.8	9.5%-11.8%	1,929.9	9.4%-11.6%	3.0%	5 or 10 years
Corporate and other	4.7	N/A	N/A	N/A	N/A	N/A
TOTAL	2,525.9		6,729.9			

2018	Goodwill		Brands			
	Net carrying amount (in € millions)	Discount rate (before tax)	Net carrying amount (in € millions)	Discount rate (before tax)	Perpetual growth rate	Business plan time frame
Gucci	1,593.9	9.3%	4,800.0	9.3%	3.0%	5 years
Other Houses	800.6	8.8%-10.9%	1,989.8	8.6%-11.1%	3.0%	5 or 10 years
Corporate and other	4.7	N/A	N/A	N/A	N/A	N/A
TOTAL	2,399.2		6,789.8			

The growth rates are appropriate in view of the country mix (the Group now operates in regions whose markets are enjoying faster-paced growth than in Europe), the rise in the cost of raw materials and inflation.

As discussed in Note 2.10 – Asset impairment, the business plans for certain CGUs are drawn up over a longer time frame, namely ten years. These CGUs currently being

repositioned are Boucheron, Brioni, Pomellato, Sowind, Qeelin and Ulysse Nardin.

In the case of the Gucci brand, the value based on future royalty revenue receivable on the assumption that the brand will be operated under license by a third party was calculated using a royalty rate of 15.0%.

Sensitivity to changes in key assumptions is shown below:

(in € millions)	Value of net assets tested	Impairment loss due to:		
		10 basis-point increase in post-tax discount rate	10 basis-point decrease in perpetual growth rate	10 basis-point decrease in cash flows
Total Luxury Houses (including Gucci)	11,180	(15)	(10)	(1)
Gucci brand	4,800	-	-	N/A

20.2 Impairment losses recognized during the period

Based on the impairment tests carried out by the Group in 2019, an impairment loss amounting to €76.5 million was recognized against two brands and an item of goodwill within Other Houses. The write-downs relating to Ulysse Nardin and Sowind were recorded due to the overall outlook for the global watches market. Ongoing restructuring at Brioni also had a short-term impact on revenue and margins, which led to the recognition of an impairment loss.

Asset impairment tests carried out in 2018 had already led the Group to recognize an impairment loss against Ulysse Nardin and Brioni in a total amount of €88.3 million.

This expense is recognized in the income statement under "Other non-recurring operating income and expenses" (see Note 10 – Other non-recurring operating income and expenses).

Based on events foreseeable within reason at the date of this report, the Group considers that any changes impacting the key assumptions described above would not lead to the recognition of material impairment loss against other CGUs.

Note 21 – Investments in equity-accounted companies

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
PUMA (15.70%)	1,071.2	1,044.7
Other investments in equity-accounted companies	34.1	30.0
TOTAL	1,105.3	1,074.7

The market value of Kering's PUMA securities amounts to €1,618.9 million, based on a closing share price of €68 as of December 30, 2019. As PUMA's earnings at December 31, 2019 were not available at the end of the period, the corresponding share in earnings (losses) was estimated based on the latest Vara consensus.

As of December 31, 2019, other investments in equity-accounted companies mainly comprised shares in Altuzarra, WG Alligator Farm and Wall's Gator Farm.

Note 22 – Non-current financial assets

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Non-consolidated investments	21.2	67.0
Derivative financial instruments	-	1.5
Loans and receivables	131.6	11.4
Deposits and guarantees	202.2	175.5
Other non-current financial liabilities	103.4	80.9
TOTAL	458.4	336.3

Note 23 – Inventories

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Commercial inventories	3,903.9	3,142.4
Industrial inventories	744.7	687.4
Gross amount	4,648.6	3,829.8
Allowances	(1,689.4)	(1,415.1)
Carrying amount	2,959.2	2,414.7

Movements in allowances	2019	2018
As of January 1	(1,415.1)	(1,155.4)
Additions	(282.2)	(360.4)
Reversals	64.1	38.6
Assets held for sale ⁽¹⁾	-	79.7
Changes in Group structure	0.4	0.2
Translation adjustments	(18.0)	(16.1)
Other movements	(38.6)	(1.7)
As of December 31	(1,689.4)	(1,415.1)

(1) All of the assets and liabilities of PUMA, Stella McCartney, Volcom and Christopher Kane were reclassified to "Assets held for sale" and "Liabilities associated with assets held for sale" at their respective classification dates, in accordance with IFRS 5.

No inventories were pledged to secure liabilities as of December 31, 2019 or December 31, 2018.

Changes in gross inventories recognized under "Cost of sales" in 2019 represented an increase of €724.9 million (increase of €845.3 million in 2018).

Note 24 – Trade receivables

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Trade receivables	1,023.3	877.4
Allowances	(27.3)	(27.9)
Carrying amount	996.0	849.5

Movements in allowances	2019	2018
As of January 1	(27.9)	(76.4)
Net (additions)/reversals	2.3	2.2
Assets held for sale ⁽¹⁾	-	46.7
Changes in Group structure	-	-
Translation adjustments	(0.5)	(0.4)
Other movements	(1.2)	-
As of December 31	(27.3)	(27.9)

(1) All of the assets and liabilities of PUMA, Stella McCartney, Volcom and Christopher Kane were reclassified to "Assets held for sale" and "Liabilities associated with assets held for sale" at their respective classification dates, in accordance with IFRS 5.

Allowances are calculated based on the probability of recovering the receivables concerned. Trade receivables break down by age as follows:

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Not past due	864.5	719.4
Less than one month past due	99.0	115.7
One to six months past due	41.7	23.0
More than six months past due	18.1	19.3
Allowance for doubtful receivables	(27.3)	(27.9)
Carrying amount	996.0	849.5

No trade receivables were pledged to secure liabilities during the periods presented.

Given the nature of its activities, the Group's exposure to customer default would not have a material impact on its business, financial position or net assets.

Note 25 – Other current assets and liabilities

<i>(in € millions)</i>	Dec. 31, 2018	First-time application of IFRS 16	Working capital cash flows	Other cash flows	Changes in Group structure	Translation adjustments and other	Dec. 31, 2019
Inventories	2,414.7		506.8		2.8	34.9	2,959.2
Trade receivables	849.5		127.8		2.2	16.5	996.0
Other financial assets and liabilities	(492.3)			(3.5)	-	31.0	(464.8)
Current tax receivables/liabilities	(1,212.7)			297.6	0.2	(165.9)	(1,080.8)
Trade payables	(745.8)		(63.3)		1.1	(0.7)	(808.7)
Lease liabilities ⁽¹⁾	N/A	(552.9)		631.2	0.1	(798.4)	(720.0)
Other	(1,699.4)	157.2	(62.4)		(0.4)	31.9	(1,573.1)
Other current assets and liabilities	(886.0)	(395.7)	508.9	925.3	6.0	(850.7)	(692.2)

(1) Translation adjustments and other movements relating to lease liabilities correspond to reclassifications from non-current to current liabilities, accrued interest, any remeasurements of lease liabilities, and foreign exchange differences.

Note 26 – Equity

As of December 31, 2019, share capital amounted to €505,117,288, comprising 126,279,322 fully paid-up shares with a par value of €4 each (unchanged from December 31, 2018).

26.1 Kering treasury shares

Liquidity agreement

Kering and Rothschild Martin Maurel entered into a new liquidity agreement with effect from February 13, 2019. The new agreement was set up in the wake of changes in the regulations governing liquidity agreements following AMF ruling no. 2018-01 of July 2, 2018, applicable since January 1, 2019. The new agreement replaces the previous agreement with Rothschild Martin Maurel. Transactions under the liquidity agreement will be carried out on Euronext Paris.

In 2019, the Group purchased 240,491 shares and sold 240,491 shares under the liquidity agreement. Accordingly, it held no treasury shares under the agreement as of December 31, 2019 (no shares were held in treasury at December 31, 2018).

The liquidity agreement was entered into with a financial broker on May 26, 2004 in order to improve the liquidity of the Group's shares and ensure share price stability. It complies with the Professional Code of Conduct drawn up by the French Association of Financial and Investment Firms (*Association française des marchés financiers* – AMAFI) and approved by the French financial markets authority (*Autorité des marchés financiers* – AMF). The agreement was initially endowed with €40.0 million, half of which was provided in cash and half in Kering shares. An additional €20.0 million in cash was allocated to the agreement on September 3, 2004, and a further €30.0 million on December 18, 2007. Since the amendment dated December 15, 2016, Kering has maintained a credit

balance of €5.0 million in the liquidity account with the financial broker. Moreover, given the limit set by AMF declaration 2018-01 of July 2, 2018, effective as of January 1, 2019, the funds allocated to the liquidity agreement were reduced to €50.0 million as of January 1, 2019.

Stock repurchase program

On October 29, 2018, Kering announced that it had set up a stock repurchase program covering up to 1.0% of its share capital over a 12-month period.

Between October 29, 2018 and February 28, 2019, a total of 603,406 shares were repurchased under a first tranche of the program. A further 658,000 shares were repurchased under a second tranche between June 17 and July 31, 2019.

The Group purchased 832,389 of its own shares in 2019, bringing the total number of shares still held in treasury to 1,261,406 as of December 31, 2019. The repurchased shares will be canceled during 2020.

26.2 Appropriation of 2019 net income and distribution of dividend

At its February 11, 2020 meeting, Kering's Board of Directors decided to ask shareholders to approve a €11.50 per-share cash dividend for 2019 at the Annual General Meeting to be held on April 23, 2020 to approve the financial statements for the year ended December 31, 2019.

An interim cash dividend of €3.50 per share was paid on January 16, 2020 pursuant to a decision by the Board of Directors on December 12, 2019.

If the final dividend is approved, the total cash dividend payout in 2020 with respect to 2019 will amount to €1,437.7 million, taking into account Kering shares held in treasury for the stock repurchase program.

The cash dividend paid for 2018 amounted to €10.50 per share (€1,320.1 million).

Note 27 – Provisions for pensions and other post-employment benefits

27.1 Description of the main pension plans and other post-employment benefits

In accordance with the laws and practices in each country, Group employees receive long-term or post-employment benefits in addition to their short-term remuneration. These additional benefits take the form of defined contribution or defined benefit plans.

Under defined contribution plans, the Group is not obliged to make any additional payments beyond contributions already made. Contributions to these plans are expensed as incurred.

An actuarial valuation of defined benefit plans is carried out by independent experts. These benefits primarily concern mandatory supplementary pension plans in Switzerland, statutory dismissal compensation in Italy, and retirement termination payments and long-service bonuses in France.

- **Mandatory supplementary pension plans (LPP) – Switzerland**

In Switzerland, pension plans are defined contribution plans that guarantee a minimum yield and provide for a fixed salary conversion rate on retirement. However, the pension plans operated by the Group's entities in Switzerland offer benefits over and above those stipulated in the LPP/BVG pension law. Consequently, a provision is booked in respect of defined benefit plans for the amounts that exceed LPP/BVG pension law requirements.

These pension plans are generally operated as separate legal entities in the form of a foundation, which may be a collective institution or affiliated to a specific plan. The Board of Trustees of these foundations, comprising an equal number of employer and employee representatives, is responsible for administering the plan and bears the investment and longevity risks. Collective foundations insure some of their risk with an insurance company.

- **Statutory dismissal compensation (TFR) – Italy**
The TFR (*Trattamento di Fine Rapporto*) plans in Italy were created by Law no. 297, adopted on May 29, 1982, and are applicable to all workers in the private sector on termination of employment for whatever reason (resignation, termination at the employer's initiative, death, incapacity or retirement).

Since 2007, companies with at least 50 employees have had to transfer their TFR funding to an external fund manager. This concerns the large majority of plans operated by Kering group companies.

- **Retirement termination benefits and long-service bonuses – France**

In France, retirement termination benefits are fixed and paid by the Company to the employee on retirement. The amount paid depends on the years of service on retirement, and is defined in the collective bargaining agreement. The payments do not confer any vested entitlement to employees until they reach retirement age. Retirement termination benefits are not related to other statutory retirement benefits such as pensions paid by social security bodies or top-up pension funds such as ARRCO and AGIRC in France, which are defined contribution plans.

Long-service bonuses are not compulsory in France (there is no legal obligation to pay such awards to employees), but hold a symbolic value. Nevertheless, some of Kering's

French entities choose to pay long-service bonuses after 20, 30, 35 and 40 years of service.

27.2 Changes in provisions for pensions and other post-employment benefits

<i>(in € millions)</i>	2019			Change of the period	
	Present value of obligation	Fair value of plan assets	Financial position	Other comprehensive income	
				Income statement	
As of January 1	206.8	110.2	96.6	41.7	
Current service cost	11.9		11.9		(11.9)
Curtailments and settlements	(20.6)	(16.5)	(4.1)		4.1
Interest cost	2.5		2.5		(2.5)
Interest income on plan assets		1.1	(1.1)		1.1
Past service cost	(3.8)		(3.8)		3.8
Actuarial gains and losses	21.2	1.3	19.9	19.9	
<i>Impact of changes in demographic assumptions</i>	2.7		2.7	2.7	
<i>Impact of changes in financial assumptions</i>	18.8		18.8	18.8	
<i>Impact of experience adjustments</i>	(0.3)		(0.3)	(0.3)	
<i>Return on plan assets (excluding interest income)</i>		1.3	(1.3)	(1.3)	
Benefits paid	(9.1)	(4.7)	(4.4)		
Contributions paid by beneficiaries	4.5	4.5	-		
Contributions paid by employer		5.1	(5.1)		
Changes in Group structure	(1.0)	(0.5)	(0.5)		
Insurance contract	(0.7)	(0.7)	-		
Administrative expense		(0.4)	0.4		(0.4)
Translation adjustments	5.8	2.7	3.1		
As of December 31	217.5	102.1	115.4	61.6	(5.8)

As of December 31, 2019, the present value of the benefit obligation amounted to €217.5 million, (€206.8 million as of December 31, 2018), breaking down as:

- €60.8 million in respect of wholly unfunded plans (€54.0 million as of end-2018);
- €156.7 million in respect of fully or partially funded plans (€152.8 million as of end-2018).

2018

(in € millions)	Present value of obligation	Fair value of plan assets	Financial position	Change of the period	
				Other comprehensive income	Income statement
As of January 1	292.0	155.6	136.4	53.7	
Assets held for sale⁽¹⁾	(83.8)	(52.6)	(31.2)		
Current service cost	12.5		12.5		(12.5)
Interest cost	2.0		2.0		(2.0)
Interest income on plan assets		0.8	(0.8)		0.8
Past service cost	(2.4)		(2.4)		2.4
Actuarial gains and losses	(12.6)	(0.6)	(12.0)	(12.0)	
<i>Impact of changes in demographic assumptions</i>	(3.4)		(3.4)	(3.4)	
<i>Impact of changes in financial assumptions</i>	(6.1)		(6.1)	(6.1)	
<i>Impact of experience adjustments</i>	(3.1)		(3.1)	(3.1)	
<i>Return on plan assets (excluding interest income)</i>		(0.6)	0.6	0.6	
Benefits paid	(10.0)	(6.9)	(3.1)		
Contributions paid by beneficiaries	5.0	5.0	-		
Contributions paid by employer		5.4	(5.4)		
Changes in Group structure	0.1		0.1		
Insurance contract	(0.9)	(0.9)	-		
Administrative expense		(0.4)	0.4		(0.4)
Translation adjustments	4.9	4.8	0.1		
As of December 31	206.8	110.2	96.6	41.7	(11.7)

(1) All of the assets and liabilities of PUMA, Stella McCartney, Volcom and Christopher Kane were reclassified to "Assets held for sale" and "Liabilities associated with assets held for sale" at their respective classification dates, in accordance with IFRS 5.

27.3 Breakdown of the present value of the benefit obligation by country

(in € millions)	Dec. 31, 2019	Dec. 31, 2018
Supplementary pension plans (LPP) – Switzerland	152.2	148.2
Statutory dismissal compensation (TFR) – Italy	35.2	31.8
Retirement termination benefits – France	23.4	21.5
Other	6.7	5.3
Present value of benefit obligations as of December 31	217.5	206.8

27.4 Contributions payable in 2020 by country

(in € millions)	Total	Switzerland	Italy	France	Other
Contributions for 2020	4.8	4.8	-	-	-

27.5 Fair value of plan assets by type of financial instrument

<i>(in € millions)</i>	Dec. 31, 2019	%	Dec. 31, 2018	%
Debt instruments	37.7	36.9%	41.1	37.3%
Equity instruments	26.5	25.9%	28.9	26.2%
Real estate	0.5	0.5%	21.5	19.5%
Insurance contracts	21.0	20.5%	0.4	0.4%
Derivatives	7.0	6.9%	8.2	7.4%
Cash and cash equivalents	3.8	3.7%	2.6	2.4%
Other assets	5.6	5.6%	7.5	6.8%
Fair value of plan assets as of December 31	102.1	100.0%	110.2	100.0%

27.6 Actuarial assumptions

	France		Switzerland		Italy	
	2019	2018	2019	2018	2019	2018
Average maturity of plans	12.5	12.0	13.7	13.4	9.9	12.5
Discount rate	1.00%	1.75%	0.30%	1.00%	1.00%	1.75%
Expected rate of increase in salaries	2.51%	2.40%	1.29%	1.28%	3.00%	3.00%
Inflation rate	1.75%	1.75%	0.70%	0.70%	1.75%	1.75%

Based on the sensitivity tests of actuarial assumptions, the impact of a 50 basis-point increase or decrease in the discount rate would not be material and would represent less than 0.2% of consolidated equity.

Note 28 – Provisions

<i>(in € millions)</i>	Dec. 31, 2018	Charge	Reversal (utilized provision)	Reversal (surplus provision)	Translation adjustments	Other	Dec. 31, 2019
Provision for restructuring costs	-	0.8	(0.5)	-	-	0.8	1.1
Provision for claims and litigation	4.2	1.4	(0.4)	-	-	1.4	6.6
Other provisions	10.0	0.7	(3.3)	-	0.1	(0.1)	7.4
Other non-current provisions	14.2	2.9	(4.2)	-	0.1	2.1	15.1
Provision for restructuring costs	60.6	28.9	(38.4)	(2.1)	0.8	2.9	52.7
Provision for claims and litigation	56.9	28.8	(6.5)	(10.4)	0.3	(6.9)	62.2
Other provisions	138.2	30.9	(67.0)	(6.8)	0.2	5.6	101.1
Other current provisions	255.7	88.6	(111.9)	(19.3)	1.3	1.6	216.0
TOTAL	269.9	91.5	(116.1)	(19.3)	1.4	3.7	231.1
Impact on income	(125.0)	(91.5)	N/A	19.3	N/A	N/A	(72.2)
- on recurring operating income	(22.2)	(29.6)		17.8			(11.8)
- on other non-recurring operating income and expenses	(53.5)	(48.2)		1.5			(46.7)
- on net finance costs	-						-
- on income taxes	-						-
- on earnings (losses) of equity-accounted companies	(1.5)						-
- on income from discontinued operations	(47.8)	(13.7)					(13.7)

“Other provisions” mainly corresponds to vendor warranties granted within the scope of disposals.

Note 29 – Cash and cash equivalents

29.1 Breakdown by category

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Cash	2,233.8	1,686.6
Cash equivalents	52.1	530.0
TOTAL	2,285.9	2,216.6

As of December 31, 2019, cash equivalents include certificates of deposit with a maturity of less than three months.

The items classified by the Group as cash and cash equivalents strictly comply with the AMF's position published in 2008 and updated in 2011 and 2013. In particular, cash investments are reviewed on a regular

basis in accordance with Group procedures and in strict compliance with the eligibility criteria set out in IAS 7 and with the AMF's recommendations. As of December 31, 2019, no reclassifications were made as a result of these reviews.

29.2 Breakdown by currency

<i>(in € millions)</i>	Dec. 31, 2019	%	Dec. 31, 2018	%
EUR	692.9	30.3%	969.2	43.7%
CNY	367.8	16.1%	344.7	15.6%
USD	181.6	8.0%	134.5	6.1%
HKD	165.5	7.2%	131.8	5.9%
GBP	121.7	5.3%	91.0	4.1%
AUD	111.7	4.9%	89.8	4.0%
KRW	70.7	3.1%	44.2	2.0%
Other currencies	574.0	25.1%	411.4	18.6%
TOTAL	2,285.9	100.0%	2,216.6	100.0%

Note 30 – Borrowings

30.1 Breakdown of borrowings by maturity

<i>(in € millions)</i>	Dec. 31, 2019	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond
Non-current borrowings	3,122.2		613.7	912.0	1.1	508.8	1,086.6
Bonds	2,654.5		477.8	824.6	-	507.7	844.4
Other bank borrowings	83.0		37.0	35.1	1.1	1.1	8.7
Other borrowings	384.7		98.9	52.3	-	-	233.5
Current borrowings	1,975.9	1,975.9					
Bonds	493.3	493.3					
Drawdowns on unconfirmed lines of credit	15.2	15.2					
Other bank borrowings	128.6	128.6					
Bank overdrafts	448.3	448.3					
Commercial paper	804.6	804.6					
Other borrowings	85.9	85.9					
TOTAL	5,098.1	1,975.9	613.7	912.0	1.1	508.8	1,086.6
%	100.0%	38.8%	12.0%	17.9%	0.0%	10.0%	21.3%

<i>(in € millions)</i>	Dec. 31, 2018	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond
Non-current borrowings	3,171.6		713.1	563.7	282.4	5.2	1,607.2
Bonds	2,592.1		490.5	474.9	273.7	-	1,353.0
Other bank borrowings	160.0		117.9	30.5	1.1	1.0	9.5
Obligations under finance leases	42.8		5.4	5.5	7.6	4.2	20.1
Other borrowings	376.7		99.3	52.8	-	-	224.6
Current borrowings	756.4	756.4					
Bonds	244.1	244.1					
Drawdowns on unconfirmed lines of credit	7.6	7.6					
Other bank borrowings	40.0	40.0					
Obligations under finance leases	35.9	35.9					
Bank overdrafts	380.3	380.3					
Commercial paper	-	-					
Other borrowings	48.5	48.5					
TOTAL	3,928.0	756.4	713.1	563.7	282.4	5.2	1,607.2
%	100.0%	19.3%	18.2%	14.3%	7.2%	0.1%	40.9%

As of December 31, 2019, all of the Group's gross borrowings were recognized at amortized cost based on an effective interest rate determined after taking into account any identified issue costs and redemption or issue premiums relating to each liability, apart from the bonds issued on September 30, 2019 that are exchangeable for PUMA shares. The liability component of these bonds has been recognized at amortized cost in an amount of €550.5 million and the equity component corresponding to the option to exchange the bonds for PUMA shares has been recorded as a derivative liability at fair value through income, in an amount of €41.9 million.

Bond issues represented 61.7% of gross borrowings as of December 31, 2019 versus 72.2% as of end-2018.

Borrowings with a maturity of more than one year represented 61.2% of total gross borrowings as of December 31, 2019 and 80.7% as of December 31, 2018.

The total amount of confirmed lines of credit was €3,035.0 million at the end of the reporting period, all of which was undrawn as of December 31, 2019.

Short-term drawdowns on facilities backed by confirmed lines of credit maturing in more than one year are included in non-current borrowings.

As of December 31, 2019, the Group's other borrowings also included €444.6 million concerning put options granted to non-controlling interests (compared with €393.4 million as of December 31, 2018), and accrued interest.

30.2 Breakdown by repayment currency

<i>(in € millions)</i>	Dec. 31, 2019	Non-current borrowings	Current borrowings	%	Dec. 31, 2018	%
EUR	4,308.5	2,905.7	1,402.8	84.5%	3,188.3	81.2%
JPY	469.4	69.9	399.5	9.2%	362.8	9.2%
USD	277.0	133.4	143.6	5.4%	315.8	8.0%
CHF	14.3	13.2	1.1	0.3%	29.5	0.8%
TWD	10.2	-	10.2	0.2%	9.8	0.2%
Other currencies	18.7	-	18.7	0.4%	21.8	0.6%
TOTAL	5,098.1	3,122.2	1,975.9	100.0%	3,928.0	100.0%

Borrowings denominated in currencies other than the euro are distributed to Group subsidiaries for local financing purposes.

30.3 Breakdown of gross borrowings by category

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Bonds	3,147.8	2,836.2
Other bank borrowings	211.6	200.0
Drawdowns on unconfirmed lines of credit	15.2	7.6
Commercial paper	804.6	-
Obligations under finance leases	N/A	78.7
Bank overdrafts	448.3	380.3
Other borrowings	470.6	425.2
TOTAL	5,098.1	3,928.0

Group borrowings primarily consist of bonds, bank borrowings and commercial paper, which accounted for 90.9% of gross borrowings as of December 31, 2019 (88.1% as of December 31, 2018).

As of December 31, 2019, the Group's other borrowings included €444.6 million in respect of put options granted to non-controlling interests, mainly concerning the Eyewear activity (€393.4 million as of December 31, 2018) (see Note 2.3.2 – Use of estimates and judgment).

30.4 Description of the main bond issues

Kering bond issues

The Group has a Euro Medium Term Notes (EMTN) program capped at €6,000 million as of December 31, 2019.

This program was signed and approved by the French financial markets authority (AMF) on December 19, 2019. The program existing as of December 31, 2019 expires on December 20, 2020.

As of December 31, 2019, the bonds issued under this program totaled €2,597.0 million, of which €267.0 million issued in US dollars (€2,837.0 million

as of December 31, 2018, of which €262.0 million issued in US dollars).

All of these borrowings are covered by the rating assigned to the Kering group by Standard & Poor's ("A-" with a stable outlook) and are not subject to any financial covenants.

The bonds issued on September 30, 2019 exchangeable for PUMA shares do not form part of the EMTN program.

Kering euro bond issues

(in € millions)

Par value	Issue interest rate	Effective interest rate	Issue date	Documented/ non-documented hedge	Maturity	Dec. 31, 2019	Dec. 31, 2018
245.0 ⁽¹⁾	3.125% fixed	3.31%	04/23/2012		04/23/2019	-	244.1
360.0 ⁽²⁾	2.50% fixed	2.58%	07/15/2013	-	07/15/2020	359.8	359.6
500.0 ⁽³⁾	2.75% fixed	2.81% & 2.57% & 2.50% & 2.01% & 1.87%	04/08/2014 & 05/30/2014 & 06/26/2014 & 09/22/2015 & 11/05/2015	-	04/08/2024	507.7	509.4
345.0 ⁽⁴⁾	1.375% fixed	1.47%	10/01/2014	-	10/01/2021	344.4	344.0
275.0 ⁽⁵⁾	0.875% fixed	1.02%	03/27/2015	-	03/28/2022	274.1	273.7
50.0 ⁽⁶⁾	1.60% fixed	1.66%	04/16/2015	-	04/16/2035	49.6	49.6
500.0 ⁽⁷⁾	1.25% fixed	1.35%	05/10/2016	-	05/10/2026	497.0	496.5
300.0 ⁽⁸⁾	1.50% fixed	1.61%	04/05/2017	-	04/05/2027	297.8	297.5
550.0 ⁽⁹⁾	Zero coupon	-0.03%	09/30/2019	-	09/30/2022	550.5	-

(1) Issue price: bond issue, comprising 245,000 bonds with a par value of €1,000 each under the EMTN program, with 500,000 bonds issued on April 23, 2012. A total of 200,000 of these bonds were redeemed on April 9, 2018 and a further 55,000 on October 9, 2018. Redemption: in full on April 23, 2019.

(2) Issue price: bond issue, comprising 3,600 bonds with a par value of €100,000 each under the EMTN program, with 5,000 bonds issued on July 15, 2013. A total of 1,400 of these bonds were redeemed on October 9, 2018. Redemption: in full on July 15, 2020.

(3) Issue price: bond issue on April 8, 2014, comprising 1,000 bonds with a par value of €100,000 each under the EMTN program, with 1,000 additional bonds issued on May 30, 2014, 1,000 additional bonds issued on June 26, 2014, 1,500 additional bonds issued on September 22, 2015 and 500 additional bonds issued on November 5, 2015, thereby raising the issue to 5,000 bonds. Redemption: in full on April 8, 2024.

(4) Issue price: bond issue, comprising 3,450 bonds with a par value of €100,000 each under the EMTN program, with 5,000 bonds issued on October 1, 2014. A total of 1,000 of these bonds were redeemed on April 9, 2018 and a further 550 on October 9, 2018. Redemption: in full on October 1, 2021.

(5) Issue price: bond issue, comprising 2,750 bonds with a par value of €100,000 each under the EMTN program, with 5,000 bonds issued on March 27, 2015. A total of 1,052 of these bonds were redeemed on April 9, 2018 and a further 1,198 on October 9, 2018. Redemption: in full on March 28, 2022.

(6) Issue price: bond issue on April 16, 2015, comprising 500 bonds with a par value of €100,000 each under the EMTN program. Redemption: in full on April 16, 2035.

(7) Issue price: bond issue on May 10, 2016, comprising 5,000 bonds with a par value of €100,000 each under the EMTN program. Redemption: in full on May 10, 2026.

(8) Issue price: bond issue on April 5, 2017, comprising 3,000 bonds with a par value of €100,000 each under the EMTN program. Redemption: in full on April 5, 2027.

(9) Issue price: bond issue on September 30, 2019, comprising 5,500 bonds with a par value of €100,000 each, exchangeable for PUMA shares. This issue does not form part of the EMTN program. The issue price was set at 108.75%. The reference PUMA share price and the exchange price were set at €68.2773 and €92.17 respectively. The bonds can be redeemed either in cash or PUMA shares, or a combination of cash and PUMA shares. Redemption: in full on September 30, 2022.

Kering USD bond issues

<i>(in € millions)</i>		Issue	Effective		Documented/ non-documented			
Par value	interest rate	interest rate	Issue date	hedge	Maturity	Dec. 31, 2019	Dec. 31, 2018	
133.5 ⁽¹⁾	Floating 3-month USD Libor +0.73%	2.21%	03/09/2015	2.589% fixed-rate swap for the full amount	03/09/2020	133.5	130.9	
				Documented under IFRS				
133.5 ⁽²⁾	2.887% fixed	2.94%	06/09/2015	-	06/09/2021	133.4	130.9	

(1) Issue price: bond issue on March 9, 2015, in the form of floating-rate notes, comprising 150 notes with a par value of USD 1,000,000 each under the EMTN program, i.e., representing a total of USD 150 million. Redemption: in full on March 9, 2020.

(2) Issue price: bond issue on June 9, 2015, comprising 150 bonds with a par value of USD 1,000,000 each under the EMTN program, i.e., representing a total of USD 150 million. Redemption: in full on June 9, 2021.

The bonds issued between 2013 and 2017 within the scope of the EMTN program are all subject to change-of-control clauses entitling bondholders to request early redemption at par if Kering's rating is downgraded to non-investment grade following a change of control.

The corresponding amounts are recognized in the statement of financial position at amortized cost based on the effective interest rate, taking account of the fair value adjustment resulting from the hedging relationship documented in accordance with IFRS 9.

Accrued interest is recorded in "Other borrowings".

30.5 Main bank borrowings and confirmed lines of credit

30.5.1 Breakdown of the main bank borrowings

The Group's bank borrowings include the following:

Long- and medium-term borrowings

<i>(in € millions)</i>		Issue	Effective		Documented/ non-documented			
Par value	interest rate	interest rate	Issue date	hedge	Maturity	Dec. 31, 2019	Dec. 31, 2018	
41.0 ⁽¹⁾	Floating JPY Tiber +0.40%	-	04/15/2015	-	04/15/2020	41.0	39.7	
16.4 ⁽²⁾	Floating JPY Tiber +0.35%	-	03/31/2016	-	03/31/2020	16.4	15.9	
16.4 ⁽³⁾	Floating JPY Tiber +0.25%	-	03/31/2016	-	03/31/2021	4.9	7.9	
30.9 ⁽⁴⁾	Floating JPY Tiber +0.29%	-	09/30/2016	-	09/30/2019	-	17.4	
24.6 ⁽⁵⁾	Floating JPY Tiber +0.27%	-	03/31/2017	-	03/31/2020	24.6	23.8	
25.6 ⁽⁶⁾	Floating JPY Tiber +0.29%	-	04/17/2017	-	04/15/2020	10.7	15.8	
24.6 ⁽⁷⁾	Floating JPY Tiber +0.29%	-	11/27/2017	-	11/27/2020	24.6	23.8	
16.4 ⁽⁸⁾	Floating JPY Tiber +0.20%	-	09/28/2018	-	09/30/2021	16.4	15.9	
32.8 ⁽⁹⁾	Floating JPY Tiber +0.20%	-	01/30/2019	-	01/31/2022	32.8	-	

(1) Loan contracted in April 2015 for JPY 5,000 million (€41.0 million).

(2) Loan contracted in March 2016 for JPY 2,000 million (€16.4 million).

(3) Redeemable loan contracted in March 2016 for JPY 2,000 million (€16.4 million). The outstanding balance on this loan was JPY 600 million (€4.9 million) as of December 31, 2019.

(4) Redeemable loan contracted in September 2016 for JPY 3,771 million (€30.9 million).

(5) Loan contracted in March 2017 for JPY 3,000 million (€24.6 million).

(6) Redeemable loan contracted in April 2017 for JPY 3,120 million (€25.6 million). The outstanding balance on this loan was JPY 1,306 million (€10.7 million) as of December 31, 2019.

(7) Loan contracted in November 2017 for JPY 3,000 million (€24.6 million).

(8) Loan contracted in September 2018 for JPY 2,000 million (€16.4 million).

(9) Loan contracted in January 2019 for JPY 4,000 million (€32.8 million).

30.5.2 Confirmed lines of credit available to the Group

As of December 31, 2019, the Group had access to €3,035.0 million in confirmed lines of credit versus €3,135.0 million as of December 31, 2018.

30.5.3 Breakdown of confirmed lines of credit by maturity

Kering and Kering Finance SNC: €3,035.0 million breaking down by maturity as follows:

<i>(in € millions)</i>	Dec. 31, 2019	Less than one year	One to five years	More than five years	Dec. 31, 2018
Confirmed lines of credit	3,035.0		3,035.0		3,135.0

The confirmed lines of credit include a syndicated facility for €2,385.0 million signed on December 20, 2018 and initially maturing in December 2023. This facility provides for two one-year loan extension options. In December 2019, the Group confirmed that it would exercise one extension option, as a result of which the facility will now mature in December 2024. As of December 31, 2019, the Group still has a one-year extension option.

As of December 31, 2019, no amounts had been drawn down under the December 2018 syndicated facility.

The Group's confirmed bank lines of credit are governed by the standard commitment and default clauses customarily included in this type of agreement: *pari passu* ranking, a negative pledge clause that limits the security that can be granted to other lenders, and a cross-default obligation.

The Group was in compliance with all of these covenants as of December 31, 2019 and there is no foreseeable risk of breach.

The undrawn balance on these confirmed lines of credit as of December 31, 2019 was €3,035.0 million (€3,135.0 million as of December 31, 2018).

The undrawn confirmed lines of credit guarantee the Group's liquidity and mainly back the commercial paper issue program, on which a total of €804.6 million remained outstanding as of December 31, 2019 (none of the program had been used at December 31, 2018).

Note 31 – Exposure to interest rate, foreign exchange, equity and precious metals price risk

The Group uses derivative financial instruments to manage its exposure to market risks.

31.1 Exposure to interest rate risk

To manage interest rate risk on its financial assets and liabilities, and particularly on its borrowings, the Kering group uses instruments with the following outstanding notional amounts:

<i>(in € millions)</i>	Dec. 31, 2019	Y+1	Y+2	Y+3	Y+4	Y+5	Beyond	Dec. 31, 2018
Swaps: fixed-rate lender								
Swaps: fixed-rate borrower	140.0	133.5		6.5				138.9
Other interest rate instruments	32.5		32.5					
TOTAL	172.5	133.5	32.5	6.5				138.9

In accordance with the interest rate risk hedging policy, these instruments are typically designed to convert fixed interest rates on negotiable debt securities, fixed-rate borrowings and credit line drawdowns into floating rates.

These instruments also convert floating-rate bonds into fixed-rate debt.

As of December 31, 2019, fixed-rate borrower swaps for a notional amount of USD 150 million convert all USD bond debt initially issued at floating rates into fixed-rate debt.

In accordance with IFRS 9, these financial instruments were analyzed with respect to hedge accounting eligibility criteria.

As of December 31, 2019, documented and non-documented financial instruments can be analyzed as follows:

<i>(in € millions)</i>	Dec. 31, 2019	Fair value hedges	Cash flow hedges	Non-documented hedges
Swaps: fixed-rate lender				
Swaps: fixed-rate borrower	140.0		140.0	
Other interest rate instruments	32.5			32.5
TOTAL	172.5		140.0	32.5

These interest rate derivatives are recognized in the statement of financial position at their market value as of the end of the reporting period.

The accounting treatment of fair value movements depends on the purpose of the derivative instrument and the resulting accounting classification.

In the case of interest rate derivatives designated as fair value hedges, fair value movements are recognized in net income for the year, fully or partly offsetting symmetrical changes in the fair value of the hedged debt. The ineffective portion impacts net finance costs for the year.

In the case of interest rate derivatives designated as cash flow hedges, the effective portion of changes in fair value is initially recognized in other comprehensive income and subsequently taken to income when the hedged position itself affects income. The ineffective portion impacts net finance costs for the year.

Movements in the fair value of non-documented derivative instruments are recognized directly in income, with an impact on net finance costs for the year.

The Group's exposure to interest rate risk **before the impact** of hedging is presented below, with a distinction made between:

- fixed-rate financial assets and liabilities, exposed to a price risk before hedging:

<i>(in € millions)</i>	Dec. 31, 2019	2019 maturities			Dec. 31, 2018
		Less than one year	One to five years	More than five years	
Fixed-rate financial assets	56.6	22.9	32.7	1.0	48.8
Bonds	3,014.3	359.8	1,810.1	844.4	2,705.2
Commercial paper	804.6	804.6			-
Other borrowings	12.3		12.3		21.1
Fixed-rate financial liabilities	3,831.2	1,164.4	1,822.4	844.4	2,726.4

- floating-rate financial assets and liabilities, exposed to a cash flow risk before hedging:

<i>(in € millions)</i>	Dec. 31, 2019	2019 maturities			Dec. 31, 2018
		Less than one year	One to five years	More than five years	
Floating-rate financial assets	2,351.3	2,294.9	42.0	14.4	2,263.9
Bonds	133.5	133.5			131.0
Commercial paper	-				-
Other borrowings	1,133.4	678.0	213.2	242.2	1,070.6
Floating-rate financial liabilities	1,266.9	811.5	213.2	242.2	1,201.6

The Group's exposure to interest rate risk **after the impact** of hedging is presented below, with a distinction made between:

- fixed-rate financial assets and liabilities, exposed to a price risk after hedging:

<i>(in € millions)</i>	Dec. 31, 2019	2019 maturities			Dec. 31, 2018
		Less than one year	One to five years	More than five years	
Fixed-rate financial assets	56.6	22.9	32.7	1.0	48.8
Bonds	3,147.8	493.3	1,810.1	844.4	2,836.2
Commercial paper	804.6	804.6			-
Other borrowings	18.8	1.5	17.3		29.1
Fixed-rate financial liabilities	3,971.2	1,299.4	1,827.4	844.4	2,865.3

- floating-rate financial assets and liabilities, exposed to a cash flow risk after hedging:

<i>(in € millions)</i>	Dec. 31, 2019	2019 maturities			Dec. 31, 2018
		Less than one year	One to five years	More than five years	
Floating-rate financial assets	2,351.3	2,294.9	42.0	14.4	2,263.9
Bonds	-				-
Commercial paper	-				-
Other borrowings	1,126.9	676.5	208.2	242.2	1,062.7
Floating-rate financial liabilities	1,126.9	676.5	208.2	242.2	1,062.7

Financial assets and liabilities consist of interest-bearing items recorded in the statement of financial position.

The breakdown of gross borrowings by type of interest rate before and after hedging transactions is as follows:

<i>(in € millions)</i>	Dec. 31, 2019	Before hedging		After hedging	
		Fixed-rate	Floating-rate	Fixed-rate	Floating-rate
Gross borrowings	5,098.1	3,831.2	1,266.9	3,971.2	1,126.9
%	100.0%	75.1%	24.9%	77.9%	22.1%

<i>(in € millions)</i>	Dec. 31, 2018	Before hedging		After hedging	
		Fixed-rate	Floating-rate	Fixed-rate	Floating-rate
Gross borrowings	3,928.0	2,726.4	1,201.6	2,865.3	1,062.7
%	100.0%	69.4%	30.6%	72.9%	27.1%

Analysis of sensitivity to interest rate risk

Based on the fixed/floating rate mix after hedging, a sudden 50 basis-point increase or decrease in interest rates would have a full-year impact of €0.7 million on pre-tax consolidated net income. As of December 31, 2018, the impact of a sudden 50 basis-point increase or decrease in interest rates was estimated at €4.8 million (assumption consistent with relative interest rate levels observed as of December 31, 2019).

Based on market data as of December 31, 2019, and the particularly low benchmark interest rates for the Group, the impact of interest rate derivatives and financial liabilities carried at fair value through income was determined assuming a sudden increase or decrease of 50 basis points in the euro and US dollar yield curve as of December 31, 2019.

<i>(in € millions)</i>	Impact on remeasurement of financial instruments	Impact on net finance costs
As of December 31, 2019		
Increase of 50 basis points		0.1
Decrease of 50 basis points		(0.1)
As of December 31, 2018		
Increase of 50 basis points		0.7
Decrease of 50 basis points		(0.7)

All other market variables were assumed to remain unchanged for the purpose of the sensitivity analysis.

The impact on remeasurement of financial instruments in equity is generated by interest rate instruments eligible for cash flow hedge accounting.

The impact on net finance costs in the income statement is generated by interest rate instruments not eligible for hedge accounting.

These amounts are shown before tax.

31.2 Exposure to foreign exchange risk

The outstanding notional amounts of instruments used by the Kering group to manage its foreign exchange risk are shown below:

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Currency forwards	(5,669.4)	(5,036.4)
Cross currency swaps	(109.1)	(105.7)
Currency options – export tunnels	(233.2)	(160.7)
Currency options – purchases	(154.7)	(92.1)
TOTAL	(6,166.4)	(5,394.9)

The Group primarily uses forward currency contracts and/or currency/cross currency swaps to hedge commercial import/export risks and to hedge the financial risks stemming in particular from Intercompany refinancing transactions in foreign currencies.

The Group may also implement plain vanilla option strategies (purchases of options or tunnels) to hedge future exposures.

These derivative financial instruments were analyzed with respect to IFRS 9 hedge accounting eligibility criteria. The Group has no derivatives eligible for net investment hedge accounting.

As of December 31, 2019, documented and non-documented derivative instruments were as follows:

<i>(in € millions)</i>	Dec. 31, 2019	USD	JPY	GBP
Cash flow hedges				
Forward purchases and forward purchase swaps	3.1		1.6	
Forward sales and forward sale swaps	(3,718.3)	(1,196.1)	(501.3)	(363.8)
Currency options – purchases of export tunnels	(233.2)	(148.2)	(1.6)	(61.7)
Currency options – purchases	(154.7)			
Fair value hedges				
Forward purchases and forward purchase swaps	617.4	165.2	58.5	62.3
Forward sales and forward sale swaps	(1,959.7)	(369.0)	(139.7)	(218.6)
Not documented				
Forward purchases and forward purchase swaps	162.6	159.1		
Forward sales and forward sale swaps	(774.5)	(316.1)	(115.0)	(9.6)
Cross currency swaps	(109.1)		(109.1)	
Maturity				
Less than one year				
Forward purchases and forward purchase swaps	783.1	324.3	60.1	62.3
Forward sales and forward sale swaps	(6,448.4)	(1,881.2)	(751.9)	(592.0)
Cross currency swaps				
Currency options – purchases of export tunnels	(233.2)	(148.2)	(1.6)	(61.7)
Currency options – purchases	(154.7)			
More than one year				
Forward purchases and forward purchase swaps				
Forward sales and forward sale swaps	(4.1)		(4.1)	
Cross currency swaps	(109.1)		(109.1)	

Foreign exchange derivatives are recognized in the statement of financial position at their market value at the end of the reporting period.

Derivatives qualifying as cash flow hedges are used to hedge highly probable future cash flows (not yet recognized) based on a budget for the current budget period (season, quarter, half-year, etc.) or certain future cash flows not yet recognized (firm orders).

As of December 31, 2019, the majority of foreign exchange derivatives qualifying as cash flow hedges had a residual maturity of less than one year and are used to hedge cash flows expected to be realized and recognized in the coming reporting period.

Derivatives qualifying as fair value hedges are used to hedge items recognized in the consolidated statement of financial position at the end of the reporting period, or certain future cash flows not yet recognized (firm orders).

Certain foreign exchange derivatives treated as hedges for management purposes are not documented in accordance with IFRS 9 hedge accounting and are therefore recorded as derivatives, with any changes in their fair value impacting net finance costs.

These derivatives mainly hedge items recorded in the statement of financial position and future cash flows that do not satisfy the “highly probable” criteria required by IFRS 9.

CHF	HKD	CNY	AUD	TWD	KRW	Other	Dec. 31, 2018
					1.5		28.3
	(376.7)	(522.3)	(102.1)	(61.3)	(390.7)	(204.0)	(3,302.0)
	(21.7)	(154.7)					(160.7)
							(92.1)
39.3	27.3	67.4	12.0	4.0	132.9	48.5	514.0
(14.5)	(137.8)	(370.8)	(63.6)	(31.5)	(195.5)	(418.7)	(1,600.6)
		1.2				2.3	937.2
(329.5)		(1.2)				(3.1)	(1,613.3)
							(105.7)
39.3	27.3	68.6	12.0	4.0	134.4	50.8	1,479.5
(344.0)	(514.5)	(894.3)	(165.7)	(92.8)	(586.2)	(625.8)	(6,491.2)
	(21.7)						(160.7)
		(154.7)					(92.1)
							(24.7)
							(105.7)

As of December 31, 2019, the exposure to foreign exchange risk on the statement of financial position was as follows:

<i>(in € millions)</i>	Dec. 31, 2019	USD	JPY	GBP
Monetary assets	4,207.9	982.9	381.3	285.8
Monetary liabilities	994.9	410.1	471.4	9.7
Net exposure in the statement of financial position	3,213.0	572.8	(90.1)	276.1
Forecast exposure	4,103.2	1,344.4	501.3	425.5
Net exposure before hedging	7,316.2	1,917.2	411.2	701.6
Hedging instruments	(6,166.4)	(1,705.1)	(806.6)	(591.4)
Net exposure after hedging	1,149.8	212.1	(395.4)	110.2

Monetary assets comprise loans and receivables, bank balances, and investments and cash equivalents maturing within three months of the acquisition date.

Monetary liabilities comprise borrowings, operating payables and other payables.

Most of these monetary items are denominated in the functional currencies in which the subsidiaries operate, or are converted into the Group's functional currency using foreign exchange derivatives in accordance with applicable procedures.

Analysis of sensitivity to foreign exchange risk

This analysis excludes the impact of translating the financial statements of each Group entity into the presentation currency (euro) and the measurement of the foreign exchange position on the statement of financial position, not considered material as of the end of the reporting period.

Based on market data as of December 31, 2019, the impact of foreign exchange derivative instruments in the event of a sudden 10% increase or decrease in the euro exchange rate against the principal currencies to which the Group is exposed (USD, JPY and CNY) would be as follows:

As of December 31, 2019

<i>(in € millions)</i>	Impact on remeasurement of financial instruments		Impact on net finance costs	
	10% increase	10% decrease	10% increase	10% decrease
USD	120.5	(143.0)	0.6	(0.7)
JPY	45.5	(55.7)		
CNY	59.3	(61.7)		

As of December 31, 2018

<i>(in € millions)</i>	Impact on remeasurement of financial instruments		Impact on net finance costs	
	10% increase	10% decrease	10% increase	10% decrease
USD	111.4	(136.2)	0.6	(0.7)
JPY	42.0	(51.9)		
CNY	42.4	(44.9)		

All other market variables were assumed to remain unchanged for the purpose of the sensitivity analysis.

The impact on remeasurement of financial instruments in equity is generated by interest rate instruments eligible for cash flow hedge accounting.

The impact on net finance costs in the income statement is generated by foreign exchange instruments not eligible for hedge accounting and from the change in the ineffective portion of cash flow hedges.

These amounts are shown before tax.

CHF	HKD	CNY	AUD	TWD	KRW	Other	Dec. 31, 2018
426.0	256.2	677.4	163.8	50.1	130.7	853.7	3,494.7
66.6	3.2	0.1	0.2	11.9	0.0	21.7	988.4
359.4	253.0	677.3	163.6	38.2	130.7	832.0	2,506.3
	398.4	677.0	102.1	61.3	389.2	204.0	3,559.4
359.4	651.4	1,354.3	265.7	99.5	519.9	1,036.0	6,065.7
(304.7)	(508.9)	(980.4)	(153.7)	(88.8)	(451.8)	(575.0)	(5,394.9)
54.7	142.5	373.9	112.0	10.7	68.1	461.0	670.8

31.3 Exposure to equity risk

In the normal course of its business, the Group enters into transactions involving shares in consolidated companies or shares issued by Kering.

Naturally, the value of Kering's investment in PUMA, which is treated as an equity-accounted investment as of December 31, 2019, could vary depending on changes in PUMA's share price.

Shares held in connection with non-consolidated investments represent a low exposure risk for the Group and are not hedged.

The exchangeable bonds issued in September 2019 contain an equity component corresponding to an exchange option indexed to the PUMA share price. The redemption and/or exchange price of the bonds is linked to changes in the PUMA share price. As of December 31, 2019 and at the issue date, the reference exchange price was set at €92.17.

Based on market data at the end of the reporting period, a 10% increase in PUMA's share price would have a negative €19.0 million impact on the Group's annual pre-tax consolidated income and would increase by €19.0 million the carrying amount of the equity component recognized as a derivative liability at fair value in the consolidated statement of financial position. Conversely, a 10% decrease in PUMA's share price would have a positive €11.1 million impact on the Group's annual pre-tax consolidated income and would reduce by €11.1 million the carrying amount of the equity component recognized as a derivative liability at fair value in the consolidated statement of financial position.

31.4 Exposure to precious metals price risk

The Group may be exposed to fluctuations in the price of certain precious metals, particularly gold, within the scope of its brands' activities in the Watches and Jewelry segments. Hedges may therefore be put in place by contracting derivative financial instruments to fix the production cost or by negotiating prices with refiners or manufacturers of semi-finished products.

As of December 31, 2019, these hedging transactions with a residual maturity of less than one year are treated as forward purchases for a notional amount of €6.3 million. Their market value is not material (notional amount of €12.2 million as of December 31, 2018).

A sudden 1% increase or decrease in precious metals prices would have an impact of €0.1 million, excluding the tax impact on remeasurement of financial instruments in equity.

31.5 Other market risks – Credit risk

The Group uses derivative instruments solely to reduce its overall exposure to foreign exchange, interest rate and equity risk arising in the normal course of business. All transactions involving derivatives are carried out on organized markets or over the counter with leading firms.

As the Group has a large number of customers in a wide range of business segments and realizes a significant portion of its sales directly with the end customer, direct sales do not expose the Group to any credit risk. For sales through wholesalers, there is no strong dependency or concentration whereby the loss of one or more wholesalers might have a significant impact on the Group's earnings. Credit risk with respect to wholesalers is also minimized by appropriate credit insurance coverage.

31.6 Derivative instruments at market value

As of December 31, 2019, and in accordance with IFRS 9, the market value of derivative financial instruments is recognized in the statement of financial position, in assets under the headings "Non-current financial assets" and "Other current financial assets", and in liabilities under the headings "Other non-current financial liabilities" and "Other current financial liabilities".

The fair value of derivatives hedging interest rate risk is recognized in non-current or current assets or liabilities depending on the maturity of the underlying debt.

The fair value of derivatives hedging the foreign exchange risk on commercial transactions is recognized in other current financial assets or liabilities.

The fair value of derivatives hedging the foreign exchange risk on financial transactions is recognized in non-current financial assets or liabilities if their term exceeds one year.

<i>(in € millions)</i>	Dec. 31, 2019	Interest rate risk	Foreign exchange risk	Other market risks	Dec. 31, 2018
Derivative assets	30.9		30.0	0.9	54.1
Non-current					1.5
At fair value through income					
Cash flow hedges					1.5
Fair value hedges					
Current	30.9		30.0	0.9	52.6
At fair value through income	2.9		2.9		31.7
Cash flow hedges	23.2		22.3	0.9	16.8
Fair value hedges	4.8		4.8		4.1
Derivative liabilities	109.1	0.4	66.8	41.9	114.1
Non-current	47.9	0.3	5.7	41.9	3.0
At fair value through income	47.6		5.7	41.9	2.5
Cash flow hedges	0.3	0.3			0.5
Fair value hedges					
Current	61.2	0.1	61.1		111.1
At fair value through income	1.1	0.1	1.0		33.7
Cash flow hedges	51.6		51.6		73.0
Fair value hedges	8.5		8.5		4.4
TOTAL	(78.2)	(0.4)	(36.8)	(41.0)	(60.0)

The effective portion of derivatives hedging future cash flows is recorded against equity, in "Remeasurement of financial instruments". Changes in this line item are presented in Note 15 – Other comprehensive income.

Derivatives recognized under non-current liabilities at fair value through income include the fair value of the equity component of the bonds issued on September 30, 2019 exchangeable for PUMA shares. The carrying amount of this component was €41.9 million as of December 31, 2019.

In accordance with IFRS 13, derivatives were measured as of December 31, 2019 taking into account credit and debit value adjustments (CVA/DVA). The probability of default used is based on market data where this is available for the counterparty. The impact of this revised measurement was not material for the Group as of the end of the reporting period.

31.7 Liquidity risk

Liquidity risk management for the Group and each of its subsidiaries is closely monitored and periodically assessed by Kering within the scope of Group financial reporting procedures.

In order to guarantee its liquidity, the Group holds confirmed lines of credit totaling €3,035.0 million. As of December 31, 2019, this includes an amount of €3,035.0 million not yet drawn and available cash of €2,285.9 million.

The following table shows contractual commitments relating to borrowings and trade payables. It includes accrued interest payable and excludes the impact of netting agreements. The table also shows Group commitments relating to derivative instruments recorded in assets or liabilities in the statement of financial position.

Projected cash flows relating to accrued interest payable are included in "Other borrowings" and are calculated up to the maturity of the borrowings to which they relate. Future floating-rate interest is set by reference to the last coupon for the current period, based on fixings applicable as of the end of the reporting period for flows associated with subsequent maturities.

The future cash flows presented have not been discounted.

Based on data available as of the end of the reporting period, the Group does not expect that the cash flows indicated will materialize before the scheduled date or that the amounts concerned will differ significantly from those set out in the maturity schedule.

This analysis excludes non-derivative financial assets in the statement of financial position and in particular, the cash and cash equivalents and trade receivables line items, which amounted to €2,285.9 million and €996.0 million, respectively, as of December 31, 2019.

<i>(in € millions)</i>	Dec. 31, 2019		Less than one year	One to five years	More than five years
	Carrying amount	Cash flow			
Non-derivative financial instruments					
Bonds	3,147.8	(3,147.0)	(493.5)	(1,803.5)	(850.0)
Commercial paper	804.6	(804.6)	(804.6)		
Other borrowings	1,145.7	(1,314.7)	(699.0)	(338.6)	(277.1)
Trade payables	808.7	(808.7)	(808.7)		
Derivative financial instruments					
Interest rate hedges	0.4				
Interest rate swaps		0.5	0.7	(0.2)	
Other interest rate instruments					
Foreign exchange hedges	36.8				
Currency forwards and currency swaps					
Outflows		(6,327.6)	(6,323.5)	(4.1)	
Inflows		6,264.1	6,260.0	4.1	
Other foreign exchange instruments					
Outflows		(323.1)	(213.5)	(109.6)	
Inflows		318.3	215.2	103.1	
TOTAL	5,944.0	(6,142.8)	(2,866.9)	(2,148.8)	(1,127.1)

<i>(in € millions)</i>	Dec. 31, 2018		Less than one year	One to five years	More than five years
	Carrying amount	Cash flow			
Non-derivative financial instruments					
Bonds	2,836.2	(2,837.0)	(245.0)	(1,242.0)	(1,350.0)
Commercial paper					
Other borrowings	1,091.8	(1,335.6)	(544.4)	(471.0)	(320.2)
Trade payables	745.8	(745.8)	(745.8)		
Derivative financial instruments					
Interest rate hedges	(1.0)				
Interest rate swaps		1.1	1.1		
Other interest rate instruments					
Foreign exchange hedges	61.6				
Currency forwards and currency swaps					
Outflows		(7,325.9)	(7,301.2)	(24.7)	
Inflows		7,210.2	7,186.0	24.2	
Other foreign exchange instruments					
Outflows		(220.8)	(114.6)	(106.2)	
Inflows		218.2	114.7	103.5	
TOTAL	4,734.4	(5,035.6)	(1,649.2)	(1,716.2)	(1,670.2)

Note 32 – Accounting classification and market value of financial instruments

The basis of measurement for financial instruments and the market value of these instruments as of December 31, 2019 are presented below:

<i>(in € millions)</i>	Dec. 31, 2019		Breakdown by accounting classification					
	Carrying amount	Market value	Fair value through income	Fair value through OCI	Loans and receivables	Amortized cost	Derivatives qualifying for hedge accounting	Derivatives not qualifying for hedge accounting
Non-current assets								
Non-current financial assets	458.4	458.4		68.6	389.8			
Current assets								
Trade receivables	996.0	996.0				996.0		
Other current financial assets	38.4	38.4			7.5		28.0	2.9
Cash and cash equivalents	2,285.9	2,285.9	52.1			2,233.8		
Non-current liabilities								
Non-current borrowings	3,122.2	3,302.7				3,122.2		
Other non-current financial liabilities	47.9	47.9					0.3	47.6
Current liabilities								
Current borrowings	1,975.9	1,981.4				1,975.9		
Other current financial liabilities	503.2	503.2				442.0	60.1	1.1
Trade payables	808.7	808.7				808.7		

<i>(in € millions)</i>	Dec. 31, 2018		Breakdown by accounting classification					
	Carrying amount	Market value	Fair value through income	Fair value through OCI	Loans and receivables	Amortized cost	Derivatives qualifying for hedge accounting	Derivatives not qualifying for hedge accounting
Non-current assets								
Non-current financial assets	336.3	336.3		67.0	267.8		1.5	
Current assets								
Trade receivables	849.5	849.5				849.5		
Other current financial assets	60.9	60.9			8.3		20.9	31.7
Cash and cash equivalents	2,216.6	2,216.6	530.0			1,686.6		
Non-current liabilities								
Non-current borrowings	3,171.6	3,261.3				3,171.6		
Other non-current financial liabilities	3.0	3.0					0.5	2.5
Current liabilities								
Current borrowings	756.4	759.7				756.4		
Other current financial liabilities	553.2	553.2				442.1	77.4	33.7
Trade payables	745.8	745.8				745.8		

As of December 31, 2019, the following methods were used to price financial instruments:

- Financial instruments other than derivatives recorded in assets in the statement of financial position:

Carrying amounts are based on reasonable estimates of market value, with the exception of marketable securities and investments in non-consolidated companies, whose market value was determined based on the last known stock market price as of December 31, 2019 for listed securities;

- Financial instruments other than derivatives recorded in liabilities in the statement of financial position:

The market value of listed bonds was determined on the basis of the last market price as of the end of the reporting period;

The market value of other borrowings was calculated using other valuation techniques such as discounted future cash flows, taking into account the Group's credit risk and interest rate conditions as of the end of the reporting period;

- Derivative financial instruments:

The market value of derivative financial instruments was provided by the financial institutions involved in the transactions or calculated using standard valuation methods that factor in market conditions as of the end of the reporting period.

The Group has identified three financial instrument categories based on the two valuation methods used (listed prices and valuation techniques). In accordance with IFRS, this classification is used as a basis for presenting the characteristics of financial instruments recognized in the statement of financial position at fair value through income as of the end of the reporting period:

Level 1 category: financial instruments quoted on an active market;

Level 2 category: financial instruments whose fair value is determined using valuation techniques drawing on observable market inputs;

Level 3 category: financial instruments whose fair value is determined using valuation techniques drawing on non-observable inputs (inputs whose value does not result from the price of observable market transactions for the same instrument or from observable market data available as of the end of the reporting period) or inputs which are only partly observable.

The table below shows the fair value hierarchy by financial instrument category as of December 31, 2019:

<i>(in € millions)</i>	Fair value hierarchy			Dec. 31, 2019
	Market price = Level 1	Models based on observable inputs = Level 2	Models based on non-observable inputs = Level 3	
Non-current assets				
Non-current financial assets	47.4		411.0	458.4
Current assets				
Trade receivables			996.0	996.0
Other current financial assets		30.9	7.5	38.4
Cash and cash equivalents		52.1	2,233.8	2,285.9
Non-current liabilities				
Non-current borrowings			3,122.2	3,122.2
Other non-current financial liabilities		47.9		47.9
Current liabilities				
Current borrowings			1,975.9	1,975.9
Other current financial liabilities		61.2	442.0	503.2
Trade payables			808.7	808.7

<i>(in € millions)</i>	Fair value hierarchy			Dec. 31, 2018
	Market price = Level 1	Models based on observable inputs = Level 2	Models based on non-observable inputs = Level 3	
Non-current assets				
Non-current financial assets		1.5	334.8	336.3
Current assets				
Trade receivables			849.5	849.5
Other current financial assets		52.6	8.3	60.9
Cash and cash equivalents		530.0	1,686.6	2,216.6
Non-current liabilities				
Non-current borrowings			3,171.6	3,171.6
Other non-current financial liabilities		3.0		3.0
Current liabilities				
Current borrowings			756.4	756.4
Other current financial liabilities		111.1	442.1	553.2
Trade payables			745.8	745.8

Note 33 – Net debt

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Gross borrowings	5,098.1	3,928.0
Cash and cash equivalents	(2,285.9)	(2,216.6)
Net debt	2,812.2	1,711.4

Note 34 – Statement of cash flows

34.1 Reconciliation of cash and cash equivalents as reported in the statement of financial position with cash and cash equivalents as reported in the statement of cash flows

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Cash and cash equivalents as reported in the statement of financial position	2,285.9	2,216.6
Bank overdrafts	(448.3)	(380.3)
Cash and cash equivalents as reported in the statement of cash flows	1,837.6	1,836.3

34.2 Breakdown of cash flow from operating activities

<i>(in € millions)</i>	2019	2018
Net income from continuing operations	2,208.4	2,658.3
Net recurring charges to depreciation, amortization and provisions on non-current operating assets	1,245.3	491.9
Other non-cash income and expenses:	(392.4)	(6.6)
<i>o/w:</i>		
Recurring operating income and expenses (Note 5):	100.2	(68.8)
- <i>Fair value of operating foreign exchange rate hedges</i>	97.4	(93.2)
- <i>Other</i>	2.8	24.4
Other income and expenses:	(492.6)	62.2
- <i>Asset impairment</i>	94.9	140.4
- <i>Fair value of foreign exchange rate hedges in net finance costs</i>	(96.5)	98.5
- <i>Deferred tax expense (income)</i>	(464.2)	(194.8)
- <i>Share in earnings (losses) of equity-accounted companies</i>	(41.8)	(11.9)
- <i>Other</i>	15.0	30.0
Cash flow from operating activities	3,061.3	3,143.6

34.3 Debt issues and redemptions/repayments

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Debt issues	644.6	73.1
Debt redemptions/repayments	(287.6)	(1,404.5)
Increase/decrease in other borrowings	798.8	(27.9)
TOTAL	1,155.8	(1,359.3)

Debt includes the €550-million worth of bonds issued on September 30, 2019 exchangeable for PUMA shares. These bonds have a zero coupon and mature on September 30, 2022.

Debt redemptions and repayments in 2019 notably included the redemption of the €245 million debt outstanding under the 3.125% bonds issued in April 2012. These bonds were originally issued in an amount of €500 million and

matured on April 23, 2019. They were partially bought back by Kering in 2018.

Changes in debt and other borrowings mainly concern issues and redemptions/repayments of (i) commercial paper by Kering Finance, and, to a lesser extent, (ii) bank loans denominated in Japanese yen.

3.4 Reconciliation of changes in borrowings with net cash flows from (used in) financing activities

	Bonds	Other bank borrowings	Confirmed lines of credit	Drawdowns on unconfirmed lines of credit
<i>(in € millions)</i>				
As of January 1, 2019	2,836.2	200.0	-	17.9
Increase/decrease in share capital and other transactions with owners				
Treasury share transactions				
Dividends paid to owners of the parent company				
Dividends paid to non-controlling interests				
Debt issues	598.1	46.5		
Debt redemptions/repayments	(245.0)	(42.6)		
Increase/decrease in other borrowings				(3.2)
Repayment of lease liabilities				
Interest paid and equivalent				
Net cash from (used in) financing activities	353.1	3.9		(3.2)
Changes in Group structure				
Translation adjustments		6.5		0.5
Changes in put options granted to non-controlling interests				
Changes related to discontinued operations				
Other movements	(41.5)	1.2		
As of December 31, 2019	3,147.8	211.6	-	15.2

	Bonds	Other bank borrowings	Confirmed lines of credit	Drawdowns on unconfirmed lines of credit
<i>(in € millions)</i>				
As of January 1, 2018	4,096.1	318.5	-	20.5
Increase/decrease in share capital and other transactions with owners				
Treasury share transactions				
Dividends paid to owners of the parent company				
Dividends paid to non-controlling interests				
Debt issues	15.2	57.9		
Debt redemptions/repayments	(1,275.1)	(129.4)		
Increase/decrease in other borrowings		(3.6)		(2.8)
Interest paid and equivalent				
Net cash from (used in) financing activities	(1,259.9)	(75.1)	-	(2.8)
Changes in Group structure				
Translation adjustments		15.2		0.2
Changes in put options granted to non-controlling interests				
Other movements		(58.6)		
As of December 31, 2018	2,836.2	200.0	-	17.9

Commercial paper	Finance lease liabilities	Bank overdrafts	Borrowings	Lease liabilities	Equity attributable to owners of the parent	Equity	Total
			Other borrowings			Non-controlling interests	
-	78.7	380.3	414.9				
					(19.2)		(19.2)
					(402.1)		(402.1)
					(1,320.1)		(1,320.1)
						(21.9)	(21.9)
							644.6
804.6			(2.6)				(287.6)
				(639.6)			798.8
			(180.3)	(109.6)			(639.6)
							(289.9)
804.6			(182.9)	(749.2)	(1,741.4)	(21.9)	(1,537.0)
		(10.2)	3.0				
		7.4	0.3				
	(78.7)	70.8	235.3				
804.6	-	448.3	470.6				

Commercial paper	Finance lease liabilities	Bank overdrafts	Borrowings	Lease liabilities	Equity attributable to owners of the parent	Equity	Total
			Other borrowings			Non-controlling interests	
-	83.9	237.3	428.9				
					(2.7)		(2.7)
					(167.9)		(167.9)
					(757.6)		(757.6)
						(22.8)	(22.8)
							73.1
			(21.5)				(1,404.5)
	(3.0)	(1.2)	(188.2)				(27.9)
							(192.4)
-	(3.0)	(1.2)	(209.7)		(928.2)	(22.8)	(2,502.7)
	1.8	0.3	0.5				
		11.4					
			11.4				
	(4.0)	132.5	4.8				
-	78.7	380.3	414.9				

Note 35 – Contingent liabilities, contractual commitments not recognized and other contingencies

35.1 Commitments given or received following asset disposals

Vendor warranties given or received by the Group on sales of companies in prior years are summarized below as of December 31, 2019:

Disposals	Vendor warranties
December 2010 Sale of Conforama	Vendor warranty covering tax-related claims expiring when the period becomes time-barred, capped at €120 million. This disposal is related to an ancillary commitment by Kering to continue commercial relations between Conforama and the BNP Paribas group as regards customer loans.
December 2012 Sale of The Sportsman's Guide and The Golf Warehouse	Vendor warranties covering (i) certain fundamental representations (with respect to organization, title ownership, and capacity) which survive indefinitely, (ii) employment and benefit plans, and (iii) tax-related claims; (ii) and (iii) expiring when the period becomes time-barred. These warranties are capped at USD 21.5 million.
February 2013 Sale of OneStopPlus	Specific vendor warranty covering an identified tax-related claim, expiring when the period becomes time-barred.
March 2013 Sale of the Children and Family Division	Specific warranty covering an occupancy fee capped at €400,000.
June 2013 Sale of Ellos	Customary vendor warranty covering certain fundamental representations (with respect to capacity, existence, title ownership and capitalization), which survives indefinitely and is capped at the sale price. This was accompanied by a commitment received as regards the continuation of commercial relations with Finaref, covered by a €70 million bank guarantee expiring in 2023.
June 2014 Sale of La Redoute and Relais Colis	Customary vendor warranty covering certain fundamental representations (particularly with respect to the existence of the companies sold, the availability of the shares sold and the capacity and power to complete the sale), which expires when the period becomes time-barred and is capped at €10 million. Vendor warranty covering tax-related claims and capped at €10 million, expiring when the period becomes time-barred. Specific vendor warranties covering (i) the group's restructuring operations prior to its sale, which expire on December 31, 2021 and are not capped, and (ii) environmental risks, which expire on December 31, 2020 and are capped at €37 million.
December 2015 Sale of Sergio Rossi	Vendor warranties covering (i) tax-related or similar claims expiring when the period becomes time-barred in each jurisdiction concerned and (ii) certain fundamental representations (particularly with respect to organization, capitalization, titles and authority) which survive indefinitely. These warranties are capped at €15 million with the exception of (ii), which is capped at the sale price. Specific vendor warranties covering (i) tax audits of the years 2010 to 2014; (ii) the tax impact of the group's restructuring operations prior to its sale; and (iii) intellectual property claims and potential disputes with certain managerial-grade employees (<i>cadres</i>), which survive indefinitely. These warranties are not capped.
March 2016 Disposal of Electric	Customary vendor warranty covering certain fundamental representations, particularly with respect to organization, capitalization and authority. The vendor warranties are limited to the seller's knowledge of insurance, litigation and tax-related matters. These warranties are not capped.

Disposals	Vendor warranties
April 2019 Disposal of Volcom	Specific warranties capped at \$7.5 million covering (i) intellectual property and certain real estate and contractual matters (expiring in April 2020) and (ii) certain tax-related claims (expiring in April 2022). A further vendor warranty covering certain tax obligations, which is uncapped and expires in April 2025. A vendor warranty covering certain fundamental representations (ownership and capacity), which survives indefinitely and is capped at the sale price.
July 2019 Disposal of Stella McCartney	Customary vendor warranty covering certain fundamental representations (ownership and ability to freely dispose of shares), which survives indefinitely and is uncapped. Specific warranty covering certain tax-related claims, capped at €7 million and expiring when the period becomes time-barred.

In addition to the vendor warranties described above, minor vendor warranty agreements with standard terms were set up for the purchasers of the other companies sold by the Group.

35.2 Other commitments given

35.2.1 Contractual obligations

The table below shows all the Group's contractual commitments and obligations, excluding employee benefit obligations presented in Note 27 – Provisions for pensions and other post-employment benefits.

(in € millions)	Payments due by period			Dec. 31, 2019	Dec. 31, 2018
	Less than one year	One to five years	More than five years		
Borrowings (Note 30)	1,975.9	2,035.6	1,086.6	5,098.1	3,928.0
Leases	68.3	126.7	320.4	515.4	4,148.9
Binding purchase commitments	72.3	243.3	4.0	319.6	174.8
Total commitments given	2,116.5	2,405.6	1,411.0	5,933.1	8,251.7

In accordance with the application of IFRS 16 – *Leases*, as of January 1, 2019, all leases in force are recognized directly in the statement of financial position for the amount of the corresponding fixed lease payments. The contractual obligations included above in “Leases” therefore only concern:

- leases signed as of December 31, 2019 but taking effect after that date;
- short-term leases, with a lease term of 12 months or less as of the commencement date;

- leases for which the underlying asset is of low value, based on the value of the asset when it is new.

However, leases presented within off-balance sheet commitments as of December 31, 2018 include all leases, as no leases were recognized in the statement of financial position as of that date. See Note 4 – First-time application of IFRS 16 – *Leases*.

Finance leases

IAS 17 was superseded by IFRS 16 as of January 1, 2019. See Note 4 – First-time application of IFRS 16 - *Leases*. As of December 31, 2018, the present value of future lease payments included in “Borrowings” and relating to capitalized assets meeting the definition of a finance lease set out in IAS 17 is as follows:

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Less than one year	N/A	40.7
One to five years	N/A	34.0
More than five years	N/A	26.2
Finance costs included	N/A	101.0 (22.2)
Present value of future minimum lease payments	N/A	78.7

35.2.2 Guarantees and other collateral

<i>(in € millions)</i>	Pledge start date	Pledge expiry date	Amount of assets pledged as of Dec. 31, 2019	Statement of financial position total (carrying amount)	Corresponding %	Amount of assets pledged as of Dec. 31, 2018
Intangible assets				7,260.5		-
Property, plant and equipment	06/08/2001	03/31/2028	32.2	2,619.3	1.2%	32.2
Non-current financial assets				458.4		-
Total non-current assets pledged as collateral			32.2	10,338.2	0.3%	32.2

35.2.3 Other commitments

<i>(in € millions)</i>	Payments due by period			Dec. 31, 2019	Dec. 31, 2018
	Less than one year	One to five years	More than five years		
Confirmed lines of credit (see Note 30)		3,035.0		3,035.0	3,135.0
Letters of credit	11.3	-	-	11.3	14.0
Other guarantees received	4.1	0.8	1.3	6.2	8.4
Total commitments received	15.4	3,035.8	1.3	3,052.5	3,157.4
Guarantees given to banks responsible for cash pooling arrangements	0.4	-	-	0.4	6.0
Rent guarantees, property guarantees	0.6	4.8	1.3	6.7	7.2
Other commitments	31.3	2.0	0.2	33.5	37.1
Total commitments given	32.3	6.8	1.5	40.6	50.3

Other commitments given primarily include customs warranties and operating guarantees.

35.3 Contingent liabilities

To the best of the Group's knowledge, there are no significant contingent liabilities.

35.4 Dependence on patents, licenses and supply contracts

The Group is not significantly dependent on any patents, licenses or supply contracts.

35.5 Litigation and disputes

Group companies are involved in a number of lawsuits or disputes arising in the normal course of business, including with various authorities. Provisions have been set aside for the probable costs, as estimated by the Group's entities and their counsel.

According to the Group's legal counsel, no disputes currently in progress are likely to have a material impact on normal or foreseeable operations or the planned development of the Group or any of its subsidiaries.

The Group believes there are no known disputes likely to have a potential material impact on its net assets, earnings or financial position that are not adequately covered by provisions recorded as of the end of the reporting period.

No individual claim against the Company and/or against any of its subsidiaries is material to the Company or the Group.

The Group is not aware of any arbitration proceedings that have had in the recent past, or are likely to have in the future, a material impact on the financial position, activity or earnings of the Company or Group.

Note 36 – Transactions with related parties

36.1 Related party controlling the Group

Kering SA is controlled by Artémis, which in turn is wholly owned by Financière Pinault. As of December 31, 2019, the Artémis group held 41.0% of Kering's share capital (40.9% as of end-2018) and 58.1% of its voting rights (57.8% as of end-2018).

The main transactions carried out between Kering's consolidated companies and Artémis in 2019 are described below:

- payment on January 16, 2020 of an interim dividend in respect of 2019 totaling €181.1 million, approved on December 12, 2019;
- payment of the balance of the cash dividend for 2018 of €361.6 million, further to the payment of an interim dividend of €180.8 million in January 2019 (€309.7 million for the full 2017 dividend);

- recognition of fees totaling €5.7 million in 2019 (€5.1 million in 2018) for (i) business development consulting services and complex transaction support, and (ii) the supply of development opportunities, new business and cost reduction solutions. These fees are governed by an agreement reviewed by the Audit Committee and approved by the Board of Directors.

36.2 Associates

In the normal course of business, the Group enters into transactions with associates on an arm's length basis.

These transactions are not material.

36.3 Remuneration paid to members of the Board of Directors and the Group's Executive Committee

<i>(in € millions)</i>	2019	2018
Short-term benefits	38.9	37.7
Payroll taxes	9.0	5.0
Termination indemnities	0.4	-
Post-employment benefits	1.4	2.0
Other long-term benefits	3.9	103.3
Share-based payment	71.8	85.5
TOTAL	125.4	233.5

Short-term benefits, payroll taxes and termination benefits correspond to amounts paid during the year. Post-employment benefits, other long-term benefits and share-based payment correspond to amounts recognized as expenses in the period.

Note 37 – List of consolidated subsidiaries as of December 31, 2019

Consolidation method

Full consolidation: C

Equity method: E

Company	% interest	
	Dec. 31, 2019	Dec. 31, 2018
Kering SA	Parent company	
CONTINUING OPERATIONS		
HOUSES		
France		
ALEXANDER MCQUEEN FRANCE SAS	C 100.00	C 100.00
ARCADES PONTTHIEU SA	C 95.00	C 95.00
BALENCIAGA SA	C 100.00	C 100.00
BOTTEGA VENETA FRANCE SAS	C 100.00	C 100.00
BOUCHERON HOLDING SAS	C 100.00	C 100.00
BOUCHERON PARFUMS SAS	C 100.00	C 100.00
BOUCHERON SAS	C 100.00	C 100.00
BRIONI FRANCE SAS	C 100.00	C 100.00
C. MENDES SAS	C 100.00	C 100.00
DODO PARIS SAS	C 99.99	C 99.99
FRANCE CROCO SAS	C 100.00	C 100.00
GG FRANCE SERVICES SAS	C 100.00	C 100.00
GPO HOLDING SAS	C 100.00	C 100.00
GUCCI FRANCE SAS	C 100.00	C 100.00
LES BOUTIQUES BOUCHERON SAS	C 100.00	C 100.00
POMELLATO PARIS SA	C 99.99	C 99.99
QEELIN FRANCE SARL	C 100.00	C 100.00
SOWIND FRANCE SAS	C 100.00	C 100.00
TANNERIE DE PERIERS SAS	C 100.00	C 100.00
YSL VENTES PRIVEES FRANCE SAS	C 100.00	C 100.00
YVES SAINT LAURENT BOUTIQUE FRANCE SAS	C 100.00	C 100.00
YVES SAINT LAURENT PARFUMS SAS	C 100.00	C 100.00
YVES SAINT LAURENT SAS	C 100.00	C 100.00
Germany		
BALENCIAGA GERMANY GmbH	C 100.00	C 100.00
BOTTEGA VENETA GERMANY GmbH	C 100.00	C 100.00
BRIONI GERMANY GmbH	C 100.00	C 100.00
DODO DEUTSCHLAND GmbH	C 100.00	C 100.00
GG LUXURY GOODS GmbH	C 100.00	C 100.00
KW LUXURY DISTRIBUTION GmbH	C 100.00	C 100.00

Company	% interest	
	Dec. 31, 2019	Dec. 31, 2018
POMELLATO DEUTSCHLAND GmbH	C 100.00	C 100.00
KERING WATCHES		
LUXURY DIVISION GmbH	C 100.00	C 100.00
YVES SAINT LAURENT		
GERMANY GmbH	C 100.00	C 100.00
Austria		
ALEXANDER MCQUEEN GmbH	C 100.00	C 100.00
BOTTEGA VENETA AUSTRIA GmbH	C 100.00	C 100.00
BRIONI AUSTRIA GmbH	C 100.00	C 100.00
GUCCI AUSTRIA GmbH	C 100.00	C 100.00
YVES SAINT LAURENT		
AUSTRIA GmbH	C 100.00	C 100.00
Belgium		
GUCCI BELGIUM SA	C 100.00	C 100.00
Spain		
BALENCIAGA SPAIN SL	C 100.00	C 100.00
BOTTEGA VENETA ESPANA SL	C 100.00	C 100.00
BRIONI RETAIL ESPANA SL	C 100.00	C 100.00
DODO SPAIN SA	C 100.00	C 100.00
LUXURY GOODS SPAIN SL	C 100.00	C 100.00
LUXURY TIMEPIECES ESPANA SL	C 100.00	C 100.00
SOWIND IBERICA SL	C 100.00	C 100.00
YVES SAINT LAURENT SPAIN SA	C 100.00	C 100.00
United Kingdom		
ALEXANDER MCQUEEN TRADING Ltd	C 100.00	C 100.00
AUTUMNPAPER Ltd	C 100.00	C 100.00
BALENCIAGA UK Ltd	C 100.00	C 100.00
BIRDSWAN SOLUTIONS Ltd	C 100.00	C 100.00
BOTTEGA VENETA UK CO. Ltd	C 100.00	C 100.00
BOUCHERON UK Ltd	C 100.00	C 100.00
BRIONI UK Ltd	C 100.00	C 100.00
DODO (UK) Ltd	C 100.00	C 100.00
GUCCI Ltd	C 100.00	C 100.00
LUXURY TIMEPIECES UK Ltd	C 100.00	C 100.00
LUXURY TIMEPIECES & JEWELLERY OUTLETS Ltd	C 100.00	C 100.00

Company	% interest	
	Dec.31,2019	Dec.31,2018
PAINTGATE Ltd	C 100.00	C 100.00
POMELLATO (UK) Ltd	C 100.00	C 100.00
YVES SAINT LAURENT UK Ltd	C 100.00	C 100.00
Greece		
LUXURY GOODS GREECE AE	C 99.80	C 99.80
Hungary		
GUCCI HUNGARY KFT	C 100.00	C 100.00
Ireland		
GUCCI IRELAND Ltd	C 100.00	C 100.00
Italy		
ACCADEMICA DELLA PELLETERIA SRL	C 51.00	C 51.00
ALEXANDER MCQUEEN ITALIA SRL	C 100.00	C 100.00
ALEXANDER MCQUEEN ONLINE ITALIA SRL	C 100.00	Formation
BALENCIAGA LOGISTICA SRL	C 100.00	C 100.00
BALENCIAGA ONLINE ITALIA SRL	C 100.00	Formation
BALENCIAGA RETAIL ITALIA SRL	C 100.00	C 100.00
BRIONI SPA	C 100.00	C 100.00
BRIONI GERMANICS HOLDING SRL	C 100.00	C 100.00
BRIONI ITALIA SRL	C 100.00	C 100.00
BRIONI SERVIZI SRL	Merger	C 100.00
B.V. LUXURY SRL	C 100.00	C 100.00
B.V. ITALIA SRL	C 100.00	C 100.00
B.V. SERVIZI SRL	Merger	C 100.00
BOTTEGA VENETA SRL	C 100.00	C 100.00
CALZATURIFICIO FLORA SRL	Merger	C 100.00
CARAVEL PELLI PREGIATE SPA	C 100.00	C 100.00
CHEM – TEC SRL	C 51.00	Acquisition
COLONNA SPA	C 51.00	Acquisition
CONCERIA BLUTONIC SPA	C 51.00	C 51.00
CONCERIA 800 SPA	C 51.00	Acquisition
DESIGN MANAGEMENT SRL	C 100.00	C 100.00
DESIGN MANAGEMENT 2 SRL	C 100.00	C 100.00
E-LITE SPA	C 51.00	C 51.00
FALCO PELLAMI SPA	C 51.00	Acquisition
GARPE SRL	C 100.00	C 100.00
GUCCI GARDEN SRL	C 100.00	C 100.00
G COMMERCE EUROPE SPA	C 100.00	C 100.00
G.F. LOGISTICA SRL	Merger	C 100.00
GGW ITALIA SRL	C 100.00	C 100.00

Company	% interest	
	Dec.31,2019	Dec.31,2018
GJP SRL	C 100.00	C 100.00
GOS SRL	Merger	-
GPA SRL	C 100.00	C 100.00
GT SRL	C 100.00	C 100.00
GUCCI IMMOBILIARE LECCIO SRL	C 100.00	C 100.00
GUCCI LOGISTICA SPA	C 100.00	C 100.00
GUCCIO GUCCI SPA	C 100.00	C 100.00
IMMOBILIARE ARMEA SRL	C 100.00	-
KERING FASHION OPERATIONS SRL	C 100.00	C 100.00
K RETAIL ROMA SRL	C 100.00	C 100.00
LECCIO SRL	C 100.00	C 100.00
LGM SRL	Disposal	C 73.30
LUXURY GOODS ITALIA SPA	C 100.00	C 100.00
LUXURY GOODS OUTLET SRL	C 100.00	C 100.00
MANIFATTURA VENETA PELLETERIE SRL	C 100.00	C 100.00
MARBELLA PELLAMI SPA	C 51.00	Acquisition
PIGINI SRL	C 100.00	C 100.00
POMELLATO SPA	C 100.00	C 100.00
POMELLATO EUROPA SPA	C 100.00	C 100.00
ROMAN STYLE SPA	C 100.00	C 100.00
SAINTE LAURENT ECOMMERCE SRL	C 100.00	Formation
SAMMEZZANO OUTLET SRL	C 100.00	C 100.00
SOWIND ITALIA SRL	C 100.00	C 100.00
SL LUXURY RETAIL SRL	C 100.00	C 100.00
TIGER FLEX SRL	C 100.00	C 100.00
TOMAS MAIER ITALIA SRL	E 51.00	E 51.00
TRAMOR SRL	C 100.00	C 100.00
ULYSSE NARDIN ITALIA SRL	C 100.00	C 100.00
SAINTE LAURENT SHOES SRL	C 100.00	C 100.00
YVES SAINT LAURENT LOGISTICA SRL	C 100.00	C 100.00
Luxembourg		
BOTTEGA VENETA INTERNATIONAL SARL	C 100.00	C 100.00
CASTERA SARL	C 100.00	C 100.00
GUCCI GULF INVESTMENTS SARL	C 100.00	C 100.00
QEELIN HOLDING LUXEMBOURG SA	C 100.00	C 100.00
Monaco		
BOUCHERON SAM	C 100.00	C 100.00
GUCCI SAM	C 100.00	C 100.00
KERING RETAIL MONACO SAM	C 100.00	C 100.00

Company	% interest	
	Dec.31,2019	Dec.31,2018
SMHJ SAM	C 99.79	C 99.79
SAM YVES SAINT LAURENT OF MONACO	C 100.00	C 100.00
Netherlands		
BOTTEGA VENETA NETHERLANDS BV	C 100.00	C 100.00
G DISTRIBUTION BV	C 100.00	C 100.00
GG MIDDLE EAST BV	C 51.00	C 51.00
GG OTHER TERRITORIES BV	C 100.00	C 100.00
GUCCI NETHERLANDS BV	C 100.00	C 100.00
KERING ASIAN HOLDING BV	C 100.00	C 100.00
YVES SAINT LAURENT NETHERLANDS BV	C 100.00	C 100.00
Portugal		
BOTTEGA VENETA PORTUGAL, UNIPessoal LDA	C 100.00	Formation
Czech Republic		
BRIONI CZECH REPUBLIC SRO	C 100.00	C 100.00
LUXURY GOODS CZECH REPUBLIC SRO	C 100.00	C 100.00
YVES SAINT LAURENT CZECH REPUBLIC, SRO	C 100.00	Formation
Romania		
SIFA INTERNATIONAL SRL	C 70.00	C 70.00
Russia		
BOUCHERON RUSSIA OOO	C 100.00	C 100.00
GUCCI RUS OOO	C 100.00	C 100.00
ULYSSE NARDIN RUSSIA LLC	C 100.00	C 100.00
Serbia		
LUXURY TANNERY DOO	C 51.00	C 51.00
F.LLI ROSSI SHOES DOO	C 70.00	Acquisition
Switzerland		
BALENCIAGA SWITZERLAND SA	C 100.00	C 100.00
BOTTEGA VENETA SA	C 100.00	C 100.00
BOUCHERON (SUISSE) SA	C 100.00	C 100.00
BRIONI SWITZERLAND SA	C 100.00	C 100.00
DONZE CADRANS SA	C 100.00	C 100.00
FABBRICA QUADRANTI SA	C 100.00	C 100.00
GT SILK SA	C 100.00	C 100.00
GUCCI SWISS RETAIL SA	C 100.00	C 100.00
GUCCI SWISS TIMEPIECES SA	C 100.00	Formation
LUXURY GOODS INTERNATIONAL SA	C 100.00	C 100.00
LUXURY GOODS OUTLETS EUROPE SAGL	C 100.00	C 100.00

Company	% interest	
	Dec.31,2019	Dec.31,2018
OCHS UND JUNIOR AG	E 32.80	E 32.80
SIGATEC SA	E 50.00	E 50.00
SOWIND GROUP SA	C 100.00	C 100.00
SOWIND SA	C 100.00	C 100.00
THE MALL LUXURY OUTLET SA	C 100.00	C 100.00
ULYSSE NARDIN LE LOCLE SA	C 100.00	C 100.00
UNCA SA	E 50.00	E 50.00
YVES SAINT LAURENT SWITZERLAND SA	C 100.00	C 100.00
Aruba		
GEMINI ARUBA NV	C 100.00	C 100.00
Brazil		
BOTTEGA VENETA HOLDING Ltda	C 100.00	C 100.00
GUCCI BRASIL IMPORTACAO E EXPORTACAO Ltda	C 100.00	C 100.00
SAINTE LAURENT BRASIL IMPORTACAO E EXPORTACAO Ltda	C 100.00	C 100.00
Canada		
BALENCIAGA CANADA Inc.	C 100.00	C 100.00
BOTTEGA VENETA CANADA Ltd	C 100.00	C 100.00
G. BOUTIQUES Inc.	C 100.00	C 100.00
SAINTE LAURENT CANADA BOUTIQUES Inc.	C 100.00	C 100.00
Chile		
LUXURY GOODS CHILE SPA	C 51.00	C 51.00
United States		
ALEXANDER MCQUEEN TRADING AMERICA, Inc.	C 100.00	C 100.00
741 MADISON AVENUE CORP.	C 100.00	C 100.00
BALENCIAGA AMERICA Inc.	C 100.00	C 100.00
BOTTEGA VENETA Inc.	C 100.00	C 100.00
BOUCHERON JOAILLERIE (USA) Inc.	C 100.00	C 100.00
BRIONI AMERICA Inc.	C 100.00	C 100.00
BRIONI AMERICA HOLDING Inc.	C 100.00	C 100.00
E-LITE US Inc.	C 51.00	C 51.00
G GATOR USA LLC	C 100.00	C 100.00
GUCCI AMERICA Inc.	C 100.00	C 100.00
GUCCI CARIBBEAN Inc.	C 100.00	C 100.00
GUCCI GROUP WATCHES Inc.	C 100.00	C 100.00
GUCCI OSTERIA USA TRUST	C 100.00	Formation
GUCCI OSTERIA USA LLC	C 100.00	Formation
JOSEPH ALTUZARRA	E 40.54	E 40.54
LUXURY HOLDINGS Inc.	C 100.00	C 100.00

Company	% interest	
	Dec. 31, 2019	Dec. 31, 2018
LUXURY TIMEPIECES AND JEWELRY USA, Inc.	C 100.00	C 100.00
POMELLATO USA Inc.	C 100.00	C 100.00
TOMAS MAIER LLC	Liquidation	E 51.00
TOMAS MAIER DISTRIBUTION LLC	E 51.00	E 51.00
TOMAS MAIER HOLDING LLC	E 51.00	E 51.00
TRADEMA OF AMERICA Inc.	C 100.00	C 100.00
ULYSSE NARDIN Inc.	C 100.00	C 100.00
WALL'S GATOR FARM II LLC	E 40.00	E 40.00
WG ALLIGATOR FARM LLC	E 40.00	E 40.00
YVES SAINT LAURENT AMERICA HOLDING Inc.	C 100.00	C 100.00
YVES SAINT LAURENT AMERICA Inc.	C 100.00	C 100.00
Mexico		
BALENCIAGA RETAIL MEXICO S. DE R.L. DE C.V.	C 100.00	Formation
BOTTEGA VENETA MEXICO, S. DE R.L. DE C.V.	C 100.00	C 100.00
BOTTEGA VENETA SERVICIOS, S. DE R.L. DE C.V.	C 100.00	C 100.00
D ITALIAN CHARMS S.A. DE C.V.	C 100.00	C 100.00
GUCCI IMPORTACIONES S.A. DE C.V.	C 100.00	C 100.00
GUCCI MEXICO S.A. DE C.V.	C 100.00	C 100.00
RETAIL LUXURY SERVICIOS S.A. DE C.V.	C 100.00	C 100.00
SAINTE LAURENT MEXICO, S. DE R.L. DE C.V.	C 100.00	C 100.00
SAINTE LAURENT SERVICIOS, S. DE R.L. DE C.V.	C 100.00	C 100.00
SERVICIOS DE PERSONAL BALENCIAGA S. DE R.L. DE C.V.	C 100.00	Formation
Panama		
LUXURY GOODS PANAMA S. DE R.L.	C 51.00	C 51.00
SAINTE LAURENT PANAMA Inc.	C 100.00	Formation
Australia		
ALEXANDER MCQUEEN AUSTRALIA PTY Ltd	C 100.00	Formation
BALENCIAGA AUSTRALIA PTY Ltd	C 100.00	C 100.00
BOTTEGA VENETA AUSTRALIA PTY Ltd	C 100.00	C 100.00
GUCCI AUSTRALIA PTY Ltd	C 100.00	C 100.00
SAINTE LAURENT AUSTRALIA PTY Ltd	C 100.00	C 100.00
New Zealand		
GUCCI NEW ZEALAND Ltd	C 100.00	C 100.00

Company	% interest	
	Dec. 31, 2019	Dec. 31, 2018
China		
<i>Mainland China</i>		
1921 (SHANGHAI) RESTAURANT Ltd	C 100.00	C 100.00
ALEXANDER McQUEEN (SHANGAI) TRADING Ltd	C 100.00	C 100.00
BALENCIAGA FASHION SHANGAI CO. Ltd	C 100.00	C 100.00
BOTTEGA VENETA (CHINA) TRADING Ltd	C 100.00	C 100.00
KERING (SHANGHAI) WATCHES AND JEWELRY Ltd	C 100.00	C 100.00
BRIONI (SHANGAI) TRADING Ltd	C 100.00	C 100.00
GUCCI (CHINA) TRADING Ltd	C 100.00	C 100.00
GUCCI WATCHES MARKETING CONSULTING (SHANGHAI) Ltd	C 100.00	C 100.00
LGI (SHANGHAI) ENTERPRISE MANAGEMENT Ltd	C 100.00	C 100.00
POMELLATO SHANGAI CO. Ltd	C 100.00	C 100.00
QEELIN TRADING (SHANGAI) CO. Ltd	C 100.00	C 100.00
YVES SAINT LAURENT (SHANGHAI) TRADING Ltd	C 100.00	C 100.00
<i>Hong Kong SAR</i>		
ALEXANDER MCQUEEN (HONG KONG) Ltd	C 100.00	C 100.00
BALENCIAGA ASIA PACIFIC Ltd	C 100.00	C 100.00
BOTTEGA VENETA HONG KONG Ltd	C 100.00	C 100.00
BOUCHERON HONG KONG Ltd	C 100.00	C 100.00
BRIONI HONG KONG Ltd	C 100.00	C 100.00
GUCCI (HONG KONG) Ltd	C 100.00	C 100.00
GUCCI ASIA COMPANY Ltd	C 100.00	C 100.00
LUXURY TIMEPIECES (HONG KONG) Ltd	C 100.00	C 100.00
MOVEN INTERNATIONAL Ltd	C 100.00	C 100.00
POMELLATO CHINA Ltd	C 100.00	C 100.00
POMELLATO PACIFIC Ltd	C 100.00	C 100.00
QEELIN Ltd	C 100.00	C 100.00
ULYSSE NARDIN (ASIA PACIFIC) Ltd	C 100.00	C 100.00
YVES SAINT LAURENT (HONG KONG) Ltd	C 100.00	C 100.00
<i>Macau SAR</i>		
ALEXANDER McQUEEN (MACAU) Ltd	C 100.00	C 100.00
BALENCIAGA MACAU Ltd	C 100.00	C 100.00
BOTTEGA VENETA MACAU Ltd	C 100.00	C 100.00

Company	% interest	
	Dec.31,2019	Dec.31,2018
BRIONI MACAU Ltd	C 100.00	C 100.00
GUCCI MACAU Ltd	C 100.00	C 100.00
KERING (MACAU) WATCHES AND JEWELRY Ltd	C 100.00	C 100.00
QEELIN MACAU Ltd	C 100.00	C 100.00
YVES SAINT LAURENT MACAU Ltd	C 100.00	C 100.00
Taiwan		
BOUCHERON TAIWAN CO. Ltd	C 100.00	C 100.00
GUCCI GROUP WATCHES TAIWAN Ltd	C 100.00	C 100.00
ULYSSE NARDIN (TAIWAN) Ltd	C 100.00	C 100.00
Korea		
ALEXANDER MCQUEEN KOREA Ltd	C 100.00	C 100.00
BALENCIAGA KOREA Ltd	C 100.00	C 100.00
BOTTEGA VENETA KOREA Ltd	C 100.00	C 100.00
BOUCHERON KOREA Ltd	C 100.00	C 100.00
GUCCI KOREA Ltd	C 100.00	C 100.00
YVES SAINT LAURENT KOREA Ltd	C 100.00	C 100.00
Guam		
BOTTEGA VENETA GUAM Inc.	C 100.00	C 100.00
GUCCI GROUP GUAM Inc.	C 100.00	C 100.00
India		
LUXURY GOODS RETAIL PRIVATE Ltd LGR	C 51.00	C 51.00
Japan		
BALENCIAGA JAPAN Ltd	C 100.00	C 100.00
BOTTEGA VENETA JAPAN Ltd	C 100.00	C 100.00
BOUCHERON JAPAN Ltd	C 100.00	C 100.00
BRIONI JAPAN & CO. Ltd	C 100.00	C 100.00
E-LITE JAPAN Ltd	C 51.00	C 51.00
LUXURY TIMEPIECES JAPAN Ltd	C 100.00	C 100.00
POMELLATO JAPAN CO. Ltd	C 100.00	C 100.00
SOWIND JAPAN KK	C 100.00	C 100.00
Vietnam		
GUCCI VIETNAM CO. Ltd	C 100.00	C 100.00
Bahrain		
FLORENCE 1921 WLL	C 49.00	C 49.00
United Arab Emirates		
AP LUXURY GOODS MIDDLE EAST LLC	C 49.00	Formation
ATELIER LUXURY GULF LLC	C 49.00	C 49.00
FASHION LUXURY MIDDLE EAST LLC	C 49.00	C 49.00

Company	% interest	
	Dec.31,2019	Dec.31,2018
LUXURY GOODS GULF LLC	C 49.00	C 49.00
LUXURY FASHION GULF LLC	C 49.00	C 49.00
Kazakhstan		
ULYSSE NARDIN KAZAKHSTAN LLP	E 50.00	E 50.00
Kuwait		
B.A.L FOR READY-TO-WEAR APPAREL AND ACCESSORIES WLL	C 49.00	Acquisition
BOTTEGA VENETA LEATHER GOODS KUWAIT WLL	C 49.00	Formation
LUXURY GOODS KUWAIT WLL	C 26.01	C 26.01
YSL KUWAIT FOR READYMADE CLOTHES AND ACCESSORIES WLL	C 49.00	C 49.00
Qatar		
SAINTE LAURENT PARIS LLC	C 24.00	C 24.00
LUXURY GOODS QATAR LLC	C 25.50	C 25.50
Malaysia		
AUTUMNPAPER MALAYSIA SDN BHD	C 100.00	C 100.00
BALENCIAGA SEA MALAYSIA SDN BHD	C 100.00	C 100.00
BOTTEGA VENETA MALAYSIA SDN BHD	C 100.00	C 100.00
GUCCI (MALAYSIA) SDN BHD	C 100.00	C 100.00
KERING WATCHES AND JEWELRY (MALAYSIA) SDN BHD	C 100.00	C 100.00
SAINTE LAURENT (MALAYSIA) SDN BHD	C 100.00	C 100.00
Mongolia		
ULYSSE NARDIN MONGOLIA LLC	E 50.00	E 50.00
Singapore		
ALEXANDER MCQUEEN (SINGAPORE) PTE Ltd	C 100.00	C 100.00
BALENCIAGA SINGAPORE PTE Ltd	C 100.00	C 100.00
BOTTEGA VENETA SINGAPORE PRIVATE Ltd	C 100.00	C 100.00
GUCCI SINGAPORE PTE Ltd	C 100.00	C 100.00
SAINTE LAURENT (SINGAPORE) PTE Ltd	C 100.00	C 100.00
Turkey		
GUCCI TURKEY LUXURY GOODS TRADE LLP	C 100.00	Formation
POMELLATO MUCVEHERAT VE AKSESUAR DAGITIM VE TICARET Ltd SIRKETI	C 100.00	C 100.00
Thailand		
ALEXANDER MCQUEEN (THAILAND) Ltd	C 100.00	C 100.00

Company	% interest	
	Dec. 31, 2019	Dec. 31, 2018
BALENCIAGA THAILAND Ltd	C 100.00	C 100.00
BOTTEGA VENETA (THAILAND) Ltd	C 75.00	C 75.00
CLOSED-CYCLE BREEDING INTERNATIONAL Ltd	C 48.00	C 48.00
G OPERATIONS FRASEC Ltd	C 49.00	C 49.00
GUCCI (THAILAND) CO. Ltd	C 100.00	C 100.00
GUCCI SERVICES (THAILAND) CO. Ltd	C 100.00	C 100.00
GUCCI SERVICES (THAILAND) Ltd	C 98.00	Formation
LUXURY GOODS (THAILAND) Ltd	C 75.00	C 75.00
SAINT LAURENT (THAILAND) CO. Ltd	C 100.00	C 100.00
South Africa		
GG LUXURY RETAIL SOUTH AFRICA PTE Ltd	C 62.00	C 62.00
CORPORATE AND OTHER		
France		
CONSEIL ET ASSISTANCE	C 100.00	C 100.00
DISCODIS SAS	C 100.00	C 100.00
GG FRANCE 13 SAS	C 100.00	C 100.00
GG FRANCE 14 SAS	C 100.00	C 100.00
KERING FRANCE PARTICIPATIONS SAS	C 100.00	C 100.00
KERING EYEWEAR FRANCE SAS	C 63.00	C 63.00
KERING FINANCE SNC	C 100.00	C 100.00
KERING SIGNATURE	C 100.00	C 100.00
MANUFACTURE KERING EYEWEAR SAS	C 63.00	C 63.00
SAPRODIS SERVICES SAS	Liquidation	C 100.00
Germany		
KERING EYEWEAR DACH GmbH	C 63.00	C 63.00
PUMA SE (GERMANY)	E 15.70	E 15.70
Croatia		
KERING EYEWEAR SOUTH EAST EUROPE DOO	C 63.00	Formation
Spain		
KERING EYEWEAR ESPANA SA	C 63.00	C 63.00
KERING SPAIN SL	C 100.00	C 100.00
United Kingdom		
KERING EYEWEAR UK Ltd	C 63.00	C 63.00
KERING INTERNATIONAL Ltd	C 100.00	C 100.00
KERING UK SERVICES Ltd	C 100.00	C 100.00

Company	% interest	
	Dec. 31, 2019	Dec. 31, 2018
Italy		
KERING EYEWEAR SPA	C 63.00	C 63.00
KERING ITALIA SPA	C 100.00	C 100.00
ALEXANDER MCQUEEN LOGISTICA SRL	C 100.00	C 100.00
KERING SERVICE ITALIA SPA	C 100.00	C 100.00
TRENTI INDUSTRIA OCCHIALI SRL	E 30.00	Acquisition
Luxembourg		
KERING RE	C 100.00	C 100.00
KERING LUXEMBOURG SA	C 100.00	C 100.00
E-KERING LUX SA	C 100.00	C 100.00
Netherlands		
K OPERATIONS BV	C 100.00	C 100.00
GUCCI INTERNATIONAL NV	Merger	C 100.00
GUCCI PARTICIPATION BV	C 100.00	C 100.00
KERING HOLLAND NV	C 100.00	C 100.00
KERING INVESTMENTS EUROPE BV	C 100.00	C 100.00
Switzerland		
LUXURY GOODS SERVICES SA	Merger	C 100.00
LUXURY GOODS LOGISTICS SA	C 51.00	C 51.00
LUXURY GOODS OPERATIONS SA	C 51.00	C 51.00
China		
<i>Mainland China</i>		
GUANGZHOU KGS CORPORATE MANAGEMENT & CONSULTANCY Ltd	C 100.00	C 100.00
KERING (CHINA) ENTERPRISE MANAGEMENT Ltd	C 100.00	C 100.00
KERING EYEWEAR SHANGHAI TRADING ENTERPRISES Ltd	C 63.00	C 63.00
REDCATS COMMERCE ET TRADING (SHANGHAI) CO Ltd	C 100.00	C 100.00
REDCATS SOURCING (SHANGHAI) Ltd	C 100.00	C 100.00
<i>Hong Kong SAR</i>		
KERING ASIA PACIFIC Ltd	C 100.00	C 100.00
KERING EYEWEAR APAC Ltd	C 63.00	C 63.00
KGS GLOBAL MANAGEMENT SERVICES Ltd	C 100.00	C 100.00
KGS SOURCING Ltd	C 100.00	C 100.00
<i>Taiwan</i>		
KERING EYEWEAR TAIWAN Ltd	C 63.00	C 63.00

Company	% interest	
	Dec. 31, 2019	Dec. 31, 2018
Korea		
KERING EYEWEAR KOREA Ltd	C 63.00	C 63.00
KERING KOREA Ltd	C 100.00	C 100.00
India		
KERING EYEWEAR INDIA Ltd	C 63.00	C 63.00
KGS SOURCING INDIA PTE Ltd	C 100.00	C 100.00
Japan		
GUCCI YUGEN KAISHA	C 100.00	C 100.00
KERING EYEWEAR JAPAN Ltd	C 63.00	C 63.00
KERING JAPAN Ltd	C 100.00	C 100.00
KERING TOKYO INVESTMENT Ltd	C 100.00	C 100.00
Malaysia		
KERING EYEWEAR MALAYSIA SDN BHD	C 63.00	C 63.00
KERING SERVICES MALAYSIA SDN BHD	C 100.00	C 100.00
Singapore		
KERING EYEWEAR SINGAPORE PTE Ltd	C 63.00	C 63.00
KERING (SINGAPORE) WATCHES AND JEWELRY PTE Ltd	C 100.00	Formation
KERING SOUTH EAST ASIA PTE Ltd	C 100.00	C 100.00
Turkey		
KGS SOURCING TURKEY LIMITED	C 100.00	C 100.00
United Arab Emirates		
KERING SERVICES MIDDLE EAST	C 100.00	C 100.00
KERING EYEWEAR MIDDLE EAST FZ-LLC	C 63.00	Formation
Australia		
KERING AUSTRALIA PTY Ltd	C 100.00	C 100.00
KERING EYEWEAR AUSTRALIA PTY Ltd	C 63.00	C 63.00
United States		
KERING AMERICAS Inc.	C 100.00	C 100.00
KERING EYEWEAR USA Inc.	C 63.00	C 63.00
Mexico		
KERING MEXICO S. DE R.L. DE C.V.	C 100.00	C 100.00

Company	% interest	
	Dec. 31, 2019	Dec. 31, 2018
DISCONTINUED OPERATIONS		
VOLCOM		
VOLCOM LLC	Disposal	C 100.00
LS&S RETAIL LLC	Disposal	C 100.00
VOLCOM RETAIL LLC	Disposal	C 100.00
VOLCOM RETAIL OUTLET LLC	Disposal	C 100.00
VOLCOM LUXEMBOURG HOLDING SA	Disposal	C 100.00
VOLCOM INTERNATIONAL SARL	Disposal	C 100.00
WELCOM DISTRIBUTION SARL	Disposal	C 100.00
VOLCOM DISTRIBUTION SPAIN SL	Disposal	C 100.00
VOLCOM SAS	Disposal	C 100.00
VOLCOM DISTRIBUTION (UK) Ltd	Disposal	C 100.00
VOLCOM RETAIL (UK) Ltd	Disposal	C 100.00
VOLCOM AUSTRALIA HOLDING COMPANY PTY Ltd	Disposal	C 100.00
VOLCOM AUSTRALIA PTY Ltd	Disposal	C 100.00
VOLCOM CANADA Inc.	Disposal	C 100.00
VOLCOM NEW ZEALAND Ltd	Disposal	C 100.00
VOLCOM JAPAN GODOGAISHIYA	Disposal	C 100.00
VOLCOM ASIA PACIFIC Ltd	Disposal	C 100.00
STELLA McCARTNEY		
STELLA McCARTNEY FRANCE SAS	Disposal	C 50.00
STELLA McCARTNEY Ltd	Disposal	C 50.00
STELLA McCARTNEY SPAIN SL	Disposal	C 50.00
STELLA McCARTNEY ITALIA SRL	Disposal	C 50.00
STELLA McCARTNEY KIDS ITALIA SRL	Disposal	C 50.00
LUXURY FASHION SA	Disposal	C 50.00
LUXURY FASHION LUXEMBOURG SA	Disposal	C 50.00
STELLA McCARTNEY AMERICA Inc.	Disposal	C 50.00
STELLA McCARTNEY (SHANGHAI) TRADING Ltd	Disposal	C 50.00
STELLA McCARTNEY HONG KONG Ltd	Disposal	C 50.00
STELLA McCARTNEY JAPAN Ltd	Disposal	C 50.00
STELLA McCARTNEY TAIWAN Ltd	Disposal	C 50.00
CHRISTOPHER KANE		
CHRISTOPHER KANE FRANCE SA	Disposal	C 51.00
CHRISTOPHER KANE Ltd	Disposal	C 51.00
CHRISTOPHER KANE SRL	Disposal	C 51.00
CHRISTOPHER KANE Inc.	Disposal	C 51.00

Note 38 – Statutory Auditors' remuneration

Fees for fiscal year 2019

<i>(in € thousands)</i>	KPMG				Deloitte			
	Statutory Auditor: KPMG SA		Network		Statutory Auditor: Deloitte & Associés		Network	
	Amount	%	Amount	%	Amount	%	Amount	%
Statutory audit and interim review of the parent company and consolidated financial statements								
- Issuer	673.8	40%	N/A	N/A	696.0	69%	N/A	N/A
- Fully-consolidated subsidiaries	962.1	56%	3,672.5	72%	129.0	13%	1,700.0	96%
Sub-total	1,635.9	96%	3,672.5	72%	825.0	82%	1,700.0	96%
Non-audit services								
- Issuer	26.0	2%	-	-	181.0	18%	-	-
- Fully-consolidated subsidiaries	38.0	2%	1,445.5	28%	-	0%	64.0	4%
Sub-total⁽¹⁾	64.0	4%	1,445.5	28%	181.0	18%	64.0	4%
TOTAL	1,699.9	100%	5,118.0	100%	1,006.0	100%	1,764.0	100%

(1) Non-audit services provided by KPMG SA to the reporting entity and to its controlled subsidiaries chiefly concerned comfort letters.

Non-audit services provided by Deloitte & Associés to the reporting entity and to its controlled subsidiaries chiefly concerned comfort letters, CSR procedures and the non-financial information statement.

Note 39 – Subsequent events

No significant events occurred between December 31, 2019 and February 11, 2020 – the date on which the Board of Directors authorized the consolidated financial statements for issue.

4. STATUTORY AUDITORS’ REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019

This is a translation into English of the Statutory Auditors’ report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This Statutory Auditors’ report includes information specifically required by French law, such as information about the appointment of the Statutory Auditors or verification of the Management Report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with French law and professional auditing standards applicable in France.

To the Kering General Shareholders’ Meeting,

Opinion

In compliance with the engagement entrusted to us by your Shareholders’ Meetings, we have audited the accompanying consolidated financial statements of Kering SA for the year ended December 31, 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the “Statutory Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements” section of our report.

Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5 (1) of Regulation (EU) No 537/2014 or in the French Code of Ethics for Statutory Auditors.

Emphasis of matter

We draw attention to Note 2.2.1 to the consolidated financial statements, relating to “Standards, amendments and interpretations adopted by the European Union and effective as of January 1, 2019”, setting out the adoption as of January 1, 2019 of IFRS 16, *Leases* and IFRIC 23, *Uncertainty over Income Tax Treatments*. Our opinion is not modified in respect of this matter.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

Tax risks

Notes 2.2.1, 12.1.1 and 12.2.1 to the consolidated financial statements

Risk identified

The Group's operations are subject, in the normal course of business activities, to regular audits by the tax authorities in each of the countries in which the Group's different subsidiaries operate.

These tax audits can result in revised assessments and litigation with the tax authorities concerning income tax, other taxes and duties and similar payments.

The estimate of the impacts of these tax risks and any related provisions recorded, require Management to make significant judgments, notably to assess the outcome of the litigation underway or the probability of the occurrence of identified risks. We have therefore considered these items to be a key audit matter.

Our response

We conducted interviews with Management and assessed the procedures implemented to identify tax risks and potentially sensitive uncertain tax positions.

We have also with the assistance of our international tax specialist:

- conducted interviews with the Group's tax management and local management to assess, if necessary, the current state of investigations carried out and revised assessments notified by the local tax authorities and monitor developments in current litigation;
- consulted the recent decisions and correspondence of Group companies with the tax authorities, and familiarized ourselves with the correspondence between the companies concerned and their tax advisors;
- analyzed the responses of these tax advisors to our requests for information or the analyses that these advisors produced as part of current litigation;
- carried out a critical review of the estimates and positions adopted by Management;
- assessed if the latest developments have been taken into consideration in the provision estimates recognized in the balance sheet;
- assessed the correct application of IFRIC 23, *Uncertainty over Income Tax Treatments*, applicable as of January 1, 2019.

Impairment tests on goodwill and intangible assets with indefinite lives

Notes 2.6, 2.7, 2.10, 17, 18 and 20 to the consolidated financial statements

Risk identified

As of December 31, 2019, goodwill and brands are recorded on the balance sheet for a net carrying amount of €2,525.9 million and €6,729.9 million, respectively, or 9% and 25% of the total consolidated assets as at December 31, 2019.

The CGUs or groups of CGU holding goodwill and/or intangible assets with indefinite lives, such as certain brands, are subject to systematic impairment tests during the second half of the year and when events or circumstances indicate that an impairment loss is likely to occur. When the recoverable amount of a CGU is less than the net carrying amount, an impairment is recorded.

The recoverable amount of a CGU is the higher of its fair value less disposal costs and value in use. Value in use is determined based on expected future cash flow projections and taking account of the time value of money and risks specific to the asset, CGU or CGU group.

During each period, Management confirms that the carrying value of the goodwill and the brands does not exceed the recoverable amount and does not show any risk of impairment loss.

Any unfavorable change in the expected returns from activities to which the goodwill and brands have been allocated, due to internal or external factors related to the economic and financial environment in which the activity operates, may possibly impact the recoverable amount and result in the recognition of an impairment.

Such a change would require a re-assessment of the pertinence of all the assumptions adopted to determine this amount as well as the reasonableness and consistency of the calculation parameters.

Given the significant amount of goodwill and brands in the consolidated financial statement as at December 31, 2019 consolidated assets and uncertainties inherent in certain assumptions and notably, the probability of achieving forecasts used to calculate the recoverable amount, we considered the valuation of goodwill and intangible assets with indefinite lives to be a key audit matter.

Our response

We have examined the compliance of the impairment testing methodology adopted by the Company with prevailing accounting standards. We have also carried out a critical review of the implementation of this methodology.

Our procedures consisted in, for the CGU with a risk of impairment loss:

- examining the items comprising the carrying amount of the CGUs to which the goodwill and brands have been allocated by the Group;
- reviewing the consistency of cash flow projections with Management assumptions and the economic environments in which the Group operates;
- assessing the consistency of the growth rates adopted for projected cash flows with available external analyses;
- assessing the reasonableness of discount rates applied to estimated cash flows, verifying notably that the different parameters comprising the weighted average cost of capital (WAAC) of each CGU enable the return expected by market participants for similar activities to be reached;
- compare the projected cash flows of previous business plans with the actual cash flows to assess the reasonableness of the assumptions;
- assessing Management analyses of the sensitivity of the value in use to a change in the main assumptions;
- assessing the royalty rates applied to brands in the calculation of future revenue;
- confirming that Note 20 to the consolidated financial statements provides appropriate disclosures, notably on sensitivity analyses performed on the recoverable amount of goodwill and intangible assets with indefinite lives to changes in the main assumptions adopted.

Valuation of inventories*Notes 2.9 and 23 to the consolidated financial statements***Risk identified****Our response**

As of December 31, 2019, inventories appear on the consolidated balance sheet for a net amount of €2,959.2 million and represent 11% of consolidated assets. As disclosed in Note 2.9 to the consolidated financial statements, inventories are valued at the lower of cost and net realizable value:

- cost is determined according to the retail method or weighted average cost, depending on the Group business;
- net realizable value is the estimated sale price in the normal course of operations, net of costs incurred to complete the sale.

The Group may recognize an inventory allowance based on the expected turnover if inventory items are damaged, if the selling price has declined, or if the estimated costs to completion or to be incurred to make the sale have increased.

The performance of the Houses, determined by the frequency of collections and turnover of inventory, depends heavily on the commercial success of product portfolios within each brand of the Group.

Given the significant amount of inventories in the consolidated assets and the degree of judgment inherent in certain assumptions underlying the valuation of provisions for inventory allowances, we considered this topic to be a key audit matter.

Our procedures consisted in:

- assessing the methods used to value inventories and confirming the consistency of accounting methods;
- testing the effectiveness of the controls set up by Management to prevent or detect possible errors in the valuation of inventories;
- assessing the data and assumptions adopted by Management to determine the prospects for inventory turnover and the resulting provisions;
- assessing forecast and budget figures which may impact the depreciation;
- assessing the assumptions and implementing measures used to determine the specific provisions.

First-time application of IFRS 16, Leases as of January 1, 2019*Notes 2.2.1 and 4 to the consolidated financial statements***Risk identified****Our response**

Kering applied IFRS 16 as of January 1, 2019. The initial application of this new standard has had significant impacts on the consolidated financial statements, notably given the size of the stores network operated by each Luxury House.

The Group chose to apply:

- the modified retrospective approach for its transition to the standard, which consists in accounting for the cumulative impact of applying IFRS 16 in its consolidated financial statements as of the date of first-time application, i.e., January 1, 2019;
- practical expedients allowing notably, at the transition date, to maintain the same scope of leases as defined under IAS 17 and the recognition exemptions for leases with a residual term of less than one year as of the transition date, i.e., January 1, 2019.

As of January 1, 2019, the Group recognized assets and liabilities of €3,448.4 million.

The first-time application of IFRS 16 is a key audit matter because of the complexity of identifying lease contracts given the high volume of such contracts. The first-time application of IFRS 16 also led the Group to make judgments and use assumptions mainly in connection with the duration of leases and the assumptions used to determine the discount rates applicable to lease liabilities. These judgments and assumptions may have a significant impact on the financial statements.

Our procedures consisted in:

- obtaining an understanding of the organization put in place by the Group and reviewing the assessment of the impacts on the organization and the financial structure;
- assessing the approach to transition with specific focus on the practical expedients chosen;
- testing the reliability of the information system used for collecting and processing data (system security and configuration testing, valuation models of the commitments of the Group and accounting treatments) with the assistance of our information systems specialists;
- corroborating, on a sampling basis, the information used to measure the lease liability and the right-of-use with the underlying data of the contract;
- assessing the relevance of the assumptions used by Management to determine the residual lease duration at the transition date;
- assessing the compliance of the methodology used to determine the discount rate applicable to lease liabilities at the transition date with the accounting standards;
- assessing whether the information disclosed in the notes to the consolidated financial statements is appropriate.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the information pertaining to the Group presented in the Management Report of the Board of Directors.

We have no matters to report as its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated Non-Financial Information Statement required by Article L. 225-102-1 of the French Commercial Code (*Code de commerce*) is included in the information pertaining to the Group presented in the Management Report. Pursuant to Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. A report will be issued on this information by an independent third-party.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of Kering S.A. by the Shareholders' Meeting of June 18, 1992 for KPMG S.A. and May 18, 1994 for Deloitte & Associés.

As of December 31, 2019, KPMG S.A. was in its 28th year of uninterrupted engagement and Deloitte & Associés in its 26th year.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease its operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and, where applicable, its Internal Audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified by Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration referred to in Article 6 of Regulation (EU) Number 537/2014, confirming our independence pursuant to the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, February 19, 2020

The Statutory Auditors

KPMG Audit

Deloitte & Associés

Division of KPMG S.A.

Isabelle Allen

Grégoire Menou

Frédéric Moulin

5. KERING SA FINANCIAL STATEMENTS

5.1 Balance sheet – Assets as of December 31, 2019 and 2018

ASSETS				Dec. 31, 2019	Dec. 31, 2018
<i>(in € millions)</i>	Notes	Gross	Depreciation, amortization and provisions	Carrying amount	Carrying amount
Non-current assets					
Investments		9,922.2	(1,728.8)	8,193.3	8,183.6
Other long-term investments ⁽¹⁾		896.2	(22.8)	873.4	450.6
	3	10,818.3	(1,751.5)	9,066.9	8,634.2
Property, plant and equipment and intangible assets	4	366.1	(78.3)	287.8	209.4
Non-current assets		11,184.5	(1,829.9)	9,354.6	8,843.6
Current assets					
Receivables ^{(2),(3)}	5	245.0	(1.1)	243.9	219.7
Cash ⁽³⁾	6	351.1		351.1	1,032.3
Current assets		596.1	(1.1)	594.9	1,252.0
TOTAL ASSETS		11,780.6	(1,831.0)	9,949.6	10,095.6
<i>(1) o/w due in less than one year:</i>				723.0	187.9
<i>(2) o/w due in more than one year:</i>					6.3
<i>(3) o/w concerning associates:</i>				596.6	1,215.5

5.2 Balance sheet – shareholders' equity and liabilities as of December 31, 2019 and 2018

SHAREHOLDERS' EQUITY AND LIABILITIES

(in € millions)

	Notes	Dec. 31, 2019	Dec. 31, 2018
Shareholders' equity			
Share capital		505.1	505.1
Additional paid-in capital		2,052.4	2,052.4
Reserves	7	1,585.3	1,585.6
Retained earnings		949.8	613.4
Net income for the year		917.7	1,656.6
Shareholders' equity		6,010.3	6,413.0
Provisions	8	16.8	129.1
Liabilities			
Bonds ⁽¹⁾	9.1	3,147.1	2,837.0
Other borrowings ^{(1) (3)}	9.1	30.1	31.1
Other liabilities ^{(2) (3)}	10	745.3	685.4
		3,922.5	3,553.5
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		9,949.6	10,095.6
(1) o/w due in more than one year:		2,787.1	2,592.0
(2) o/w due in more than one year:		0.0	0.0
(3) o/w concerning associates:		132.2	116.2

5.3 Income statement

For the years ended December 31, 2019 and 2018

<i>(in € millions)</i>	Notes	2019	2018
Operating income		440.4	366.4
Operating expenses		(485.1)	(401.6)
Net operating loss	12	(44.7)	(35.3)
Dividends		938.4	1,010.3
Other financial income and expenses		(48.8)	(73.2)
Net financial income	13	889.6	937.1
Recurring income before tax		844.9	901.9
Net non-recurring income (expense)	14	(88.4)	725.7
Employee profit-sharing		(6.9)	(7.3)
Income tax	15	168.2	36.3
Net income for the year		917.7	1,656.6

5.4 Statement of cash flows

For the years ended December 31, 2019 and 2018

<i>(in € millions)</i>	2019	2018
Dividends received	938.3	1,010.3
Interest on borrowings	(51.9)	(71.5)
Income tax paid/received	116.8	44.8
Other	86.3	2.9
Change in cash resulting from operating activities	1,089.5	986.5
(Acquisitions)/disposals of operating assets	(107.7)	(118.0)
Change in long-term investments	(603.6)	(2,647.4)
Change in cash resulting from investing activities	(711.3)	(2,765.4)
Net change in borrowings	260.7	(1,290.5)
Share capital increases	-	-
Dividends paid by Kering	(1,320.1)	(757.7)
Change in cash resulting from financing activities	(1,059.4)	(2,048.2)
Change in cash and cash equivalents	(681.2)	(3,827.1)
Cash and cash equivalents at beginning of year	1,032.3	4,859.4
Cash and cash equivalents at end of year	351.1	1,032.3

5.5 Statement of changes in shareholders' equity

<i>(in € millions) (before appropriation of net income)</i>	Number of shares	Share capital	Additional paid-in capital	Reserves and retained earnings	Net income for the year	Shareholders' equity
As of December 31, 2017	126,279,322	505.1	2,052.4	3,745.5	3,915.0	10,218.0
Appropriation of 2017 net income				3,915.0	(3,915.0)	-
Dividends paid				(505.1)		(505.1)
PUMA stock dividends				(4,514.5)		(4,514.5)
Interim dividend				(442.0)		(442.0)
2018 net income					1,656.6	1,656.6
As of December 31, 2018	126,279,322	505.1	2,052.4	2,198.9	1,656.6	6,413.0
Appropriation of 2018 net income				1,656.6	(1,656.6)	-
Dividends paid				(878.1)		(878.1)
Interim dividend				(442.0)		(442.0)
Changes in tax-driven provisions				(0.3)		(0.3)
2019 net income					917.7	917.7
As of December 31, 2019	126,279,322	505.1	2,052.4	2,535.1	917.7	6,010.3

As of December 31, 2019, Kering's share capital comprised 126,279,322 shares with a par value of €4.00 each.

5.6 Notes to the annual financial statements

Note 1 2019 highlights

In 2019, Kering completed the sale of the Christopher Kane and Volcom brands.

The sale followed Kering's decision in 2018 to focus on the development of its Luxury Houses.

Following the announcement on October 29, 2018 of a new stock repurchase program, Kering launched the program's second tranche on June 17, 2019.

The repurchased shares will subsequently be canceled.

On April 23, 2019, Kering redeemed a bond issue of €245 million maturing on the same date.

In September 2019, Kering announced the success of its issuance of bonds exchangeable into existing ordinary shares of PUMA maturing in 2022 for an amount of €550 million.

Note 2 Accounting policies and methods

The annual financial statements are prepared in accordance with regulation no. 2014-03 of the French accounting standards authority (*Autorité des normes comptables* – ANC).

2.1 Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are recorded in the balance sheet at their acquisition cost. Depreciation and amortization are calculated using the straight-line method based on the nature and useful life of each component.

Property, plant and equipment and intangible assets are depreciated using the straight-line method and the following useful lives:

Software	1 to 5 years
Internally generated software	3 to 10 years
Improvements to property	10 to 24 years
Technical installations, tools and equipment	10 to 15 years
Computer equipment	1 to 10 years
Office furniture	10 years

2.2 Long-term investments

Investments

Securities classified as “Investments” are those considered necessary for the Company’s activities, particularly because they provide the Company with influence over, or control of, the issuer.

Pursuant to notice no. 2007-C issued by the Emerging Issues Taskforce of the French accounting standards authority (*Conseil National de la Comptabilité* – CNC, now known as ANC) on June 15, 2007, the Company elected to recognize acquisition fees as part of the cost of investments.

As of the end of the reporting period, the gross amount of investments is compared to their value in use to the Company, determined with reference to the subsidiary’s estimated economic value and taking into consideration the purpose of the original transaction. Value in use is determined using a multi-criteria approach based on future cash flow projections, the revised asset value and the share of consolidated or revalued shareholders’ equity. Other methods are used where necessary.

An impairment loss is recorded when market value falls below the gross value.

Other long-term investments

Other long-term investments include other investments and certain treasury shares.

Other investments (excluding treasury shares)

Other investments are investments that the Company plans or is required to hold on a long-term basis, but which are not deemed necessary for the Company’s activities.

The gross amount of these investments is equal to the acquisition cost plus any related acquisition fees.

An impairment loss is recognized based on the value in use of these securities to the Company.

Treasury shares

Treasury shares acquired under liquidity agreements are recorded under “Other long term investments”. These shares are written down where necessary to reflect the average share price over the last month of the fiscal year.

Treasury shares acquired for the express purpose of being used in a future capital reduction are also classified under “Other long-term investments”. These shares are not written down to reflect the share price.

2.3 Receivables

Receivables are recorded in the balance sheet at their nominal value, and are written down where they present a risk of non-recovery.

2.4 Marketable securities and negotiable debt securities

Treasury shares

Treasury shares acquired for the express purpose of being subsequently granted to employees under stock option and free share plans are recorded under “Marketable securities”. No impairment is recognized on treasury shares to reflect the share price.

Other shares

Shares are recorded at their acquisition cost. An impairment loss is recognized when their closing price falls below their carrying amount.

Bonds

Bonds are recorded on the acquisition date at their par value adjusted for any premium or discount. Accrued interest as of the acquisition date and as of the end of the reporting period is recorded in an accrued interest account.

As of the end of the reporting period, the cost of the bonds is compared to the market value of the principal over the last month of the year, excluding accrued interest. An impairment loss is recorded when market value falls below the gross value.

Mutual funds (Sicav)

Shares in mutual funds are recorded at their acquisition cost excluding subscription fees, and their net asset value is estimated as of the end of the reporting period. A provision for impairment is recorded in respect of any unrealized capital losses. No unrealized capital gains are recognized.

Negotiable certificates of deposit, certificates of deposit and notes issued by financing companies

Negotiable debt securities are subscribed on the primary market or purchased on the secondary market. They are recorded at acquisition cost less accrued interest as of the acquisition date when purchased on the secondary market.

Prepaid interest is recognized as financial income on a proportional basis for the fiscal year.

2.5 Financial instruments

All foreign currency and interest rate positions are taken via instruments listed on exchange-traded or over-the-counter markets representing minimal counterparty risk. Any gains or losses generated on financial instruments used in hedging transactions are offset against the corresponding gain or loss on the hedged items.

Where financial instruments do not qualify as hedges, any gains or losses resulting from changes in their market value are recorded in the income statement, except for over-the-counter transactions. For these transactions, a provision is recorded for any unrealized losses, while unrealized gains are not recognized.

ANC Regulation no. 2015-05 of July 2, 2015, concerning forward financial instruments and hedges, entered into force as of January 1, 2017 but was not applicable to the Company's transactions during fiscal year 2019.

The accounting principles are as follows:

- the principle of symmetrically offsetting the realized and unrealized gains and losses on hedging instruments with those of their underlying assets in the income statement is applied across the Board:
 - hedge accounting is not optional,
 - as regards foreign exchange rate risk, non-derivative instruments such as borrowings or cash deposits denominated in a foreign currency may now qualify as hedging instruments;
- hedging instruments: changes in the value of hedging instruments are not recognized on the balance sheet, unless their full or partial recognition offsets gains or losses in the underlying asset;
- underlying assets: a derivative may be an underlying asset;
- isolated open position derivatives:
 - recognition on the balance sheet of changes in value and provisions for unrealized losses for all derivatives not recognized as hedging instruments,
 - detail on calculations used to determine provisions on currency positions (currency by currency, the maturity dates of the elements included in the position must be included in the same fiscal year).

2.6 Foreign currency transactions

Income and expenses denominated in foreign currencies are recorded at their euro-equivalent value on the transaction date. Borrowings, receivables and liquidity positions denominated in foreign currencies are translated at the closing exchange rate. In the case of foreign currency hedging, borrowings and receivables are translated at the hedging rate.

Any translation differences resulting from the valuation of foreign currency borrowings and receivables are recorded in accrual accounts, as an asset for unrealized losses and as a liability for unrealized gains. A contingency provision is recorded to cover any unhedged unrealized losses. Where borrowings and receivables are hedged by financial instruments, any foreign currency gains or losses are immediately recorded in the income statement.

2.7 Bond issue and capital increase fees – Bond redemption premiums

Bond issue fees are recognized as of the issue date.

Costs associated with increases in capital, mergers or restructuring are charged against the additional paid-in capital arising from the merger or restructuring.

Bonds are recorded at their par value.

Any issue or redemption premiums are assigned to the relevant balance sheet item and amortized over the term of the bond.

For convertible bonds, the redemption premium is recognized over the term of the bond, in accordance with the benchmark accounting treatment.

In the case of an indexed bond issue, a contingency provision must be recorded in respect of redemption when the estimated amount required to redeem the bonds as of the end of the reporting period exceeds the amount of the issue. This provision is calculated on a proportional basis over the term of the bond.

2.8 Provisions

Provisions are recognized in accordance with CNC regulation no. 2000.06 and include pension and other employee benefit obligations pursuant to ANC recommendation no. 2013-02.

Under defined benefit plans, obligations are valued using the projected unit credit method based on agreements in effect in the Company. Under this method, each period of service gives rise to an additional unit of benefit entitlement and each unit is measured separately to build up the final obligation. The obligation is then discounted. The actuarial assumptions used to determine the obligations vary depending on economic conditions.

These benefit obligations are assessed by independent actuaries on an annual basis. The valuations take into account the level of future compensation, the probable active life of employees, life expectancy and staff turnover.

Kering applies the notice relating to CRC regulation no.2008-15 of December 4, 2008 on the accounting treatment of stock option and employee free share plans.

2.9 Tax consolidation

Kering has set up a tax consolidation group in France with several sub-groups and subsidiaries.

Each subsidiary recognizes a tax expense for the amount of tax it would have paid on a stand-alone basis. The tax savings generated by the Group as a result of tax consolidation are retained by Kering SA as the parent company of the tax consolidation group.

Note 3 Long-term investments

(in € millions)	As of Dec. 31, 2018	Increase	Decrease	Reclassification	As of Dec. 31, 2019
Gross value					
Investments	9,934.3	0.0	(12.2)	0.0	9,922.2
Kering Holland NV	6,804.2				6,804.2
Marothi merger loss ⁽¹⁾	344.0				344.0
Redcats	1,776.6				1,776.6
Sapardis	0.0				0.0
PUMA	506.1				506.1
Sapardis merger loss ⁽¹⁾	59.7				59.7
Discodis	299.7				299.7
Yves Saint Laurent SAS	81.9				81.9
Other	62.2		(12.2)		49.9
Other long-term investments	450.6	559.6	(114.0)	0.0	896.2
Treasury shares (liquidity agreement) ⁽²⁾	0.0				0.0
Treasury shares (for cancellation) ⁽²⁾	168.3	516.5	(114.0)		570.8
Other investment securities	0.0				0.0
Investments in funds		14.4			14.4
Loans and accrued interest on loans ⁽³⁾	281.6	5.9			287.5
Deposits and guarantees	0.7				0.7
Other		22.8			22.8
Gross value	10,384.9	559.6	(126.2)	0.0	10,818.3
Impairment losses					
Investments	(1,750.8)	0.0	22.0	0.0	(1,728.8)
Redcats	(1,728.7)		9.8		(1,718.9)
Other	(22.1)		12.1		(10.0)
Other long-term investments	0.0	(22.8)	0.0	0.0	(22.8)
Treasury shares (liquidity agreement)	0.0				0.0
Deposits and guarantees	0.0				0.0
Other		(22.8)			(22.8)
Impairment losses	(1,750.8)	(22.8)	22.0	0.0	(1,751.6)
Carrying amount	8,634.1				9,066.8

(1) The Financière Marothi merger loss was allocated to the KHNV shares. Changes in the underlying assets did not give rise to recognition of an impairment as of December 31, 2019. All of the assets and liabilities of Sapardis were transferred to Kering SA in 2018, resulting in a merger loss of €59.7 million, which was allocated to the investment in PUMA.

(2) The amount corresponding to treasury shares is unavailable in tax-driven reserves.

(3) Loans mainly include a €267 million loan with Kering Finance.

Treasury share transactions

In 2019, the Group purchased 240,491 shares and sold 240,491 shares under the liquidity agreement.

As no stock subscription options were exercised in 2019, the share capital as of December 31, 2018 remained unchanged from December 31, 2018, at a total of 126,279,322 shares.

On May 26, 2004, Kering signed an agreement with a financial broker in order to improve the liquidity of the Group's shares and ensure share price stability. This agreement complies with the Professional Code of Conduct drawn up by the French association of financial and investment firms (Association française des marchés financiers – AMAFI) and approved by the French financial markets

authority (*Autorité des marchés financiers* – AMF). The agreement was initially endowed with €40.0 million, half of which was provided in cash and half in Kering shares. An additional €20.0 million in cash was allocated to the agreement on September 3, 2004, and a further €30.0 million on December 18, 2007.

In accordance with the amendment dated December 15, 2016, Kering maintains a credit balance of €5.0 million in the liquidity account with the financial broker.

As of December 31, 2019 and December 31, 2018, Kering held no shares in treasury under the liquidity agreement.

Stock repurchase program

As part of the repurchase program announced on October 29, 2018 covering up to 1.0% of its share capital over a 12-month period, Kering set up a stock repurchase agreement with an investment services provider.

Between October 29, 2018 and February 28, 2019, a total of 603,406 shares were repurchased under a first tranche of the program.

Under the new agreement, a second tranche of the program will be launched, covering a maximum volume of 658 shares. As a reminder, the maximum purchase price set at the Annual General Meeting of April 24, 2019 in the tenth resolution was €580 per share.

The purchases will be carried out over a period not exceeding four months, and the purchased shares will subsequently be canceled.

As of December 31, 2019, Kering purchased 1,261,406 shares (832,389 in 2019 and 429,017 in 2018), which it still held in treasury as of December 31, 2019.

Note 4 Property, plant and equipment and intangible assets

Movements in property, plant and equipment and intangible assets are presented below:

<i>(in € millions)</i>	Intangible assets	Property, plant and equipment	Total
Gross value			
December 31, 2018	208.4	50.1	258.5
Acquisitions	106.0	1.6	107.6
Reclassification			0.0
Other movements			0.0
Disposals	(0.1)		(0.1)
December 31, 2019	314.4	51.7	366.1
Depreciation, amortization and provisions			
December 31, 2018	(34.2)	(14.9)	(49.1)
Additions	(25.3)	(3.9)	(29.2)
Reversals on disposals			0.0
December 31, 2019	(59.5)	(18.8)	(78.3)
Carrying amount			
December 31, 2018	174.2	35.2	209.4
December 31, 2019	254.9	32.9	287.8

Note 5 – Receivables

These line items break down as follows:

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Tax consolidation current accounts	94.3	28.8
Income tax benefit	0.0	10.1
Group customers	156.6	161.3
Bond issue premiums	(47.4)	(4.1)
Other ⁽¹⁾	29.0	17.3
Prepaid expenses ⁽²⁾	11.4	6.3
TOTAL	243.9	219.7
o/w concerning associates:	250.9	190.2

(1) O/w €8.3 million in non-Group customer receivables and €20 million in recoverable VAT.

(2) Prepaid expenses mainly comprise fees, lease payments and insurance.

Note 6 Marketable securities and cash

These line items break down as follows:

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Treasury shares pending employee grants	-	-
Listed securities	-	-
Marketable securities	0.0	0.0
Bank deposits and fund transfers	5.3	7.0
Cash current accounts	345.7	1,025.3
Cash	351.1	1,032.3
CASH AND CASH EQUIVALENTS	351.1	1,032.3
o/w concerning associates:	345.7	1,025.3

Bank deposits include certificates of deposit and term deposits and accounts with a maturity of less than three months.

Note 7 Reserves

The Company's reserves before the appropriation of net income break down as follows:

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Legal reserve	51.4	51.4
Tax-driven reserves	1,293.5	1,293.5
Other reserves	240.3	240.3
Reserves	1,585.2	1,585.2
Tax-driven provisions	0.1	0.4
TOTAL	1,585.3	1,585.6

Note 8 Provisions

<i>(in € millions)</i>	Dec. 31, 2018	Additions	Reversals (utilized provisions)	Reversal (surplus provisions)	Reclassification	Dec. 31, 2019
Disputes	3.8	5.6	14.7		12.3	6.8
Risks relating to subsidiaries	105.1	0.0	105.0			0.2
Pensions and other employee benefit obligations	9.1	0.7	0.4			9.4
Other contingencies	10.9				(10.9)	0.0
Foreign exchange risk	0.1	0.6	0.2			0.4
TOTAL	129.1	6.9	120.3	0.0	1.4	16.8
o/w:						
operating items		1.2	1.9			
financing items		1.2	0.2			
non-recurring items		4.5	118.2			

The main actuarial assumptions used to determine pensions and other employee benefit obligations are:

- discount rate of 1.75% (unchanged from 2018);
- salary increase rate of 3.00% (unchanged from 2018).

Note 9 Borrowings

Bond issues

Euro-denominated bond issues

(in € millions)	Interest rate	Issue date	Hedge	Maturity	Dec. 31, 2019	Dec. 31, 2018
Bond issue ⁽¹⁾	3.125% fixed	04/23/2012	-	04/23/2019		245.0
Bond issue ⁽²⁾	2.50% fixed	07/15/2013	-	07/15/2020	360.0	360.0
Bond issue ⁽³⁾	2.75% fixed	04/08/2014 & 05/30/2014 & 06/26/2014 & 09/22/2015 & 11/05/2015	-	04/08/2024	500.0	500.0
Bond issue ⁽⁴⁾	1.375% fixed	10/01/2014	-	10/01/2021	345.0	345.0
Bond issue ⁽⁵⁾	0.875% fixed	03/27/2015	-	03/28/2022	275.0	275.0
Bond issue ⁽⁶⁾	1.60% fixed	04/16/2015	-	04/16/2035	50.0	50.0
Bond issue ⁽⁷⁾	1.25% fixed	05/10/2016	-	05/10/2026	500.0	500.0
Bond issue ⁽⁸⁾	1.50% fixed	04/05/2017	-	04/05/2027	300.0	300.0
Bond issue ⁽⁹⁾	Zero coupon	09/30/2019	-	09/30/2022	550.0	

(1) Issue price: bond issue, comprising 245,000 bonds with a par value of €1,000 each under the EMTN program, with 500,000 bonds issued on April 23, 2012. A total of 200,000 of these bonds were redeemed on April 9, 2018 and a further 55,000 on October 9, 2018. Redemption: in full on April 23, 2019.

(2) Issue price: bond issue, comprising 3,600 bonds with a par value of €100,000 each under the EMTN program, with 5,000 bonds issued on July 15, 2013. A total of 1,400 of these bonds were redeemed on October 9, 2018. Redemption: in full on July 15, 2020.

(3) Issue price: bond issue on April 8, 2014, comprising 1,000 bonds with a par value of €100,000 each under the EMTN program, with 1,000 additional bonds issued on May 30, 2014, 1,000 additional bonds issued on June 26, 2014, 1,500 additional bonds issued on September 22, 2015 and 500 additional bonds issued on November 5, 2015, thereby raising the issue to 5,000 bonds. Redemption: in full on April 8, 2024.

(4) Issue price: bond issue, comprising 3,450 bonds with a par value of €100,000 each under the EMTN program, with 5,000 bonds issued on October 1, 2014. A total of 1,000 of these bonds were redeemed on April 9, 2018 and a further 550 on October 9, 2018. Redemption: in full on October 1, 2021.

(5) Issue price: bond issue, comprising 2,750 bonds with a par value of €100,000 each under the EMTN program, with 5,000 bonds issued on March 27, 2015. A total of 1,052 of these bonds were redeemed on April 9, 2018 and a further 1,198 on October 9, 2018. Redemption: in full on March 28, 2022.

(6) Issue price: bond issue on April 16, 2015, comprising 500 bonds with a par value of €100,000 each under the EMTN program. Redemption: in full on April 16, 2035.

(7) Issue price: bond issue on May 10, 2016, comprising 5,000 bonds with a par value of €100,000 each under the EMTN program. Redemption: in full on May 10, 2026.

(8) Issue price: bond issue on April 5, 2017, comprising 3,000 bonds with a par value of €100,000 each under the EMTN program. Redemption: in full on April 5, 2027.

(9) Issue price: bond issue on September 30, 2019, comprising 5,500 bonds with a par value of €100,000 each, exchangeable for PUMA shares. This issue does not form part of the EMTN program. The issue price was set at 108.75%. The reference PUMA share price and the exchange price were set at €68.2773 and €92.17 respectively. The bonds can be redeemed either in cash or PUMA shares, or a combination of cash and PUMA shares. Redemption: in full on September 30, 2022.

USD-denominated bond issues

<i>(in € millions)</i>	Interest rate	Issue date	Hedge	Maturity	Dec. 31, 2019	Dec. 31, 2018
Bond issue ⁽¹⁾	Floating 3-month USD Libor +0.73%	03/09/2015	-	03/09/2020	133.5	131.0
Bond issue ⁽²⁾	2.887% fixed	06/09/2015	-	06/09/2021	133.5	131.0

(1) Issue price: bond issue on March 9, 2015 in the form of floating-rate notes, comprising 150 notes with a par value of USD 1,000,000 each under the EMTN program, i.e., representing a total of USD 150 million.
Redemption: in full on March 9, 2020.

(2) Issue price: bond issue on June 9, 2015, comprising 150 bonds with a par value of USD 1,000,000 each under the EMTN program, i.e., representing a total of USD 150 million.
Redemption: in full on June 9, 2021.

The bonds issued between 2012 and 2017 under the EMTN program are all subject to change-of-control clauses entitling bondholders to request early redemption at par if Kering's rating is downgraded to non-investment grade following a change of control.

9.1 Breakdown by type

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Bonds	3,147.1	2,837.0
Interest on bond issues	25.7	31.1
Bank overdrafts	4.5	0.0
Cash current accounts		
Other borrowings	30.1	31.1
TOTAL	3,177.2	2,868.1
o/w concerning associates:	-	-

As of December 31, 2019 and 2018, no borrowings were secured by collateral.

9.2 Breakdown by maturity

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Less than one year	390.1	276.1
One to five years	1,937.1	1,242.0
More than five years	850.0	1,350.0
TOTAL	3,177.2	2,868.1

9.3 Net debt

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Borrowings	3,172.7	2,868.1
Marketable securities	-	-
Cash	(351.1)	(1,032.3)
NET DEBT	2,821.7	1,835.9

9.4 Information on interest rates

	Dec. 31, 2019	Dec. 31, 2018
Average gross interest rate over the year	1.65%	1.98%
% average gross debt at fixed rates	79.90%	96.50%
% average gross debt at floating rates	20.10%	3.50%

Note 10 Other liabilities

These line items break down as follows:

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Tax consolidation current accounts	20.0	15.6
Dividends payable	442.0	442.0
Tax and employee-related liabilities	133.1	90.8
Other ⁽¹⁾	150.2	136.9
TOTAL	745.3	685.4
o/w concerning associates:	132.2	116.2

(1) "Other" primarily includes liabilities to the Group, in an amount of €111.3 million.

Note 11 Off-balance sheet commitments

11.1 Interest rate hedges

As part of the Group's policy of hedging interest rate risk, Kering sets up interest rate swaps in connection with certain borrowings.

No interest rate hedges were in place as of December 31, 2019.

11.2 Other off-balance sheet commitments

<i>(in € millions)</i>	Dec. 31, 2019	Dec. 31, 2018
Endorsements and guarantees in favor of:		
– associates	-	-
– third parties outside the Group	11.7	9.1
Endorsements and guarantees	11.7	9.1
Collateral: in favor of subsidiaries in favor of third parties	-	-

Note 12 Net operating loss

Net operating loss breaks down as follows:

<i>(in € millions)</i>	2019	2018
Group management fees	237.6	218.3
Revenue from investments	8.5	7.7
Other income ⁽¹⁾	194.3	140.3
Rent and related charges	(20.1)	(16.5)
Payroll expenses and taxes	(116.9)	(122.9)
Management fees	(73.1)	(71.8)
Other external expenses ⁽²⁾	(267.4)	(181.7)
Income tax and other levies	(7.6)	(8.7)
TOTAL	(44.7)	(35.3)
o/w Directors' fees:	(0.9)	(0.9)

(1) Other income mainly comprises IT services.

(2) Other external expenses mainly comprise IT services.

Note 13 Net financial income

Net financial income breaks down as follows:

<i>(in € millions)</i>	2019	2018
Net interest expense	(48.8)	(73.2)
Expenses and interest on non-Group debt	(48.8)	(73.2)
Dividends	938.3	1,010.2
Kering Netherlands BV	-	-
Kering Holland NV	900.0	800.0
PUMA	8.3	161.1
Kering Finance	30.0	49.0
Other	-	0.1
TOTAL	889.5	937.0
o/w concerning associates:		
Dividends	930.0	1,010.2

Note 14 Net non-recurring income (expense)

Net non-recurring income (expense) breaks down as follows:

<i>(in € millions)</i>	2019	2018
Net proceeds from disposals of operating assets	(0.0)	(0.0)
Net proceeds from disposals of securities, impairment losses and related transactions	(64.8)	729.5
Cost of disputes, litigation and restructuring	(11.7)	(2.4)
Other non-recurring income/(expense)	(11.9)	(1.4)
TOTAL	(88.4)	725.7

In 2019, net non-recurring income mainly reflects the gain on the sale of Volcom's shares for €55.8 million and Christopher Kane's for €26.6 million.

Note 15 Income tax

Income tax breaks down as follows:

<i>(in € millions)</i>	2019	2018
Tax consolidation benefit	157.9	36.5
Income tax on dividends	-	-
Surtax on dividends and interest on arrears	-	-
Other	10.3	(0.2)
TOTAL	168.2	36.3

Under a tax consolidation agreement that came into effect on January 1, 1988, Kering pays the tax due by members of the tax consolidation group and fulfills all relevant tax obligations.

The tax consolidation group comprised 35 companies in 2019 and 41 in 2018.

As of December 31, 2019, ordinary tax loss carry-forwards amounted to €841.2 million.

Note 16 Deferred tax assets and liabilities

(in € millions)

Deferred tax assets	
Retirement termination benefits	1.2
Employee profit-sharing	2.8
Other	0.1

Note 17 Other information

17.1 Average headcount

The Company had an average of 438 employees (380 managerial-grade employees (*cadres*) and 58 other employees) in 2019 compared to 346 in 2018.

17.2 Fees paid to Statutory Auditors

Statutory Auditors' fees recorded in the income statement are shown below:

(in € thousands)	KPMG Audit		Deloitte & Associés	
	2019	2018	2019	2018
Statutory audit and interim review of the parent company and consolidated financial statements	674	328	696	300
Non-audit services	26	123	181	62
TOTAL	700	451	877	362

17.3 Executive compensation

In 2019, total compensation of €38.3 million was awarded to members of the governance and management bodies, versus €49.6 million in 2018.

17.4 Consolidating company

Kering SA is controlled by Artémis, which holds 40.97% of its share capital. Artémis is wholly owned by Financière Pinault.

17.5 Transactions with related parties

The support agreement between Artémis and Kering signed on September 27, 1993 generated an expense of €5.7 million in 2019 compared with an expense of €5.1 million in 2018.

Other transactions with related parties were contracted at arm's length conditions. As a result, no additional disclosures are required pursuant to Article R. 183-198 11 of the French Commercial Code.

17.6 Tax credits

None.

Note 18 Subsequent events

At its February 12, 2020 meeting, Kering's Board of Directors decided to ask shareholders to approve a €11.50 per-share cash dividend for 2019 at the Annual General Meeting to be held on April 23, 2020 to approve the financial statements for the year ended December 31, 2019.

An interim cash dividend of €3.50 per share was paid on January 16, 2020 pursuant to a decision made by the Board on December 12, 2019.

Subject to shareholders' approval, the cash dividend will have an ex-dividend date of May 5, 2020 (before market opening), and will be paid on May 7, 2020 based on the positions established as of the evening of May 6, 2020.

Subsidiaries and investments as of December 31, 2019

<i>(in € thousands)</i>		Share capital	Shareholders' equity excl. share capital and net income	% of capital held
I - DETAILED INFORMATION				
A – Subsidiaries (more than 50%-owned and representing over 1% of the share capital)				
Conseil et Assistance	France	2,010	2,290	90.00
Discodis	France	153,567	152,055	100.00
Kering Holland NV	Netherlands	108,246 ⁽¹⁾	1,109,970 ⁽¹⁾	100.00
Kering International ⁽²⁾	United Kingdom	13,974 ⁽¹⁾	1,627 ⁽¹⁾	100.00
Kering Studio	France	1,020	(713)	100.00
Redcats	France	401	39,048	100.00
Trémi 2	France	20,710	17,160	100.00
Sub-total				
B – Investments (less than 50%-owned and representing over 1% of the share capital)				
Yves Saint Laurent	France	123,811 ⁽¹⁾	38,276 ⁽¹⁾	1.97
PUMA	Germany	38,611 ⁽¹⁾	442,389 ⁽¹⁾	15.70
Sub-total				
II - SUMMARY INFORMATION				
A – Subsidiaries not listed in I				
French subsidiaries				
Non-French subsidiaries				
B – Investments not listed in I				
French investments				
Non-French investments				

(1) Based on accounts as of December 31, 2018.

(2) GBP exchange rate as of December 31, 2018.

(3) Including the Financière Marothi merger loss of €344,066,000.

(4) Including the Sapardis merger loss of €59,591,000.

Carrying amount of shares		Outstanding loans granted by the Company	Endorsements and guarantees given by the Company	Last published revenue excl. VAT	Last published net income (loss)	Dividends received by the Company during the year
Gross	Net					
7,724	4,010				155	
299,736	299,736				(845)	
7,148,219 ⁽³⁾	7,148,219 ⁽³⁾				961,535 ⁽¹⁾	900,000
14,773	14,773			27,130 ⁽¹⁾	953 ⁽¹⁾	
6,510	415				107	
1,776,645	57,778				9,186	
20,475	20,475				(9)	
9,274,082	7,545,405					
81,873	81,873			383,334 ⁽¹⁾	90,314 ⁽¹⁾	
565,710 ⁽³⁾	565,710 ⁽³⁾			675,300 ⁽¹⁾	83,300 ⁽¹⁾	8,290
647,583	647,583					
552	418					
0	0					
0	0					
0	0					
9,922,217	8,193,406					

5.7 Other information

Payment terms for trade payables and trade receivables

Invoices received or issued and due but not settled at the end of the reporting period (table provided for in Article D. 441-4 (L) of the French Commercial Code).

	Article D. 441 (L) (F): Invoices received and due but not settled at the end of the reporting period					Total (1 or more days)
	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	
(A) Days late						
Number of invoices	26					322
Total amount of invoices (excl. VAT)	188,955.71	1,052,144.55	553,816.26	87,112.88	89,519.58	1,782,593.27
As a % of total purchases for the reporting period (excl. VAT)	0.05%	0.26%	0.13%	0.02%	0.02%	0.43%
As a % of revenue for the reporting period (excl. VAT)						
(B) Invoices excluded from (A) – relating to contested or unrecognized payables or receivables						
Number of invoices excluded				N/A		
Total amount of invoices excluded (excl. VAT)				N/A		
(C) Reference payment terms used (contractual or legal – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)						
Reference payment terms used to calculate late payments				Legal terms: 30 to 60 days		

Legal terms:

The payment term of sums due is set at 30 days following the date on which the goods are received or on which the service is carried out. Parties may make exceptions to this principle. However, the term agreed by the parties may not exceed 60 days or, as an exception, 45 days from the end of the month, as of the date of issue of the invoice.

The agreed payment term must be specified on the invoice and in the general terms and conditions of sale.

Invoices issued periodically (or summary invoices) must be paid within a maximum of 45 days from date of issue.

Purchases of VAT-exempt goods and services delivered outside the European Union may be settled up to 90 days from the invoice date. The term must be indicated in the sales contract.

Article D. 441 (I) (2): Invoices issued and due
but not settled at the end of the reporting period

0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	Total (1 or more days)
0.00	483,590.04	47,801.31	31,985,918.08	29,848,616.42	62,365,925.84
0.00%	0.11%	0.01%	7.13%	6.65%	13.90%
			N/A		
			N/A		
			Contractual terms: 30 days from date of invoice		



5.8 Five-year financial summary

	2019	2018	2017	2016	2015
Share capital at year-end					
Share capital (<i>in €</i>)	505,117,288	505,117,288	505,117,288	505,117,288	505,117,288
Number of ordinary shares outstanding	126,279,322	126,279,322	126,279,322	126,279,322	126,279,322
Maximum number of potential shares to be issued by conversion of bonds	0	0	0	0	0
by exercise of stock subscription options	0	0	0	0	0
Operations and results for the year (<i>in € thousands</i>)					
Income from operating activities	249,910	224,867	178,416	92,248	80,383
Net income before tax, employee profit-sharing, depreciation, amortization and provisions	829,747	1,661,867	3,717,240	618,657	481,459
Income tax (expense) benefit	168,205	36,297	129,219	27,436	23,500
Employee profit-sharing for the year	6,900	7,264	3,889	2,809	2,071
Net income after tax, employee profit-sharing, depreciation, amortization and provisions	917,677	1,656,574	3,914,991	682,887	527,399
Dividend distribution	1,452,212 ⁽¹⁾	1,325,933	757,676	580,885	505,117
Per share data (<i>in €</i>)					
Net income after tax, employee profit-sharing, but before depreciation, amortization and provisions	6.57	13.39	30.43	5.09	3.98
Net income after tax, employee profit-sharing, depreciation, amortization and provisions	7.27	13.12	31.00	5.41	4.18
Dividend: Net dividend per share ⁽²⁾	11.50 ⁽¹⁾	10.50	6.00	4.60	4.00
Employee data					
Average number of employees during the year	438	347	279	259	240
Total annual payroll (<i>in € thousands</i>)	80,267	79,737	52,852	36,964	32,114
Total employee benefits paid during the year (social security, social works, etc.) (<i>in € thousands</i>)	33,144	27,437	17,317	14,648	12,617

(1) Subject to the approval of the Annual General Meeting to be held on April 23, 2020. Including an interim dividend of €3.50 per share paid on January 16, 2020.

(2) Pursuant to Article 243 bis of the French Tax Code (*Code général des impôts*), the full amount of the dividend paid to individuals who are tax residents in France qualifies for the 40% tax credit provided under Article 158, 3, 2° of said Code.

6. STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

This is a translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This Statutory Auditors' report includes information required by French law, such as information about the appointment of the Statutory Auditors or verification of the Management Report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Kering General Shareholders' Meeting,

Opinion

In compliance with the engagement entrusted to us by the Shareholders' Meetings, we have audited the accompanying financial statements of Kering SA for the year ended December 31, 2019.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for Opinion

Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Financial Statements" section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5, paragraph 1, of Regulation (EU) No 537/2014 or in the French Code of Ethics for Statutory Auditors.

Justification of Assessments – Key Audit Matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

Valuation of long- term investments

Note 2 – to the financial statements

Risk Identified

Long-term investments, appearing on the balance sheet as of December 31, 2019 for a gross amount of €9,922.2 million and a net amount of €8,193.3 million represent one of the most significant balance sheet items. They are recognized at their date of entry at acquisition cost, including acquisition expenses.

As indicated in Note 2 to the financial statements, at the year-end, the gross amount of investments is compared to their value in use for the Company, determined with reference to the subsidiary's estimated economic value and taking into consideration the purpose of the original transaction. Value in use is determined using a multi-criteria approach based on future cash flow projections and the share of consolidated or revalued shareholders' equity. Other methods are used when necessary. An impairment loss is recorded when this value falls below the gross value.

Given the materiality of long- term investments on the balance sheet, and the estimates and assumptions used to determine value in use, we considered the valuation of long- term investments to be a key audit matter.

Our response

To assess the reasonableness of the estimated values in use of long- term investments, based on the information communicated to us, our work mainly consisted in:

- verifying that the estimated values in use determined by Management are based on an appropriate justification of the valuation method and the figures used;
- comparing the net carrying amounts of the investments with their value in use, taking into account the share of consolidated or revalued shareholders' equity and the profitability outlook;
- verifying the calculation of revalued shareholders' equity;
- verifying the correct valuation of PUMA securities based on the stock market price at the reporting date.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

Information presented in the Management Report and in the other documents with respect to the financial position and the financial statements provided to shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Management Report of the Board of Directors and in the other documents with respect to the financial position and the financial statements provided to shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-4 of the French Commercial Code (*Code de commerce*).

Information relating to corporate governance

We attest that the section of the Management Report devoted to corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 the French Commercial Code (*Code de commerce*).

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by or awarded to the members of the Board of Directors and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from controlled enterprises included in the scope of consolidation. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code (*Code de commerce*), we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

Other Information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the Management Report.

Report on Other Legal and Regulatory Requirements

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of Kering SA by the Shareholders' Meeting of June 18, 1992 for KPMG S.A. and May 18, 1994 for Deloitte & Associés.

As at December 31, 2019, KPMG S.A. was in its 28th year of uninterrupted engagement and Deloitte & Associés in its 26th year.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its Internal Audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Financial Statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, February 19, 2020

The Statutory Auditors

KPMG Audit
Division of KPMG S.A.

Isabelle Allen

Grégoire Menou

Deloitte & Associés

Frédéric Moulin

7. STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED-PARTY AGREEMENTS

Shareholders' meeting held to approve the financial statements for the year ended December 31, 2019

This is a free translation into English of the Statutory Auditors' special report on regulated-party agreements that is issued in the French language and is provided solely for the convenience of English speaking readers.

This report on regulated-party agreements should be read in conjunction and construed in accordance with French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French Commercial Code (Code de commerce) and that the report does not apply to those related-party transactions described in IAS 24 or other equivalent accounting standards.

To Kering's shareholder's General Meeting,

In our capacity as Statutory Auditors of your Company, we hereby report to you on regulated-party agreements with third parties.

The terms of our engagement require us to communicate to you, based on information provided to us, the principal terms and conditions of those agreements brought to our attention or which we may have discovered during the course of our audit, and the reasons justifying that these agreements are in the Company's interest, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements, if any. It is your responsibility, pursuant to Article R. 225-31 of the French Commercial Code, to assess the interest involved in respect of the conclusion of these agreements for the purpose of approving them.

Our role is also to provide you with the information provided for in Article R. 225-31 of the French Commercial Code in respect of the performance of the agreements already authorized by the Shareholders' Meeting and having continuing effect during the year, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French Institute of Statutory Auditors (*Compagnie Nationale des Commissaires aux Comptes*) relating to this engagement. These procedures consisted in agreeing the information provided to us with the relevant source documents.

Agreements submitted to the approval of the shareholders' meeting

Agreements authorized during the year

We inform you that we have not been advised of any agreement authorized during the year subject to the approval of the Shareholders' Meeting pursuant to Article L. 225-38 of the French Commercial Code.

Agreements previously approved by the shareholders' meeting

Agreements authorized in previous years and having continuing effect during the year

Pursuant to Article R. 225-30 of the French Commercial Code, we have been advised that the following agreement authorized in previous years by the Shareholders' Meeting has had continuing effect during the year.

- **Support agreement for services provided by Artémis SAS**

Pursuant to the terms of a support agreement signed on September 27, 1993 between Kering SA and Artémis SAS, it being specified that this company was converted from a public limited liability company (*société anonyme*) into a simplified limited liability company (*société par actions simplifiée*) on July 23, 2018 Artémis SAS carries out research and advisory work for Kering SA in the following areas:

- strategy and development of the Kering SA Group and support in carrying out complex legal, tax, financial and real estate transactions;
- sourcing of business development opportunities in France and abroad or cost-cutting measures.

At its March 10, 1999 meeting, the Kering SA Supervisory Board authorized payment for these services amounting to 0.037% of consolidated net revenue (excluding VAT).

In line with the appropriate modifications to Kering SA's corporate governance rules, your Board of Directors resolved on July 6, 2005, without amending the agreement in force since September 27, 1993, that the Kering SA Audit Committee would perform, in addition to the usual annual review of the substance of the support provided by Artémis SAS to Kering SA, an annual assessment of the services and their fair price given the facilities provided and the cost savings realized in the common interest.

The methods for assessing the contractually agreed amount were reviewed by the Audit Committee which, at its meeting of February 6, 2020, noted that Kering SA had continued to benefit, during 2019, from the advice and assistance of Artémis SAS on recurring issues including communications, public and institutional relations, as well as the development strategy and its implementation and access to a luxury environment (loans of artwork; access to premises).

At its February 11, 2020 meeting, your Board of Directors re-examined this agreement, and duly noted the payment of €5,702,000 (excluding VAT) under this agreement in respect of 2019, it being specified that the revenue from Kering Eyewear and of discontinued operations were excluded from the calculation of this fee, as was the case in previous years.

Persons involved:

- Artémis SAS, a shareholder of Kering SA with more than 10% of the voting rights;
- François-Henri Pinault, Chairman and Chief Executive Officer of Kering SA, and Chairman of Artémis SAS;
- Jean-François Palus, Director and Group Managing Director of Kering SA, Deputy Managing Director of Artémis SAS;
- Héloïse Temple-Boyer, permanent representative of Financière Pinault SCA, Director of Kering SA and subsequently Deputy Managing Director of Artémis SAS.

Paris-La Défense, March 23, 2020

The Statutory Auditors

KPMG Audit
Division of KPMG S.A.

Grégoire MENOUE

Isabelle ALLEN

Deloitte & Associés

Frédéric MOULIN

CHAPTER 6

Risk management

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1. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES IMPLEMENTED BY THE COMPANY

This part of the Report by the Chairman of the Board of Directors on the Group's risk management and internal control system is based on the reference framework of the French financial markets authority (*Autorité des marchés financiers* – AMF) published in July 2010. The reference framework takes into account the legislative and regulatory changes since it was first published in 2007, including French law no. 2008-649 of July 3, 2008 and order no. 2008-1278 of December 8, 2008, implementing EU Directives 2006/46/EC of June 14, 2006 and 2006/43/EC of May 17, 2006 into French law and supplementing the French law on financial security, no. 2003-706 of August 1, 2003. It also takes account of the requirements set out in Article 173 of French law no. 2015-992 of August 17, 2015 on energy transition for sustainable development.

The AMF's framework is based not only on the aforementioned French and EU legislation and regulations, but also on internal control and risk management good practices and international standards, in particular ISO 31000 and COSO (Committee of Sponsoring Organizations), which were analyzed in depth when the risk management policy was drafted. This policy is set out in the section entitled "Components of risk management".

In accordance with ordinance order no. 2017-1180 of July 19, 2017 on non-financial reporting and its implementing decree no. 2017-1265 of August 9, 2017, the Kering group presents the Non-Financial Information Statement (NFIS) for 2019 in Chapter 3 of this Universal Registration Document. The following sections include references to the NFIS.

1.1 Scope and principles of organization

Kering is the parent company of the Kering group, whose entities operate in the Luxury industry. The following report aims to describe the internal control procedures in the Group and especially those procedures relating to the preparation and processing of financial and accounting information. The scope of the Group covered by the report includes all fully consolidated subsidiaries, i.e., the companies in which the Group directly or indirectly exercises exclusive control.

As a holding company, Kering's own operations consist of (i) defining and implementing its strategy, (ii) organizing and managing its holdings, (iii) stimulating the development of its activities and coordinating their financing, (iv) providing support and communication functions, and

(v) defining and implementing the insurance coverage policy.

The internal control function follows the general organization of the Group. It is both:

- decentralized at the level of the activities: Executive Management of the operating and legal entities is responsible for managing and coordinating the internal control process;
- unified around a common methodology and a single set of standards. The Kering holding company coordinates its deployment across the Group, supported by teams at Kering Asia-Pacific and Kering Americas.

1.2 General principles of risk management

According to the definition of the AMF, risks represent the possibility that an event may occur and could have an impact on people, assets, the environment, the Company's objectives and its reputation.

Risk management covers areas that are much wider than just financial risks: for example, operational, labor-related, environmental and compliance risk. Risk management is a key management tool that helps:

- create and preserve the value, assets and reputation of the Company;

- render the Company's decision-making and other processes secure in order to support the achievement of its objectives;
- mitigate the risk of unexpected outcomes and operating losses;
- ensure that initiatives are consistent with the Company's values;
- bring Company employees together to develop a shared view of the main risks.

1.3 Components of risk management

The Group constantly strives to make its operations more secure and to improve its methodology to identify and deal with risks. In 2019, 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 system provides for an organizational framework, a three-step risk management process and continuous monitoring.

1.3.1 Organizational framework

This organizational framework includes:

- an organization that sets out the roles and responsibilities of the various persons involved and sets out procedures, as well as consistent and clear standards, for the system;
- a risk management policy that sets out the objectives of the system in line with the Company's culture, the shared language used, and the process to identify, analyze and deal with risks;
- an IT system that makes it possible to share information about risks internally.

Risk Committee

Within the scope of the Group's risk management policy and in accordance with Kering's corporate governance, Kering's Executive Management created a "Kering group Risk Committee" in 2011. This Committee comprises the Group Managing Director, the Chief Financial Officer, the Head of the Legal Department, the Chief Audit Executive, the Head of the Security Department and the Risk Manager. As the Group's operations and activities expand, and become more complex and more international, the Risk Committee helps identify and rank the main risks that could have an impact on the Group's business operations. Internal rules determine how the Committee is managed, and how it operates.

The Risk Committee reviews (i) the validation and monitoring process for the Group's risk management policy; (ii) the monitoring of the topicality and relevance of analyses relating to operational, labor-related, environmental, financial and compliance risks; (iii) the analysis summaries of general and specific risks; and (iv) the validation and monitoring of action plans rolled out with the aim of controlling identified risks.

The Risk Committee's work is brought to the attention of the Audit Committee, which is informed of the Committee's internal rules and has access to the minutes of its meetings.

Risk Manager

The Risk Manager function was created within the Company to coordinate this reinforced risk management system, ensure that the Executive Management teams of the Group's activities analyze the main risks within their scope of business, and provide the members of the Risk Committee, prior to each meeting, with the information and documents necessary for their work and their discussions.

Risk management policy

After reviewing in particular the COSO internal control framework, the Group implemented a risk management policy that was sent to the Executive Management teams of the activities and brands. This document describes the methods used by the Group for its risk analysis work.

1.3.2 A three-step risk management process involving:

- **identifying risks:** this step makes it possible to identify and centralize the main risks. A risk is characterized by an event, one or more internal or external sources, and one or more consequences. Risk identification within the Group is an ongoing process;
- **analyzing risks:** this step involves reviewing the potential consequences of the main risks (for example, financial, human, legal, labor-related, environmental or reputation-related consequences) and assessing their impact, their probability of occurrence, as well as the level of control. This is also a continuous effort, and assessments are conducted in principle once a year during work group sessions with the main managers of

the activities. 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 following the presentation to the Risk Committee of a consolidated risk map for each of the activities. 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 that guarantees a common methodology across all activities 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 divisions in the Americas and Asia-Pacific.

1.3.3 Oversight of the risk management system

The risk management system is monitored and reviewed on a regular basis to help continuously improve the system. The objective is to identify and analyze the main risks and to learn from risks that have materialized.

The Risk Committee meets in principle at least twice a year to review the risk maps drawn up by the Group Internal Audit Department, and to monitor the progress of the specific action plans.

The Committee discusses its self-assessment once a year.

The Risk Committee met three times in 2019, and the Audit Committee and Board of Directors were apprised of its work in October 2019.

1.4 Link between risk management and internal control

The risk management and internal control systems are complementary, and together help control the Group's activities:

- the risk management system is designed to identify and analyze the main risks. Risks are dealt with and addressed in action plans that can be adapted to the organization, may include project management, and may also involve implementing controls. The controls to be implemented are part of the internal control system and may be reviewed based on the risk maps;

- the internal control system uses the risk management system to identify the main risks to be controlled;
- the audit plan uses the risk map to test the assessment of the level of control of the risks identified.

The link between and the combined balance of the two systems depend on the control environment, which is their common base, particularly the risk and control culture of the company and the ethical values of the Group.

1.5 General principles of internal control

1.5.1 Definition of internal control

The internal control procedures applicable within the Kering group rely on a structure combining resources, policies, conduct, procedures and appropriate actions to ensure that the necessary measures are taken in order to control:

- activities, operational effectiveness and the efficient use of resources;
- operational, labor-related, environmental, financial or compliance risks that could have a significant impact on the Company's assets or the achievement of its objectives.

Internal control is defined as a process conducted by Executive Management, under the supervision of the Board of Directors, and implemented by senior executives and all employees. Regardless of its quality and its degree of application, it cannot provide an absolute guarantee of the achievement of goals falling within the following categories:

- compliance with laws and regulations in force;
- application of guidelines and directions set by Executive Management;
- smooth operation of internal processes, particularly those contributing to the safeguarding of assets;
- reliability of financial and accounting information.

1.5.2 Limits of internal control

The probability of meeting these objectives is subject to the limits inherent in any internal control system, such as:

- human errors or malfunctions occurring when decisions are made or applied;
- deliberate collusion among multiple individuals, enabling them to elude the control system;

- situations in which implementing or maintaining a control would be more expensive than the risk that it is intended to remedy.

Furthermore, in pursuing the objectives indicated above, it is understood that companies are faced with events and uncertainties beyond their control (unexpected changes in the markets, competitive environment or geopolitical situation, or error in forecasting or assessing the effects of such changes on the organization, etc.).

1.6 Components of internal control

The quality of the internal control system is based on the following components:

- the control environment based on rules of conduct and integrity supported by Management and communicated to all employees;
- an organization that clearly defines responsibilities and has adequate resources and skills;

- a system to identify, analyze and manage the main risks;
- ongoing oversight of the internal control system and regular review of the functioning of the system.

1.6.1 Internal control environment

The Group's internal control system is based on a decentralized organization that clearly defines responsibilities through the Group Charter. It includes principles and values governing the conduct and ethics of all its employees, presented in the Code of Ethics. It also includes an Internal Control Charter. Moreover, it relies on human resources management that ensures the competency, ethical conduct and involvement of its employees.

The Group Charter

The Kering group adopted a Charter several years ago, which was updated in 2012 and provides the framework for the decentralization of the organization and the responsibility of senior executives. The Charter defines the guiding principles governing the relations between Kering and its activities. It also defines, within each functional area: (i) the matters that fall within the delegated responsibility of the activities; (ii) those that must be communicated to Kering within appropriate time frames; and (iii) those requiring Kering's prior authorization.

Group principles and values

The ethical principles of the Kering group are set out in the Code of Ethics, first circulated to all Kering group employees in 2005 and again in 2009, 2013 and 2019, following its update in 2018. It is now available to all Group employees in 14 languages.

The latest update focused chiefly on strengthening commitments with regard to personnel and the behavior expected of everyone, and on Group measures and policies brought in following the introduction of new legislation and regulations, such as France's "Sapin II" law. The update was also an opportunity to strengthen the Suppliers' Charter included in the Code of Ethics, with regard to human rights in particular. In addition, the Code of Ethics now includes a commitment from the members of the Executive Committee, as well as the Chairman and Chief Executive Officer, and, for the first time, was presented to and reviewed by the Kering Board of Directors.

The Code of Ethics clearly sets out the ethical principles that should be applied everywhere and by everyone, as well as the Group's values, what it believes in, and what it does not tolerate. It presents the Group's ethics organization (regional Ethics Committees, the Group Ethics Committee, the ethics hotline and the steps to take in cases of suspected non-compliance with Kering ethics commitments) and contains the Group's commitments and rules of conduct towards its main stakeholders:

- employees;
- customers and consumers;
- shareholders and financial markets;
- business partners and competitors;
- the environment;
- civil society.

As part of its strengthened commitment to the promotion of and respect for ethics within the Group, an annual online training program in ethics and Code compliance was rolled out for all Kering employees worldwide in 2014. It is based on case studies that show ethics in the light of daily professional life, and is updated annually.

The Ethics Committees are composed of representatives of the Group's brands and Kering staff. 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 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 sustainability and ethics policy and activities.

The changes made to the Code and the organization of ethics within the Group are examined in detail in Chapter 3 "Sustainability" of this Universal Registration Document.

The Internal Control Charter

The Kering group adopted an Internal Control Charter in 2010. In order to adapt the Charter to changes within the Group since its initial publication, a new edition was published in 2015. The Charter defines internal control and sets out its objectives as presented in the AMF's reference framework. It also specifies the limits of internal control, which cannot under any circumstances provide an absolute guarantee that the Company's objectives will be achieved. The Charter specifies that the holding company serves to unite the various entities.

It also sets out the responsibilities of each of the activities and brands in implementing an internal control system that is adapted to their operations.

1.6.2 Organization and resources

The organization of internal control depends on persons involved at every level of the chain of responsibility, from Executive Management to all employees, as well as the bodies responsible for oversight and assessment: the Board of Directors, the Audit Committees, the Internal Audit Management and Risk Management Departments and the Statutory Auditors.

The Charter defines the role of each person involved in the internal control system and the bodies responsible for oversight and assessment.

Furthermore, the Charter specifies the existing tools for assessing internal control and risks, namely self-assessment of internal control and mapping of major risks, and sets out the basic principles for creating new procedures.

Human resources policy

Quality of human resources and cohesion of management are key success factors for the Group.

Kering makes sure that the various activities apply human resources policies that are adapted to their context and challenges, while meeting the highest local standards. The principle of autonomy and empowerment of the activities is also applied, but the Group guarantees the consistency of the policies implemented and their alignment with Kering's centrally defined values and actions.

With regard to labor policy, the activities apply high standards of dialogue and employee involvement in the Company, while the Group engages in dialogue at the level of the Group's employee representative bodies, the Group Works Council and the European Works Council.

In 2010, the European Works Council and Kering's Group management adopted a "Framework of Commitment on the quality of life at work and the prevention of work-related stress". The Group develops cross-functional training programs and conducts annual reviews of its managerial resources. Kering thus ensures that there is a good match both now and in future between the managerial resources and the challenges facing the activities. Furthermore, the Group maintains an active market monitoring policy for all key positions for which the internal succession plan does not appear sufficiently strong.

Executive Committee

The Kering group Executive Committee, which is an Executive Management body, comprises 12 members, as described in section 2.5 of Chapter 4 of this Universal Registration Document (see page 232).

The Executive Committee meets regularly in order to:

- draw up and coordinate the Group's operating strategy;
- define the priorities through objectives assigned to the activities and the main functional projects;

- develop synergies between the brands;
- propose acquisitions and disposals to the Board of Directors;
- ensure proper implementation of the policies and projects defined within the framework of Kering Sustainability.

Kering group strategies and goals are discussed each year via the medium-term plans and the budgets of the business units of each of its activities.

Executive Management teams

The Executive Management teams define, coordinate and oversee the Group's internal control system.

They are also in charge of initiating the necessary corrective measures. The Executive Management teams' involvement is of key importance to the internal control system, given the Kering group's organization.

Management and employees

Management is the key operational player of internal control; it relies on internal control to perform its duties and reach its objectives. In this respect, management implements the internal control operations related to its area of responsibility and ensures that the internal control system is adapted to its activities.

Employees need the knowledge and information necessary to set up, operate and oversee the internal control system, with regard to the assigned objectives. In their day-to-day activities, they follow the principles and rules of control and can suggest ways to improve and detect malfunctions.

The bodies responsible for oversight and assessment are:

The Board of Directors

The Board of Directors contributes to the overall control environment through the skills of its members. The Board is regularly informed about the methodologies used for internal control and the management of major risks, which it presents in its Board report.

The duties of the Board of Directors are presented in section 2.2.1 of Chapter 4 of this Universal Registration Document (see page 220).

The Audit Committee

Under the responsibility of the Board of Directors, to which it regularly reports on these matters, the Kering Audit Committee comprises four members, three of whom are independent. It is in charge of monitoring:

- the procedures for preparing financial information;
- the effectiveness of internal control and risk management systems;
- the statutory audits of annual financial statements and, if need be, consolidated financial statements performed by the Statutory Auditors;
- the independence of the Statutory Auditors.

The Kering Audit Committee also carries out the following actions:

- verifies that the Group has an Internal Audit Department that is structured and adapted to the tasks of identifying, detecting and preventing risks, anomalies or irregularities in the management of the Group's affairs;
- assesses the relevance and quality of the methods and procedures used;
- reviews the Internal Audit reports and the recommendations issued;
- approves the annual Internal Audit plan;
- reviews the work conducted by the Risk Committee and has access to the minutes of its meetings.

Kering's Audit Committee meets at least four times a year.

The composition of the Audit Committee and its duties are presented in section 2.3.3 of Chapter 4 of this Universal Registration Document (see page 228).

The Internal Audit and Risk Management Department

Kering group's Internal Audit Department ensures that the audit teams are provided with full coverage of the Group.

Through its work, the Internal Audit Department helps assess the internal control system and recommends improvements.

It is also in charge of coordinating risk management, in particular through risk mapping and action plan monitoring. The Chief Audit Executive reports the main results of his assessments to Executive Management and the Audit Committee.

At the level of Kering, the Internal Audit Department reports to Executive Management. It coordinates, harmonizes and optimizes working methods and tools, as well as providing services (regulatory intelligence, expertise, resources, etc.) and conducting audit assignments within the scope of the annual audit plan.

The Internal Audit Department centrally administers and analyzes internal control pursuant to the Financial Security Law, supplemented by Law no. 2008-649 of July 3, 2008 and Ordinance no. 2008-1278 of December 8, 2008, as well as the new AMF reference framework described in more detail in the section below entitled "Oversight of the system".

The Internal Audit Department also performs active intelligence monitoring with regard to best internal control practices. It checks the control procedures implemented by other Departments and conducts operational and financial audits within its remit. In 2019, the Internal Audit teams together conducted forty-eight audit assignments, excluding audits in stores.

The Internal Audit Department draws up the audit plan based, in particular, on the Group's process guidelines and on the major risks identified for the brands. It takes account of special requests from senior management and other operational departments. These projects are discussed with the main persons in charge. The Audit Committee reviews and approves the final audit plan.

The main issues identified by the Internal Audit Department are reported to the Audit Committee. In this way, the Audit Committee is informed of the issues identified and the action plans set up by the entities concerned.

Apart from these assignments, all of the Internal Audit resources in the Kering group are dedicated to promoting internal control on all business processes and activities, be they operational or financial, related to stores, warehouses or headquarters, distribution or manufacturing activities.

At the end of 2019, the Internal Audit Department of the Kering group consisted of 19 employees, stable since 2017. Their rules of conduct are described in their Audit Charter. A new version of the Audit Charter was published in 2018. The Charter stipulates that:

- at the end of each audit, the findings and recommendations are presented to the managers of the area or areas concerned;
- any agreements or disagreements made known by the audited parties concerning the proposed recommendations are included in the final report, which specifies any action plan, as well as responsibilities and the deadlines for implementation;
- the operational staff members concerned are responsible for implementing recommendations;
- the Internal Audit Department is in charge of verifying their implementation.

The Internal Audit activities performed are consistent with the work of the Audit Committee and the results of the work performed by the Statutory Auditors.

The Internal Audit Department updates the Audit Committee on progress made on the audit plan and the follow-up of the action plans at least once a year.

1.6.3 Risk management

The risk management system is described in section 2 of this chapter.

1.6.4 Oversight of the system

The ongoing oversight of the internal control system and regular review of its functioning are carried out on three levels: the work performed by Internal Audit, the remarks made by the Statutory Auditors and the annual self-assessments.

With regard to the annual self-assessments carried out within the activities for each process identified, the managers in charge are asked to assess the level of internal control through key controls for their operations, in order

In 2013, Kering's Internal Audit Department published the following referential frameworks that establish a common methodology: the audit manual and the audit approach.

The Statutory Auditors

The Statutory Auditors review the internal control systems in order to certify the financial statements. They do so by identifying the strengths and weaknesses of those systems, assessing the risk of material misstatement, and, where applicable, making recommendations. Under no circumstances do the Statutory Auditors take the place of the Company in implementing the internal control system.

The role of the Statutory Auditors is to certify the completeness, accuracy and fair presentation of the parent company and consolidated financial statements on an annual basis and issue a review report on the Group's interim consolidated financial statements.

The audit engagements are allocated between the joint Statutory Auditors: Deloitte and KPMG.

The main matters covered by the Statutory Auditors are as follows:

- identification of the risk areas and performance of tests by sampling in order to validate the completeness, accuracy and fair presentation of the financial statements with regard to their individual or consolidated materiality threshold;
- validation of the main accounting treatments and options throughout the year, in coordination with the management of the activities and Kering;
- application of the accounting standards defined by Kering for its activities;
- preparation of an audit report for each brand, in order to certify Kering's consolidated financial statements, including any comments on internal control;
- presentation of a general overview of the Kering group presented to Kering's Management and to the Audit Committee;
- preparation of the Statutory Auditors' reports for Kering's shareholders. These reports appear in this Universal Registration Document on pages 376 to 381 and 401 to 404.

to identify any weaknesses and implement corrective measures.

Self-assessment is not simply a reporting tool intended for the Internal Audit Department or the Audit Committee; it is also a system that allows the Executive Management teams of the activities to obtain reasonable assurance regarding the strength of the internal control system. Self-assessment makes it possible to strengthen the level of internal control through operational action plans.

The approach used to analyze internal control is based on the following principles:

- a self-assessment, using questionnaires, conducted with the key operational staff members in the Group's activities following the breakdown of operations into key processes. In 2015, all of the questionnaires were reviewed in the light of participants' responses during the previous annual assessment and comments from those conducting the assessments. Key controls, as well as fraud risk controls were also identified and added to these questionnaires in order to strengthen the effectiveness of the action plans. The self-assessment campaign now covers all of Kering's operations. The overhaul of the self-assessment questionnaires was continued in 2019 in order to make them more effective and better adapted to business operations. The intellectual property questionnaire was updated to include more detail with regard to controlling intellectual property infringement and protection;
- these questionnaires provide operational staff with an additional indicator for assessing the quality of the internal control procedures of which they are in charge.

They make it possible to harmonize the level of internal control applied throughout the Group and for all activities to benefit from best practices, in particular newly acquired entities. They allow action plans to be launched based on the results of these self-assessments;

- the finance, accounting and management process questionnaire takes into account the AMF's reference framework and, in particular, its application guide. It includes some 60 questions on the Group's mandatory key controls. It is circulated among the largest subsidiaries in the Group's activities. There was no change in the scope of processes covered in 2019.

Since 2013, the Internal Audit Department has extended its self-assessment procedures to stores throughout the Group's Houses. These half-yearly self-assessments give the sales network managers an idea of the effectiveness of their internal control and a teaching aid to help store managers meet their internal control obligations.

This approach was presented and approved by the Kering Audit Committee.

1.7 Description of internal control procedures relating to the preparation of financial and accounting information

Financial and accounting information is prepared by the Group Finance Department. At the level of Kering, this department supervises the Financial Control Department (which includes the accounting, consolidation and

management control teams), the Financial Communications Department, the Financing and Treasury Department and the Tax Department.

1.7.1 Financial Control Department

The production and analysis of financial information is based on a set of financial management procedures including:

- medium-term plans, which measure the impact of strategic decisions on the Group's key financial and management balances. They are also used for the annual assessment by the Group of the value in use of assets for the various cash-generating units;
- budgets, which are drawn up in two phases on the basis of discussions between the operating departments and the members of the Group's Executive Management. The first phase takes place in the fourth quarter of the fiscal year when a preliminary budget sets out the main financial balances and operating action plans. The second stage, which finalizes the budget, takes place in the first quarter of the following year and takes into account any significant events that may have occurred in the meantime;

- monthly reporting that monitors the performance of the Group's activities throughout the fiscal year via specific indicators whose consistency and reliability are reviewed by the Financial Control Department. This department also oversees the consistency of the accounting treatment applied by the activities with Group rules and carries out, in association with their financial controllers, an analytical review by comparison with the budget and the previous year;

- monthly meetings of Kering's Executive Management and the senior executives of the Group's activities to assess business trends on the basis of financial and operational data provided by meeting participants;

- the Group's regular monitoring of the activities' off-balance sheet commitments. This control is carried out, in particular, as part of the statutory consolidation process insofar as the activities are required to provide an exhaustive list of their commercial or financial commitments and to monitor them from year to year.

The statutory consolidation of the financial statements is carried out at the end of June and December using the Group consolidation tool. It enables financial information to be transferred from the activities in real time after full validation of the consolidation reporting packages by the activities' Statutory Auditors and by the Chief Executive Officers and Chief Financial Officers of the brands who commit themselves via a signed representation letter, thus strengthening the quality of the financial information transferred.

Consolidation levels within the activities guarantee a first level of control and consistency.

Kering's Financial Control Department coordinates the process and is in charge of producing the Group's consolidated financial statements. For this purpose, the Department sends instructions to the activities specifying the reports to be sent, the assumptions to be applied and the specific points to be taken into account.

1.7.2 Financial Communications Department

The Financial Communications Department's role is to provide information on an ongoing or periodic basis that conveys a consistent and clear message, and to comply with the principle of equality between shareholders in relation to disclosures.

Financial communications are prepared for a diverse target audience composed mainly of institutional investors, individuals and employees. Executive Management, the Finance Department and the Financial Communications

Department are the contacts for analysts and institutional investors. The Human Resources Department manages the information provided to employees alongside the Financial Communications Department.

Financial information is provided through various channels (periodic publications, press releases) and via all means of communication, including press, internet, direct telephone contact and individual meetings.

1.7.3 Financing and Treasury Department

The Financing and Treasury Department manages liquidity, counterparty, foreign exchange and interest rate financial risks. It also coordinates the Group's cash management. It manages the Group's banking policy, establishes guidelines regarding the allocation of activity by bank, and coordinates Group calls for tender. It ensures consistency between published financial information and policies governing interest rate, foreign exchange and liquidity risk management. Almost all of the financing is set up by Kering or Kering

Finance. Exceptions are analyzed on a case-by-case basis according to specific opportunities or constraints and require Kering's agreement.

The Insurance Department, and integral part of the Financing and Treasury Department, establishes and manages the Group's policy on insurance. It is responsible for identifying, quantifying and handling risks (prevention, self-insurance or transfer to insurers or reinsurers).

1.7.4 Other Departments

Internal control is also strengthened by the centralization of certain functions within Kering:

Legal Department

Apart from its specific function at Company level, the Legal Department assists the entire Group with important legal matters and coordinates analyses or studies common to the activities or of significant interest for the Group. It also formulates Group policy and oversees its application. It provides the Houses with a methodology for identifying standard risks enabling them to anticipate such risks and inform the Legal Department.

Tax Department

The Tax Department coordinates the Group's tax policy, and advises and assists the activities on all issues related to tax law, as well as on the implementation of tax consolidation in France.

Communications Department

The Communications Department is involved in the Group's development by enhancing its image and reputation both internally and externally.

Information Systems Department

The Information Systems Department is responsible for providing optimal operational performance, controlling IT risk and improving the Group's information systems.

2. PRESENTATION OF RISKS

In accordance with European Regulation (EU) No. 2017/1129 of June 14, 2017 (Prospectus Regulation) and ESMA's guidelines on risk factors, the following section describes the main risk factors specific to the Kering group.

2.1 Ranking of the Group's main risk factors

The risks identified by the Group have been ranked according to their level of criticality, which is based on the probability of their occurrence and the magnitude of their impacts. The table below shows the Group's 15 main risk factors.

Risk	Page
1 Kering's luxury paradigm and business model	421
2 Customer experience	421
3 Macro-economy and geopolitics	422
4 Intellectual property protection	437
5 Real estate management	423
6 Production management	424
6 Distribution network	424
7 Cybersecurity	425
8 Brand strategies	426
9 Raw materials scarcity, quality and biodiversity	429
10 Image and branding	426
10 Foreign exchange risk	445
11 Distressed suppliers	427
12 Fraud and corruption	438
13 Contract management	440

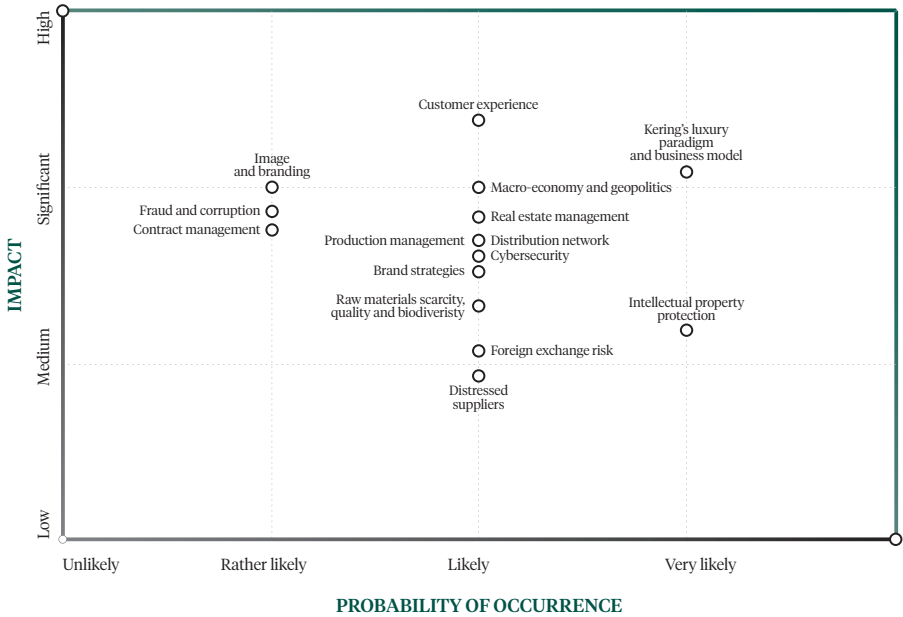
The following risks present the same level of criticality:

- risk related to production management and risk related to the distribution network;
- risk related to image and branding and foreign exchange risk.

They have therefore been given the same ranking.

All of the risks presented below represent the main specific risk factors to which the Kering group is exposed. These risks are considered material for the Group within the meaning of Article 16 of the Prospectus Regulation (European Regulation (EU) No. 2017/1129 of June 14, 2017), despite the risk management policies adopted to mitigate the probability of their occurrence or their impact.

To assess the overall materiality of its 15 main risk factors, Kering draws up a risk matrix summarizing the criticality of each one based on a graphical representation of its probability of occurrence and its average potential impact.



The Group's risks are classified by type:

- operational risks;
- social and environmental responsibility risks;
- compliance risks;
- financial risks.

The table below presents the main risk factors ranked by type:

Operational risks

- 1 Kering's luxury paradigm and business model
 - 2 Customer experience
 - 3 Macro-economy and geopolitics
 - 4 Real estate management
 - 5 Production management
 - 5 Distribution network
 - 6 Cybersecurity
 - 7 Brand strategies
 - 8 Image and branding
 - 9 Distressed suppliers
 - 10 Information systems
 - 11 Kering's major initiatives
-

Social and environmental responsibility risks

- 1 Raw materials scarcity, quality and biodiversity
 - 2 Climate change, other natural or man-made risks
 - 3 Ethics and global governance
 - 4 Human rights and fundamental freedoms
 - 4 Product quality and safety, consumer health
 - 5 Talent management
 - 6 Employment standards
-

Compliance risks









































- 1 Intellectual property protection
 - 2 Fraud and corruption
 - 3 Contract management
 - 4 Legal compliance and litigation
 - 5 Intellectual property infringement
 - 6 Compliance with national tax laws and international standards
-

Financial risks

- 1 Foreign exchange risk
 - 2 Equity risk
 - 3 Interest rate risk
 - 4 Liquidity risk
-

Descriptions of the risks identified and the actions taken by the Group to manage them are provided in sections 2.2, 2.3 and 2.4. The pictograms presented on the next page have been used to indicate the probability of occurrence and impacts of the risks identified by the Group.



Probability of occurrence	Impacts	Low	Medium	Significant	High
 Unlikely	Compliance/Legal				
 Rather likely	Finance				
 Likely	Health & Safety				
 Very likely	Human Capital				
	Operational				
	Projects				
	Reputation				
	Strategic				
	Clients				

The various types of impacts referred to above are defined as follows:

- **compliance/legal:** impact of a legal or compliance nature on the Group's individuals or legal entities;
- **finance:** impact on the Group's financial results and/or likely to result in a cash outflow;
- **health & safety:** impact on the health and/or safety of the Group's employees, customers or stakeholders;
- **human capital:** impact on the Group's human resources management;
- **operational:** impact on the Group's business operations, such as product development, production or logistics activities;
- **projects:** impact on the conduct of the Group's projects, as well as the timeline and success of its transformation projects;
- **reputation:** impact on the reputation of the Group, its Houses and its executives;
- **strategic:** impact on the ability of the Group and its Houses to implement their strategy;
- **customer:** impact on customer satisfaction levels at the Group's Houses.

2.2 Operational risks

Kering's luxury paradigm and business model

Probability of occurrence:



Impacts:



Description of the risk

Difficulties in adapting the Group's creativity-based business model to its strategic objectives and to market expectations.

Example case(s)

- Lack of organizational structure to support the Creative Directors in developing their creative talent.
- A House's over-reliance on its Creative Director.
- Difficulties in maintaining the appeal of the Houses over time as Creative Directors change, or their creativity evolves.

Group actions

Kering continuously consolidates its organization structure and encourages the development of its talent to ensure that the Creative Directors are supported and stimulated in their work and their quest for new inspiration. Continuous interaction between the House Chief Executive Officers and Group Management promotes dynamic management of the Houses and improved responsiveness. Furthermore, the Chief Executive Officers of some of the Houses sit on Kering's Executive Committee, which gives the Group a better understanding of its brands' needs and enables it to maintain permanent dialogue with the Creative Directors and support their creative process.

Customer experience

Probability of occurrence:



Impacts:



Description of the risk

Difficulties in identifying, understanding and responding proactively or reactively to changing customer expectations or purchasing triggers, driven by factors such as economic, demographic or cultural trends.

Example case(s)

- Implementation of an online purchasing platform that is not in tune with customer expectations.
- Negative comments about a poor customer experience posted on the social media.

Group actions

To anticipate changes in consumer expectations, Kering has worked on streamlining the supply cycle, in particular by cutting lead times between the product design and product launch phases.

Kering encourages its Houses to anticipate consumer trends (omni-channel) and to respond to cultural changes and new behaviors. They keep a constant watch over market shifts (attending trade fairs, working with trend forecasting agencies, running consumer surveys, etc.).

Customer satisfaction and the brand image are strengthened by continuous training of in-store sales staff, raising their awareness of the customer experience and conducting an increasing number of unannounced store visits.

Macro-economy and geopolitics

Probability of occurrence:



Impacts:



Description of the risk

The Group is present in many markets and exposed to changes in the economic, regulatory, social or political environment that may affect consumer demand, disrupt its operations or dampen its profitability.

Example case(s)

- Lower tourist numbers influenced by factors such as political instability, security threats, exchange rate volatility, and changes in customs or tax policies.
- Failure to take into account the changes driven by macro-economic trends and uncertainties about the future of the luxury industry, on a global level or among certain key categories of consumers, such as Chinese consumers.
- Major events with an international reach, such as a political crisis or instability, natural disaster or pandemic, could have a material impact on the Group's operations.

Group actions

In 2019, market conditions were favorable to Kering, with 4.0% growth in the global luxury goods market at constant exchange rates according to the latest Bain & Company/Altagamma report. The macro-economic and geopolitical environment was less buoyant than in 2018, with contrasting performances from luxury brands in general, as well as from the Group's Houses, varying across the regions. The industry's – and therefore Kering's – strong performance in 2019 was once again fueled by spending on luxury goods by Chinese customers, who accounted for some 35% of the market (versus 33% in 2018), despite the uncertainties caused by the trade war between the United States and China. This dynamic momentum boosted business in Mainland China and some countries in the Asia Pacific region, while the protests in Hong Kong contributed to a steep fall drop in sales there since the summer. Trends in Western Europe remained positive throughout the year, largely thanks to tourists of various nationalities. Business was solid in North America although demand dwindled. In Japan, market growth was strong in the first nine months of 2019, but consumer spending fell in the last three months of the year following the VAT increase introduced on October 1, 2019. It follows that macro-economic and geopolitical instability had an impact on regional trends in 2019 but did not affect the Group's overall performance.

The balanced geographical coverage of its activities limits the Group's exposure to uncertainties or even a deterioration in the economic conditions or security profile of a given country. The Group's distribution network remains balanced across the regions: sales are made through a network of 1,381 directly operated stores, including 772 stores in mature markets and 609 in emerging countries. Direct sales are supplemented by sales to third party distributors, and the Group's broad spectrum of products makes it less dependent on any single category.

Both the Group's market positioning and strategy (see pages 14 to 19 for more details) help limit the impacts of macro-economic cycles and uncertainty on its activities.

As explained in the overview of the personal luxury goods market and the eyewear market (pages 26 to 33), besides cyclical factors, the Group is also exposed to structural medium-term growth patterns related to the increase in the world's population and changes in the population mix. Over the next few decades, the number of people belonging to the "global middle class" is set to almost double, with Asia accounting for the bulk of this growth⁽¹⁾. More particularly, according to the Economist Intelligence Unit (EIU), the upper middle class in China is expected to grow at an average of 9% per annum between 2015 and 2030, to stand at 480 million people in 2030 (35% of the Chinese population), compared to 132 million people in 2015 (10% of the Chinese population), representing 350 million potential new consumers.

However, the occurrence of any major crisis, such as a political crisis or instability, natural disaster or pandemic, having a significant and lasting impact on one of the world's major economies or, more generally, the global economy, could have material impacts on the Group's revenue growth and profitability.

In this respect, early 2020 has been marked by the emergence of the COVID-19 virus. Albeit initially limited to China, the epidemic has since spread across the globe, and is now affecting business at the Group's boutiques in its main markets, as well as its production activities in Italy following the measures taken by the Italian government in March. As the situation currently stands, the Group has limited visibility of the consequences of this health crisis on its performance (see page 291).

(1) Source: OECD Observatory.

Real estate management

Probability of occurrence:



Impacts:



Description of the risk

Difficulty negotiating leases under the best conditions in certain locations for the Group's Houses due to the competitive market, the term of contractual commitments, or the lack of control over economic factors.

Difficulty in delivering construction/renovation projects on time and on budget.

Example case(s)

- Loss of sales outlets that are strategic for the Group's Houses.
- Lack of negotiating power during negotiations for a new lease or the renegotiation of existing agreements.
- Non-compliance with real estate laws and regulations.
- Inadequate assessment of a real estate project, resulting in a budget overrun.
- Delay in the delivery of a real estate project (e.g., a new store or store renovation).
- Construction site accident.
- Insolvency of a contractor, resulting in delays in making premises available.

Group actions

The Group has two separate teams in charge of real estate: one is responsible for finding the best locations, while the other is in charge of supervising construction/renovation projects. These teams manage the following tasks: (i) providing assistance to the Houses in connection with site openings, relocations and outlets, (ii) acquiring real estate, (iii) managing work in stores, warehouses and offices, and (iv) managing owned or leased sites for Kering Corporate. The management of outlets is handled by a Group subsidiary.

The Group implements various measures to limit real estate-related risk, including (i) systematic reviews of contracts, (ii) separate invoicing, (iii) steering Committees for major projects, and (iv) the creation of a special department for project management.

The Group uses various strategies to limit construction-related risk, such as (i) the implementation of a procedure for executing and monitoring construction projects, (ii) the use of standard contracts across regions, and (iii) calls for tender that include verification of the financial and technical viability of the contractors consulted. Furthermore, Kering seeks to obtain sustainability certification (e.g., BREEAM or LEED) for all of its properties.

To ensure that new partners comply with the applicable laws and regulations, the Compliance Department carries out compliance audits. A regulatory intelligence system is also being introduced by the Construction and Project Management Department.

The Group has set up a network of real estate experts, present in key countries, so that it can leverage the expertise of employees who know the market's specific characteristics and local laws and regulations, and also have the necessary negotiating skills.

Production management

Probability of occurrence:



Impacts:



Description of the risk

Difficulties in coordinating purchasing, manufacturing and marketing activities, preventing the Group from establishing an efficient production schedule.

Group actions

The Houses have robust industrial organization structures specializing in various product categories. Forecasting systems have been introduced for purchasing and launching production according to the needs of various collections.

Critical points in production management can be detected early on in the process thanks to continuous interaction with suppliers.

Example case(s)

- Inaccurate forecasting and production planning.
- Under-utilization of production capacity.
- Lack of flexibility when production needs change or unforeseen events have a negative impact on production.

Distribution network

Probability of occurrence:



Impacts:



Description of the risk

Difficulties in setting up an effective distribution network leading to poorly positioned or poorly developed distribution channels and reducing the capacity to gain effective access to existing and potential customers, sellers and partners.

Group actions

The Group's Houses open new outlets in key retail areas and close stores that are no longer strategic. A profitability study is carried out for each new store before any expenditure is committed and again within two or three years of opening.

The Houses track their sales volumes closely and regularly to anticipate major fluctuations that could require increased staffing levels in the stores or an extension of the retail space.

Example case(s)

- Difficulty in anticipating trends in distribution channels (by type, geographic area, etc.).
- Lack of effective management of sales volumes by distribution network that could lead to lost opportunities.
- Significant growth in retailer involvement in the grey market.

Contracts with department stores are reviewed with the Group's Legal department to ensure that the distribution network is optimal and efficient. Kering closely monitors changes in the position of department stores, particularly in the United States.

The Group prevents sales of its products by parallel distribution networks by working to increase the traceability of its goods, prohibiting direct sales to these networks (grey market) and implementing specific measures to tighten control over its distribution channels.

Cybersecurity

Probability of occurrence:



Impacts:



Description of the risk

Difficulties in preventing or detecting malicious cyber threats made through a digital communication channel, leading to the disclosure of the Group's core activities, financial losses, alteration or corruption of its digital assets and reputational harm.

Non-compliance with the General Data Protection Regulation (GDPR).

Example case(s)

- Identity fraud can take various forms, including fake president fraud, supplier fraud and ransom demands, and can result in financial losses.
- Cyber attacks, such as phishing (or spear phishing), distributed denial of service (DDoS) attacks and hacking, can lead to the theft of data or the modification of the Group's websites, particularly its home pages, resulting in the dissemination of fake news, unfounded rumors or other misleading information.

Group actions

The Group has increased IT security and stepped up employee awareness initiatives by implementing a large number of control and protection measures, including establishing processes and procedures, and developing targeted IT security systems. For example, all employees have been trained to detect malicious emails, including via phishing simulation exercises conducted throughout the year. Plans have been made to introduce an e-learning module on IT security. Best security practices on various themes (phishing, malware, passwords, etc.) were also circulated on the Group's various internal communication channels during 2019. Two weeks of awareness training were organized during cybersecurity month in October 2019.

The Group has taken significant steps to protect customer data:

- customer data used outside the production environment is anonymized;
- access to customer data is restricted to authorized persons;
- risk assessments are carried out on all projects implemented by the Group, in order to identify requirements in terms of data security, confidentiality, integrity, traceability and availability, and thereby define the appropriate security measures;
- non-disclosure agreements are signed with external service providers and security clauses are included in the Group's contracts with suppliers;
- a customer identity management platform has been acquired in order to secure the authentication process.

In relation to the management of security incidents that could have an impact on personal data, the Group has set up a Security Operating Center responsible for detecting and resolving security threats and events, such as identity fraud, malware and information leaks.

In addition, the information systems department (Kering Technologies) regularly conducts audits on key applications and information systems.

In 2019, the Group also initiated the following projects:

- acquisition of a mailbox monitoring tool for employees in sensitive positions (top management, management assistants, etc.) in order to detect any suspicious access;
- acquisition of EDR (Endpoint Detection and Response) software to protect production plants against any unauthorized access to workstations and servers;
- implementation of a process to include security considerations in all projects to ensure that all new applications added to the information systems comply with security requirements;
- introduction of strong authentication measures to prevent identity theft.

The Group also works with peers to reduce exposure to this type of risk.

Information relating to GDPR compliance is presented in section 3 "Compliance with the General Data Protection Regulation" of this chapter.

Brand strategies

Probability of occurrence:



Impacts:



Description of the risk

Difficulties in developing or managing strategic planning and growth processes enabling the Group to position its resources, products and services relative to its competitors, which would harm its ability to achieve a certain standard of quality, a good reputation and future performance objectives.

Example case(s)

- Difficulties in anticipating trends in consumer expectations.
- Discrepancy between a House's strategy and its positioning on the markets.
- Lack of alignment between a House's values and those of the Group.

Group actions

The creative leadership of each House and the success of its collections and resulting commercial appeal are managed by Creative Departments, and perpetuated by remaining true to the identity and fundamental values of the brand.

Strong interaction between the Chief Executive Officer and the Creative Director of each House preserves its value and respect for its identity over time. The accounting impacts of impairment losses are described in Note 20 to the consolidated financial statements for the year ended December 31, 2019.

The Houses invest continuously in communication, research and development, and developing their store network to achieve the right positioning. They communicate about their values, inspire and fascinate their customers and protect their margins in the long-term (see also section 2.2 "Operating investments", page 292).

Furthermore, in relation with the Group's Sustainability strategy, several Houses have launched social programs (e.g., World Food Programme, donation of profits from capsule collections to charities working to protect endangered species, etc.) and encourage their employees to take part in sustainability initiatives.

Image and branding

Probability of occurrence:



Impacts:



Description of the risk

Damage to the Group's image or reputation, giving stakeholders (e.g., customers, consumers, suppliers, employees, shareholders, civil society, etc.) a misleading perception of the Group and ultimately affecting its results.

Example case(s)

Unfavorable or inaccurate media coverage of the Group's practices or its Houses' products, or negative discussions on social media could harm the Group's image and reputation and potentially lead to a slowdown in sales.

Group actions

The Group keeps a close eye on the media and discussions on social media about the Group and its Houses. The crisis management procedure, for which regular drills are performed, includes image risk and its media management, no matter what the type of potential crisis, whether operational, health-related, social, legal, reputational or other.

Kering provides its employees with regularly updated guidance on their use of social media.

It organizes training for employees via e-learning sessions, in particular on business ethics and compliance. This training also aims to instill a culture of equality and inclusion, for example by combating stereotyping and unconscious biases that could harm the brand image and the Group's values. In keeping with this aim, in October 2019, Kering appointed a new Chief Diversity, Inclusion and Talent Officer.

The Houses also exchange regularly with the Group on anticipating risks related to the use of potentially sensitive images and messages in their communication.

As of 2020, Kering has undertaken that its Houses will only hire models aged over 18 for adult fashion shows and photo sessions.

Distressed suppliers

Probability of occurrence:



Impacts:



Description of the risk

Difficulties in establishing a process to reduce a supplier's dependency on one of the Houses. The House may be a major customer, but it must not be vital for a supplier in terms of revenue generated.

Group actions

The Houses monitor the financial health of their suppliers using performance indicators and make sure that they identify their core suppliers. Some production lines may be internalized following detailed analysis work on the main suppliers.

Example case(s)

Ending a business relationship with a dependent supplier could result in that supplier experiencing financial difficulties or even insolvency, thus affecting its liquidity and ability to comply with its supply commitments.

Information systems

Probability of occurrence:



Impacts:



Description of the risk

Failure of information systems (IS), which now play a vital role in the Group's operational processes (such as sourcing, distribution and digital) and support processes (such as finance and HR).

Group actions

The Group runs an ongoing investment program on the adaptation, improvement, security and durability of its information systems. Business continuity and recovery plans are regularly updated, and their efficacy closely monitored.

With the support of the Houses' security departments, the Group is introducing data protection and business continuity plans.

As part of the introduction of data protection governance in compliance with the GDPR, the Group Data Privacy Officer is involved in these initiatives.

The following actions were taken in 2019 to assess the level of compliance of the Group's information systems:

Example case(s)

- The diversity of information systems in operation within the Group.
- Delays in the deployment of new software programs or applications.
- Inadequacy of information systems in meeting customers' needs.
- Failure to keep security patches up to date.
- Inadequate separation of information systems within the Group or the Houses, creating a risk of infection in the event of a virus.

- penetration tests on applications;
- network vulnerability scans;
- cloud infrastructure audits;
- review of patch management procedures and obsolescence management;
- review of backup procedures.

Kering's major initiatives

Probability of occurrence:



Impacts:



Description of the risk

Difficulties in obtaining an overarching view of all initiatives in progress and their interdependencies as regards lead times, resources used and potential divergences.

Risk similar to project risk: lack of clear guidelines, including an implementation plan, appropriate measures, quality standards, periodic assessment of performance and a change management process having an impact on the expected success of the initiative.

Example case(s)

- Difficulties in identifying a risk common to various projects that could have an impact on their timeline.
- Difficulties in planning and carrying out the Group's major initiatives effectively and efficiently or within the expected lead times and budgeted costs, affecting the timeline and efforts to implement the initiative.
- Difficulties in identifying appropriate performance metrics and/or periodic assessments for quality and compliance with the standards defined by the Group, leading to difficulties in measuring an initiative's return on investment.
- Difficulties in implementing appropriate change management processes and/or the change management plan, preventing the Group from obtaining the expected value from key initiatives (e.g., setting up a new process, information system, etc.).

Group actions

The main aims of the Transformation Department are to coordinate and align the Group's various projects and to disseminate a common methodology for launching and implementing these projects.

Coordination and alignment of the Group's projects means obtaining an overarching view of all significant transformation projects conducted by the Group or the Houses covering all regions and all functional areas, to ensure that the projects are consistent and in line with the Group's strategic vision. The Transformation Department may propose or impose changes or revisions to the projects.

Developing a common methodology for launching and implementing projects involves defining a clear vision and clear objectives, setting up a governance system and an adequate staff structure, as well as a system for overseeing all risks related to compliance with the project's specifications, timeline, scope and budget. As regards change management, a change management officer will shortly be hired to supervise and support the various projects in progress.

2.3 Social responsibility and environmental responsibility risks

Raw materials scarcity, quality and biodiversity

Probability of occurrence:



Impacts:



Description of the risk

Unavailability of the raw materials necessary to manufacture the Group's products, which must comply with the Group's quality criteria and be obtained in accordance with the Group's standards.

Example case(s)

- Sourcing leather and skins from suppliers using subcontractors who do not comply with the Group Suppliers' Charter or its standards on working conditions, environmental impact, animal welfare, use of chemicals or traceability.
- Volatility in the prices of raw materials, such as leather, skins and precious stones. Supply instability.
- Increasing scarcity of resources associated with growing demand, impacting the production, availability, quality and cost of raw materials.
- Illegal mining carried out by subcontractors who do not comply with international standards or the Group's standards of ethics on working conditions.
- Loss of biodiversity caused by intensive livestock farming, which threatens, or may threaten, the production of high-quality raw materials. More generally, soil degradation and depletion and the destruction of biotopes represent a significant risk to the maintenance of high-quality livestock and crop farming.
- Manufacturing disruptions caused by the unavailability or decreased quality of raw materials, due to climate change and its impact on biodiversity and on the destruction of land and ecosystems.

Group actions

To meet its customers' expectations, the Group requires unhindered availability of raw materials that comply with its quality criteria. Kering works with suppliers and subcontractors across the supply chain to secure long-term access to these raw materials.

The Group has forged special partnerships with key suppliers, and pursues a policy of actively seeking new partners. It also develops synergies within the production chain by means of acquisitions or strategic business partnerships in the subcontracting market.

The Group also ensures that its suppliers and subcontractors comply with its standards in terms of ethics and responsible business conduct and in particular with its Group Suppliers' Charter, which is included in the Kering Code of Ethics. The Group ensures that its suppliers abide by the applicable laws and regulations and that its supplies meet international standards.

In addition, the Group has defined standards for the supply of all its key raw materials, published in January 2018 and updated in 2019. The standards focus on five areas: social impact, environmental impact, traceability, use of chemicals and animal welfare. They serve as a guide for assessing the compliance of raw materials suppliers and present two levels of expectations: minimum requirements and best practices to be achieved by 2025 at the latest, in line with the Group's Sustainability strategy and its 2025 targets.

To align its practices with its commitments and drive industry-wide progress toward treatment of animals that is safer, more just and more humane, Kering believes that it has a duty to apply the highest standards in the area of animal welfare. In the Sustainability strategy adopted by the Group, the welfare of animals, and particularly of livestock, is associated with environmental stewardship, safer working conditions and, more generally, a higher level of supplier performance.

In this vein, in 2019 the Group published specific standards on animal welfare to ensure that animals are treated as humanely as possible throughout the Group's supply chains.

The quality, safety and stability of the Group's supplies of animal and plant-based raw materials depend on strict compliance with the standards in this regard, and first and foremost with the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) for the trade of precious skins. They also depend on the preservation of well-balanced ecosystems, some of which have already been damaged.

The policies, projects and actions implemented, the outcomes obtained and the associated performance indicators relating to the Group's raw materials and the protection of biodiversity are presented in detail in section 4.4 "Preserving natural capital" of chapter 3 "Sustainability" of this Universal Registration Document.

Climate change, other natural or man-made risks

Probability of occurrence:



Impacts:



Description of the risk

A negative impact on the Group's activities due to the effects of climate change. Lack of foresight, resilience or Group initiatives in response to the effects of climate change.

Inability to respond effectively to an event that could affect the safety of the Group's employees, the continuity of its operations and/or its image and reputation.

Example case(s)

- Supply chain: the growing frequency of extreme weather events (drought, flooding, etc.) could have a direct impact on the availability and quality of key raw materials such as cotton, cashmere and silk, which would translate into greater price volatility, and thus affect the production and distribution of finished products.
- The economic environment and even the social stability of certain regions (such as coastal regions in Asia) could be severely impacted by the effects of climate change, which would further increase pressure on the Group's supply chain.
- Manufacturing disruptions caused by the unavailability or decreased quality of raw materials, due to climate change and its impact on biodiversity and on the destruction of land and ecosystems.
- The implementation of stricter environmental regulations and standards to meet the challenges associated with climate change could have an impact on the Group's activities by increasing production costs and reducing operational flexibility.
- Other examples of risk situations include natural disaster, terrorism, contamination, pandemic, serious confidential information leak, cyber attack, wide-scale strike or protest, boycott of a brand, failure of a service provider, and major fraud.

Group actions

In the global economic and political outlook, climate change has become a key issue that demands an effective response.

The physical effects of climate change are susceptible to impact the Group's activities. While its own activities (production and distribution) are relatively unexposed due to their low carbon footprint (Kering's activities are not subject to carbon emissions quota regulations), this is not the case for the supply chain. A November 2015 report jointly authored with BSR, the global non-profit organization that works with a network of member companies and partners to build a sustainable world, analyzes exposure to climate risk. Entitled *Climate Change: Implications and Strategies for the Luxury Fashion Sector*, it analyzes current and future climate risks for cotton, cashmere, vicuña wool, silk and cow-, calf-, sheep- and lambskin leather.

In order to mitigate these risks, Kering has defined a climate strategy and is acting to make its supply chain more resilient, starting with the Environmental Profit & Loss account (EP&L). The EP&L allows Kering to measure its environmental impacts, including its carbon footprint, throughout the value chain and to monetize them. Beyond the risk management dimension, the EP&L is also used as a management tool to orient the Group towards sustainable sourcing solutions and to assess the raw materials used in product design.

The Group has set very ambitious targets for reducing its carbon footprint by 2025 and has had its own Science Based Target in this respect since 2017.

In 2019, Kering announced that it would offset all GHG emissions from its operations and supply chains, rendering them carbon neutral. This commitment is a continuation of the carbon offset activities taken since 2011 in Scopes 1 and 2 of the GHG Protocol. In parallel with the priority efforts made by the Group to avoid and reduce its environmental footprint throughout its supply chains, Kering therefore now offsets its entire carbon impact, including annual residual emissions accounted for in Scope 3 of the GHG Protocol.

The policies, projects and actions implemented, the outcomes obtained and the associated performance indicators relating to climate change and the Group's climate strategy are presented in detail in sections 3.2.1 "Environmental footprint of Kering's operations" and 4.4 "Preserving natural capital" of chapter 3 "Sustainability" of this Universal Registration Document.

In addition, the Group's Security Department has drawn up a crisis management policy in order to:

- provide a shared framework for all Group entities and raise awareness among its management teams of the importance of having a pre-established crisis management procedure;
- ensure a rapid, coordinated response to any major events that could impact the Group.

Every year, the Security Department organizes crisis drills based on probable, realistic scenarios in order to train designated crisis unit members.

It also provides support and advice to Group employees during business travel.

Ethics and global governance

Probability of occurrence:



Impacts:



Description of the risk

Lack of ethical values and rules on the behavior expected of employees in business matters, over and above the law, leading to a lack of employee knowledge about and adherence to ethical behavior and an inability to report and deal with unethical behavior, which could endanger the Group's reputation.

Example case(s)

- Failure to meet the Group's rules of ethics or fulfill its commitment to being a socially responsible company could jeopardize Kering's success and sustainability, which require the trust of all its stakeholders, including customers, employees, shareholders and business partners.
- Incident caused by unethical conduct on the part of entities or individuals under Group control, or those with whom or which it has business dealings, which could seriously harm the Group's reputation and give stakeholders a misleading perception of the Group.

Group actions

The Group seeks to ensure that no incident arises due to unethical conduct on the part of entities or individuals under its control, or those with whom or which it has business dealings. To this end, each of Kering's Houses has a crisis management policy and unit that liaises with headquarters.

The Group also monitors adherence by personnel to the Kering group Charter, which defines the framework for the decentralization of the organization, and to the Code of Ethics, which is available in 14 languages and was last circulated to all employees in 2019 after being updated in 2018. A Group Ethics Committee has been established and is supported by two regional counterparts, the Asia-Pacific (APAC) Ethics Committee and the Americas Ethics Committee. Together, they ensure compliance with the Code of Ethics and respond to all inquiries, from simple ethics-related questions to the management of complaints about potential non-compliance with the Code. The Compliance team also assists and guides employees to ensure compliance with prevailing legal requirements, including those relating to corruption and competition law. A global hotline is also available to all Group employees and those working for partner companies with which the Group has a contractual relationship.

Each year, an e-learning program is provided for all Group employees to remind them about the fundamentals of ethics and their obligations in this regard. It presents real-world examples of ethical dilemmas, enabling employees to test their ability to question, discern and judge different situations. It also provides an opportunity to remind employees about the Group's whistleblowing procedure.

The Group also ensures that its suppliers adhere to the Group Suppliers' Charter, which they are required to promote within their production units and with respect to their own subcontractors. Compliance is further measured by means of social audits at production sites. The Charter is included in the Code of Ethics and was therefore also updated in 2019.

All of the Group's Houses implement appropriate methods and steps to ensure their activities comply with the Group's Corporate Social Responsibility (CSR) standards: SA8000 and RJC certification, social audits and supplier training programs are examples of the actions and programs that the Houses have put in place in their day-to-day operations.

The policies, projects and actions implemented, the outcomes obtained and the associated performance indicators relating to ethics and global governance are presented in detail in section 2 "Ethics, the cornerstone of our business" of Chapter 3 "Sustainability" of this Universal Registration Document.

Human rights and fundamental freedoms

Probability of occurrence:



Impacts:



Description of the risk

Non-compliance with international standards or the Group's standards in the area of respect for human rights and fundamental freedoms.

Example case(s)

Poor working conditions that could lead to the violation of fundamental freedoms and human rights, resulting in complaints from Group employees or partners and harming the Group's image and reputation:

- Child labor and forced labor.
- Excessive working hours.
- Harassment and abuse of disciplinary measures.
- Illegal mining operations.
- Inequality of opportunity and discrimination.
- Non-compliance with the rights of local communities.
- Non-compliance with international labor standards for migrant workers.

Group actions

The protection of human rights and fundamental freedoms, for Kering employees and all employees in the supply chains of the Group and its Houses, is a core commitment, supported by management at the highest level.

This commitment is central to Kering's identity and reflects the community of values created by the Group, its Houses and their stakeholders.

As a sustainable, responsible Luxury group, Kering must identify and manage human rights-related risks in its sphere of influence (operations and supply chain) as quickly and firmly as possible.

By working in partnership with its suppliers and stakeholders and sharing best practices, Kering protects the reputation of the Group and its Houses and maintains the appeal of their creations.

This vital undertaking has been set out in full in the Group's Code of Ethics, in particular the aspects relating to fundamental freedoms and human rights in the Group's Supplier Charter, which is included in the Code.

The whistleblowing system is open to everyone working for the Group: employees and interns of Kering and its Houses, as well as external and temporary personnel working for external partners or service providers under contract with the Group. It can be used to report any suspected violation of human rights and fundamental freedoms within the Group and its supply chains.

In addition, the Group has adopted a stringent control strategy in the area of human rights, which includes but is not limited to the social audits conducted each year across thousands of Group suppliers and service providers.

The policies, projects and actions implemented, the outcomes obtained and the associated performance indicators relating to human rights and fundamental freedoms are presented in detail in section 2.6 "Protection of human rights at Kering" of Chapter 3 "Sustainability" of this Universal Registration Document.

Product quality and safety, consumer health

Probability of occurrence:



Impacts:



Description of the risk

Non-compliance of products sold with quality and safety standards, resulting in product returns and reputational risk.

Example case(s)

- A defect that leads to a product return by the consumer could harm the Group's image and reputation.
- A defect that could affect consumer health or safety (e.g., allergies) would result in a product recall, which would harm the Group's image and reputation.

Group actions

Ensuring the quality of goods and compliance with stringent safety standards are among the Group's main priorities. To protect the Group's reputation, the products sold by its Houses must offer distinctive appeal and flawless quality, while also guaranteeing absolutely safety for customers. In order to bring high quality products to market that are compliant with these standards, the Group implements quality control processes covering all of the stages in the product lifecycle, from design through to marketing. Products are classified using quality and safety standards, while suppliers are referenced on the basis of technical audits and adherence to the Group Suppliers' Charter. Product quality and safety controls are carried out at all stages of the production process by quality engineers and accredited laboratories.

The Product Compliance teams support the Houses in developing and distributing products that comply with legal requirements in each market and with the Group's Product Restricted Substance List (PRSL), which specifically lists the substances to be removed or thresholds not to be exceeded, as well as with the highest existing standards for the disposal of hazardous chemicals.

All Kering businesses have a "product" crisis management unit. In the event of a known risk, they follow procedures ensuring that immediate and transparent information is provided to the public, and that defective products are recalled.

The Group has also taken out civil liability insurance to cover bodily harm or property damage to third parties caused by products considered defective (see section 2.5 "Main existing insurance programs" of this chapter).

The policies, projects and actions implemented, the outcomes obtained and the associated performance indicators relating to product quality and safety are presented in detail in section 4.2.5 "Risk management: product quality control, and consumer health and safety" of Chapter 3 "Sustainability" of this Universal Registration Document.

Talent management

Probability of occurrence:



Impacts:



Description of the risk

Difficulty in identifying and retaining staff and developing their skills. Potential loss of know-how among the Group's teams or among the craftspeople and manufacturers within the supply chain or the communities from which the Group sources key and/or specific raw materials.

Example case(s)

- Departure of senior executives: inability to find, in a timely manner, a suitable successor for an Executive Management position (Chairman/Chief Executive Officer, Group Managing Director, Executive Committee member), as the result of departure or incapacity.
- Unexpected departure of a Creative Director, leading to a period of uncertainty that could have a significant impact on the brand (particularly in terms of image and reputation, asset writedowns, etc.). However, any luxury goods company may have to face and manage this risk at some time.
- Dilution of technical craftsmanship in transformation, cutting and assembly. Extinction of traditional crafts.
- Talent retention: loss of key employees to competitors.
- The Luxury industry is supported by numerous manufacturing communities worldwide. Preserving key skills and creating more sustainable working conditions helps to avoid or minimize social, economic and operational tensions, such as community problems, disruptions to production and a shrinking talent pool.

Group actions

Kering's human resources policy aims to:

- establish a long-term hiring policy through international partnerships, and thus attract the best talent;
- create a work environment that is motivating, stimulating, inclusive and respectful of each individual;
- encourage commitment to the Group and its values through training programs, talent management and an appropriate remuneration policy;
- promote gender equality, inclusion and diversity;
- pay constant attention to working conditions, employee well-being and work-life balance;
- develop internal mobility and opportunities for personal and professional growth.

Kering has set itself the priority of developing talent, and therefore put in place tools and processes geared towards helping employees constantly expand their career prospects and strengthen their skills through mobility and career opportunities.

In 2018, Kering developed a single digital platform for all employees worldwide, enabling it to standardize management processes and simplify and speed up the data sharing required to manage talent globally, in a more transparent way.

To further contribute to instilling a shared culture among the Houses, the intranet has been replaced by a digital and mobile platform for information and discussion, radically transforming internal communication and commitment by connecting all employees. In 2019, weekly job postings were introduced to share opportunities and encourage internal mobility within the Group.

Furthermore, a global employee opinion survey was conducted in January 2019 among all Group employees to measure engagement and identify action plans on subjects identified as priorities.

A Chief Diversity, Inclusion and Talent Officer was appointed in 2019, with the aim of enhancing the talent strategy, in which diversity and inclusion are key features for attracting, hiring, developing and retaining Group employees.

Lastly, as part of the well-being policy, it was announced in 2019 that as of January 1, 2020, all employees worldwide would be entitled to Baby Leave, i.e., 14 weeks' leave on full pay upon becoming parents, including fathers and partners.

In the luxury industry, maintaining production team skills at the highest level is key to meeting customer expectations. To fulfill these high expectations, Kering and its Houses offer goods and collections that are iconic, exclusive and innovative, and whose design and creation require strategic know-how and technical craftsmanship in transformation, cutting and assembly. To maintain the know-how of its Luxury businesses over the long term, Kering runs personnel training and skills preservation initiatives, and internalizes a number of functions that were previously subcontracted.

With Kering Campus, the Group now has a digital training platform for all employees, providing a shared foundation for all Houses as well as the possibility for each to offer personalized content for its own teams.

A talent review is also carried out each year by the Executive Committee.

Particular attention is paid to the Houses' creative and design teams in order to maintain their identity over the long term and nurture the Group's vision of "embracing creativity for a modern, bold vision of Luxury". There is a close relationship between a luxury brand and its Creative Director, whose attitude has to reflect the values of the brand and respect the Group's own values. The departure of a Creative Director leads to a period of uncertainty that could have a significant impact on the brand (particularly in terms of image and reputation, asset writedowns, etc.). However, any luxury goods company may have to face and manage this risk at some time. Kering's brand portfolio nevertheless helps limit the impact of this risk at Group level.

The policies, projects and actions implemented, the outcomes obtained and the associated performance indicators relating to talent management are presented in detail in sections 3.1 "Supporting our employees" and 5.1 "Community impact and preservation of know-how" of Chapter 3 "Sustainability" of this Universal Registration Document.

Employment standards

Probability of occurrence:



Impacts:



Description of the risk

Failure to comply with local labor standards or Group requirements (for example, employee health and safety) leading to non-compliance, fines or legal proceedings and thus harming the Group's reputation. This risk applies to the Group's employees as well as suppliers and their subcontractors in the supply chain.

Example case(s)

- Failure to comply with local and/or Group standards as regards employee safety, potentially leading to accidents.
- Failure to comply with local and/or Group labor standards, potentially harming the Group's reputation.

Group actions

A Group employee health and safety policy was published at the end of 2019 to strengthen the engagement of all the Group's stakeholders. It sets out the Group's responsibilities and expectations as regards the health and safety of its employees and suppliers. It also defines the Group's standards and the methodology to be used for reporting, audits and the assessment of accidents and incidents. Lastly, it explains prevention methods and the arrangements for training Group employees.

The Group's Code of Ethics states that Kering commits to providing a work place that complies with human rights, labor legislation and environmental, health and safety laws and regulations in all countries where it operates. The Supplier Charter, which forms an integral part of the Code of Ethics, lists the commitments expected of our suppliers and business partners, and in particular prohibits all types of work that, due to their nature or conditions, are likely to endanger health, safety, security or morality (clean, safe work environment, access to drinking water and restroom facilities, etc.). Kering has a whistleblowing system open to all employees and contractual providers for reporting concerns about practices contrary to the Group's ethical values.

Each year, the Group performs audits of its suppliers and their own subcontractors. These audits cover health and safety to make sure that the applicable regulations and the Group's requirements are observed. Audits are performed on suppliers already working for the Group and on potential suppliers ahead of entering into a business relationship. The outcome of the audits is used as a basis to draw up a list of approved Group suppliers.

In keeping with its commitments as regards the health and safety of its employees and stakeholders, the Group established a Manufacturing Restricted Substance List (MRSL) in 2014. Its aim is to discontinue the use of dangerous chemicals in the manufacturing process, first to ensure that workers within the Group's operations and in the supply chains of the Houses are not exposed to hazardous substances, and second to reduce toxic discharges into water.

Since 2018, the Group and its Houses have applied the Charter on the working relations with fashion models and their well-being. This Charter applies in all countries where the Group operates and aims to promote high standards of integrity, responsibility and respect towards its models. It includes several major commitments regarding the health and age of models employed by the Group. For example, Kering has undertaken not to work with models aged under 18 for its adult fashion shows and photo shoots.

The policies, projects and actions implemented, the outcomes obtained and the associated performance indicators relating to employment standards are presented in detail in sections 3.1 "Supporting our employees" and 4.3 "Working conditions in our supply chains" of Chapter 3 "Sustainability" of this Universal Registration Document.

2.4 Compliance risks

Intellectual property protection

Probability of occurrence:



Impacts:



Description of the risk

Recurring breaches of the Houses' intellectual property rights or allegations of breaches by the Group's brands. The infringement of registered trademarks and the copying of designs on the market could affect demand for products created by Kering's Houses.

Example case(s)

- The infringement of registered trademarks and the copying of designs on the market, as well as parallel trading and copyright breaches, could affect demand for genuine products created by the Group's Houses.
- The unauthorized use of registered trademarks and other intellectual property rights, the unauthorized sale of products created by the Group's brands and the distribution of counterfeit goods cause damage to the Group's image.

Group actions

Kering works to protect its rights and is active in the campaign against counterfeiting, as this can have an impact on revenue and damage the reputation of the Group and its products.

Initiatives are led by the Legal Departments of its Houses, which follow the intellectual property management policies recommended by the Group with the help of the Group's legal function at regional level (Asia, the Americas, and Europe) as well as external advisors, in conjunction with the competent local authorities at local level (subsidiaries).

The Group's Legal Departments implement active and diversified policies to counter breaches of their rights. Kering actively opposes parallel distribution networks and illegal networks that sell counterfeit or copied goods, and against cheap imitations that devalue the creative work of the Houses.

Protection and defense of the Group's intellectual property takes many forms, including customs seizures, police raids and legal action. The cost of protecting rights is managed by the legal functions and adapted to the Group's scale and size.

Fraud and corruption

Probability of occurrence:



Impacts:



Description of the risk

Lack of compliance control procedures designed to mitigate the risk of internal and external fraud and to combat bribery and corruption, whether passive, active, public or private.

Example case(s)

- Offering gifts, invitations or travel to business partners, public officials, or other decision makers in order to unduly influence a decision or a relationship with the Group.
- Agreement to provide sponsorship or give gifts with the aim of unduly influencing a decision or relationship with the Group, for example by making a gift to a charity organization that then passes on the money as a bribe to a third party.
- Misuse of a real estate transaction as a means of bribing a third party, for example by taking a lease over premises that ultimately belong to a public official to unduly influence a decision or a relationship with the Group.
- Undue award by a Group employee of a supplier contract (product or other supplier) in order to receive a bribe from the supplier.

Group actions

In 2015, the Group set up a dedicated function responsible for developing and supervising implementation of the compliance program designed to mitigate compliance risks. It is headed by a Group Chief Compliance Officer who reports to the Audit Committee of the Board of Directors, which meets each year to review progress in the program. The Audit Committee ensures that compliance risks are sufficiently mitigated and that the Group's Compliance Officers have the appropriate resources. The Group's Chairman and Chief Executive Officer and the Group Deputy Chief Compliance Officer meet regularly with the Group Chief Compliance Officer for the same purpose. To ensure the day-to-day monitoring and effectiveness of the anti-corruption program, the Group Chief Compliance Officer is supported by (i) a team of four Compliance Officers based in Paris, Milan, Hong Kong and Shanghai, (ii) a network of Brand Compliance Officers appointed by the brand Chief Executive Officers, and (iii) a network of Local Compliance Officers.

An initial assessment of bribery and corruption risks was used to draw up a risk map in 2016-2017, which was updated in 2018. In 2019, the Group performed an in-depth assessment of bribery and corruption risks in its operations and in the operations of each of its Houses. The assessment lasted nine months and was performed by independent service providers in conjunction with the Compliance Officers. It involved more than 242 Group employees worldwide and at all levels. To ensure that the risk assessment was comprehensive, each type of corruption relevant to the Group was identified and assessed after analyzing first, second and third levels of control. They included non-compliant hiring, cash, gifts, hospitality and entertainment, sponsorship and donations, relations with third parties (including real estate transactions), discounts, CRM program, inventory, and mergers and acquisitions. The resulting corruption risks were rated and ranked in a preliminary risk map, which was then presented to the Group's Chairman and Chief Executive Officer, the Group Managing Director and the House Chief Executive Officers for feedback before drawing up the final risk map.

The revised risk map was used as a basis for an action plan involving most functions and all the Houses, in order to further mitigate the risks identified. A set of revised compliance procedures was then published, and is being circulated throughout the Group. Relevant employees are receiving customized training to improve first level control over the new procedures. Second level compliance controls have been performed off-site since 2016 and on-site since 2019 by Corporate Compliance to assess implementation from a legal viewpoint. An initial on-site audit was performed in China in 2019 and a compliance roadmap established for 2020. Third level internal audits have also been performed regularly since 2018 to assess progress in implementing the compliance program, based on an audit plan consistent with the risk map.

For example, the risk of corruption identified as the most material for the Group is relations with third parties, in particular with business partners or in connection with real estate transactions, due to the high amounts involved and existing controls. The Group has therefore adopted a revised third-party due diligence procedure, which now covers all third parties that have entered into an agreement with the Group, notably in coordination with the Hercules project and the purchasing processes. This procedure requires a more or less in-depth assessment depending on the third party's risk profile. Another example is gifts, invitations and entertainment, which are not in itself as high a risk for the Group due to the relatively small amounts involved and existing controls. However, because of the frequency of these practices in the luxury goods industry, they still represent a major risk for the Group. Consequently, Kering has decided to monitor controls over gifts, hospitality and entertainment more closely.

A culture of compliance and integrity is being instilled throughout the Group through the personal commitment of the Group's senior executives and through regular communication from them on these issues. These commitments and communications are conveyed by the senior executives at Kering's Houses, the Brand Compliance Officers and the Local Compliance Officers. The Compliance Officers also provide compliance training each year for hundreds of employees worldwide, according to the compliance risks to which they are exposed. In addition, the Group's annual mandatory online training includes a revised section on bribery and corruption. This new compliance training also provides the opportunity to remind employees about the whistleblowing system and the Group's non-retaliation policy.

Contract management

Probability of occurrence:



Impacts:



Description of the risk

Failure to implement practices or procedures as regards contracts, leading to contracts that are not negotiated in accordance with the existing policies, or contracts that are not duly revised or authorized, exposing the Group to financial, fiscal or operational problems.

Example case(s)

- Loss of strategic suppliers with specific skills, due to insolvency or a takeover by competitors, leading to a production shutdown.
- Dependence of a supplier on one or more of the Group's Houses, resulting in the supplier becoming insolvent on termination of the contractual relationship with the House(s) in question.
- Loss of strategic sales outlets, which could lead to a decline in revenue.
- Failure to register a trademark or design in a timely manner.
- Disparities in the delivery of services or products by a supplier and the contractual terms.

Group actions

The Group is not significantly dependent on any patents, licenses or third-party supply sources. The Group owns or has license rights to the trademarks, patents and intellectual property rights that it exploits, free of any restrictions as to right of priority or use (and of rights likely to restrict such exploitation) in all relevant markets. The same applies to the corporate names and domain names of the subsidiaries or entities, to the names of the Group's stores and points of sale (see "Real estate management" on page 423 of this Chapter) and to the trademarks and signs of the goods and products manufactured and marketed by the various Group entities. This situation does not preclude any of the trademarks belonging to the Group being licensed to third parties for the sale of goods or services under its trademark enhancement policy, as has been the case in fragrances and cosmetics. In all cases, any such licensing agreements have been entered into under fair commercial and financial terms and conditions, and have no impact on the ownership of the trademarks and signs belonging to the Group.

Further information on contractual obligations and other commitments is provided in Notes 30 and 35 to the 2019 consolidated financial statements on pages 343 and 365 of this Universal Registration Document.

The Group has strengthened its teams, particularly in the Legal Department and the Shared Services Centers, to ensure that contracts have been properly set up with the Group's suppliers. Since 2015, the Hercules program has strengthened the shared, standardized approach to supply chain management between the Houses.

Legal compliance and litigation

Probability of occurrence:



Impacts:



Description of the risk

Non-compliance with the applicable standards and/or national laws and regulations, resulting in legal proceedings and disputes arising out of the normal course of business.

Example case(s)

- Non-compliance with local standards.
- Non-compliance with customs standards.
- Misdeclaration of product origin.
- Inability to sell certain products due to non-compliance with local standards.
- Inaccurate declaration on compliance with the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

Group actions

To guard against risks of non-compliance due to a lack of awareness of legislative change, Kering provides its businesses with a regulatory intelligence service, through headquarters and support centers in the regions in which the Group operates.

Provisions have been set aside for the probable costs of disputes (e.g., complaints or litigation), as estimated by the entities and their experts. According to the Group entities' experts and advisors, no litigation currently in progress concerning Group companies presents a risk for the normal operations of the Group, or for its future development. Provisions have been set aside in the Group's 2019 consolidated financial statements to cover all of the above-mentioned legal risks, including the impact of commitments given on the disposal of controlling interests (see Note 28, page 342). None of these risks have been qualified as arising outside the scope of normal business for Group companies.

The Group considers that the effective methods and procedures for identifying and managing its industrial and environmental risks within each of the entities concerned, which rely chiefly on the advice of duly authorized external organizations and advisors, meet, in terms of relevance and proportion, customary technical and professional standards under the prevailing regulatory framework. An active prevention and safety policy is an integral part of these methods and procedures.

Furthermore, the Group has granted various vendor warranties in connection with disposals of controlling interests in subsidiaries made over the last ten years (see Note 35 to the 2019 consolidated financial statements, on pages 364 and 365).

As regards the laws and regulations applicable to the Group's activities (excluding possible international sanctions that may be imposed against certain countries but have no impact on the Group's activities), Kering's businesses are subject to the same constraints and obligations as those directly applicable to its competitors on its different markets. None of the businesses are subject to specific rules or exemptions in any of the relevant territories.

The Company is not aware of any foreseeable regulatory or legislative changes in contradiction with the foregoing.

To the Company's knowledge, during the last 12 months or more, there have been no governmental, legal or arbitration proceedings (including any pending or threatened proceedings of which the issuer is aware) that have had in the recent past or are likely to have in the future, a significant impact on the financial position or earnings of the issuer or the Group.

Intellectual property infringement

Probability of occurrence:



Impacts:



Description of the risk

Lack of processes for verifying preexisting intellectual property rights of other companies or third parties during the creative process, potentially leading to a breach of intellectual property rights.

Example case(s)

Allegations of intellectual property breaches committed by the Group's Houses could lead to sizable claims for damages, as well as financial losses relating to the withdrawal of products, and have a negative impact on the Group's reputation.

Group actions

The Group's Legal Departments manage the trademark portfolio and other intellectual property rights, determine which elements need protecting and ensure that the products do not breach the rights of third parties.

Aware of the importance of intellectual property in the creation and innovation process, the Kering group has established a general intellectual property management policy that all of the Houses have undertaken to follow, including verifying preexisting intellectual property rights of third parties during the creative process.

Lastly, the Group has formed legal organizations at the regional (Asia, the Americas and Europe), local (subsidiaries) and central levels in order to monitor its observance of the many intellectual property laws and rights worldwide.

Compliance with national tax laws and international standards

Probability of occurrence:



Impacts:



Description of the risk

Non-compliance with the national tax laws and international standards applicable to Group entities, leading to tax investigations and disputes arising out of the normal course of business.

Example case(s)

- The calculation of taxes due by Group entities is not in compliance with local regulations.
- The entity's tax team is not sufficiently qualified to understand its tax issues.
- Non-compliance with local transfer pricing requirements on intra-group transactions.
- Documents justifying the tax treatment of a transaction are unavailable or incomplete.

Group actions

As a responsible corporate citizen, Kering is firmly committed to complying with – and ensuring that all Group entities worldwide comply with – the applicable national tax laws and international standards. Kering is also committed to ensuring that all Group entities pay all of the taxes due in each of the countries where they operate.

To this end, in 2016 the Group initiated a comprehensive reorganization of its tax function, significantly enhancing its local and corporate tax teams by investing in highly skilled employees and continuous professional development in order to identify and understand the various tax-related issues that may arise.

The Group's Tax Department, which has been restructured, is notably responsible for:

- consolidating tax information from all Group companies;
- understanding and monitoring tax issues that arise at national or international level and coordinating responses in compliance with the applicable laws and standards;
- ensuring that intra-group transactions are documented as required;
- providing technical support on tax-related matters during the preparation of consolidated financial statements.

The Tax Department has therefore implemented a number of verification and control tools to help it identify and resolve any tax issues that may arise within the Group and to ensure compliance with the applicable national tax laws and international standards. These tools include regular analyses of comparable information to ensure that intra-group transactions are carried out on an arm's length basis; annual reviews of Group entities; and close, detailed monitoring of any tax audits to which Group entities are subject.

In addition, the Tax Department actively ensures that all Group entities apply and uphold the following principles:

- allocate the human and financial resources necessary to conduct their business;
- only have a presence in countries where they actually conduct business;
- comply with the applicable national laws and international standards on transfer pricing. To this end, it develops and updates all of the necessary documentation in this regard and provides the relevant resources, such as analyses of comparable transactions and risk analyses;
- cooperate fully with local tax authorities and government agencies and, where relevant, share their experience and expertise. For example, the Group's Tax Department participated in the European Parliament's Special Committee on Financial Crimes, Tax Evasion and Tax Avoidance (TAX3 Committee), during which it presented the key components of Kering's tax governance.

2.5 Financial risks

The Group's main financial risks are market risk (foreign exchange risk, interest rate risk, equity risk) and liquidity risk. When assessing these risks, the Group takes account of the risk management policies put in place to mitigate the probability of their occurrence or their impact.

A centralized structure has been established at Group level for monitoring and managing liquidity, foreign exchange and interest rate risks. The Group's Financing and Treasury Department, which reports to the Finance

Department, is responsible for this organization and has the necessary expertise, resources (particularly technical) and information systems. It executes transactions in various financial markets with optimum efficiency and security via Kering Finance SNC, which is dedicated to cash management and financing. The Financing and Treasury Department also coordinates cash management for the subsidiaries and sets out the Group's banking policy.

Foreign exchange risk

Probability of occurrence:



Impacts:



Description of the risk

In light of its global reach, the Group is naturally exposed to currency fluctuations. These changes can have an impact on Kering's results and equity expressed in euros, particularly on translation of non-eurozone subsidiaries' financial statements. This makes it difficult to compare performances from one year to the next.

In addition, the majority of the Group's sales are carried out in currencies other than its functional currency, primarily in US dollars and in Asian currencies such as the Japanese yen and the Chinese yuan. Purchases and other expenses related to production are primarily denominated in euros.

Example case(s)

Based on market data as of December 31, 2019, the impact of foreign exchange hedging instruments in the event of a sudden 10% increase in the euro exchange rate against the principal currencies to which the Group is exposed (USD, JPY and CNY) would have a positive impact of €225.3 million at December 31, 2019 on the revaluation reserve for financial instruments recognized in equity.

Group actions

The Group has adopted a hedging strategy to minimize the impact of currency fluctuations on its results. This means that it uses derivative hedging instruments to reduce its exposure to currency risk based on the specific requirements of each business.

These instruments are used either to hedge foreign currency trade receivables and payables, or to hedge highly probable forecast exposures and/or firm commitments. Each entity hedges the risk generated by using a currency other than its functional currency in its commercial dealings.

The Group does not apply foreign exchange hedges to the foreign currency net assets of consolidated entities.

Foreign exchange risk hedging by the Luxury activities' entities mainly covers sales made to their retail subsidiaries, and, to a lesser extent, purchase flows.

Future foreign exchange exposures are determined using a regularly updated budget procedure.

Hedging periods are adapted to each House's business cycle and only marginally exceed one year at each reporting date.

Foreign exchange policies and procedures are set out by each company's Executive Committee and validated by Kering.

Each House hedges its own foreign exchange risks in accordance with policies and procedures reflecting its specific requirements.

These procedures incorporate Group policies as defined by Kering:

- Kering Finance SNC is the sole counterparty in currency transactions, except where specific regulatory or operating constraints rule this out;
- the amounts and maturities of all currency hedging transactions are backed by an economic underlying to prevent any speculative dealing;
- all highly probable exposures are at least 80%-hedged where they concern forecast amounts, or fully hedged in the case of firm commitments;
- Kering has strictly limited the type of financial instruments that may be used for hedging purposes;
- each House implements its own internal control system and conducts audits on a regular basis.

Kering ensures that each House's currency risk management policy is consistent with its underlying foreign exchange exposure, notably through a monthly currency reporting procedure. Kering also conducts periodic audits at Group level.

The Group also hedges foreign exchange risk on financial assets and liabilities issued in foreign currencies by using currency swaps for refinancing purposes or by investing cash in euros or local currency.

Note 31.2 to the annual consolidated financial statements sets out the nature of the hedging instruments held by the Group and its exposure to foreign exchange risk (see page 351, "Exposure to foreign exchange risk").

Kering Finance SNC processes, controls and provides administrative support for foreign exchange transactions on behalf of Group companies. Front-, middle-, back-office and accounting tasks are separated for security reasons, as well as to ensure that derivatives contracted internally are unwound on the market. Kering Finance SNC uses market-standard techniques and information systems to price currency instruments.

Equity risk

Probability of occurrence:



Impacts:



Description of the risk

In the normal course of its business, the Group is exposed to equity risk through its shares in consolidated companies and the shares issued by Kering.

Example case(s)

By way of illustration, a change of 10% in the value of PUMA shares compared with the closing price on December 31, 2019 would have an impact of €161.9 million on the value of the Group's interest in PUMA.

Group actions

The Group trades in its own securities either directly or through derivatives as part of its stock repurchase program and in accordance with applicable regulations. Kering has also signed an agreement with a financial broker in order to improve the liquidity of its shares and ensure share price stability. This agreement complies with the Professional Code of Conduct drawn up by the French association of financial and investment firms (*Association française des marchés financiers* – AMAFI) and approved by the French financial markets authority (*Autorité des marchés financiers* – AMF).

As of December 31, 2019, Kering held 1,261,406 treasury shares, representing just 1.00% of its share capital and confirming its low level of exposure in this regard.

Naturally, the value of Kering's investment in PUMA, which is treated as an equity-accounted investment as of December 31, 2019, could vary depending on changes in PUMA's share price.

Shares held in connection with non-consolidated investments represent a low exposure risk for the Group and are not hedged.

Additional information on equity risk is provided in Note 3L3 to the annual consolidated financial statements (page 355).

Interest rate risk

Probability of occurrence:



Impacts:



Description of the risk

The Group's exposure to interest rate risk can be estimated on the basis its consolidated net debt, which is primarily denominated in euros (€2,812.2 million as of December 31, 2019).

The Group is therefore affected by interest rate changes in its functional currency and, to a lesser extent, by interest rate changes in the other currencies that contribute to its consolidated net debt.

Example case(s)

Based on the fixed/floating rate mix after hedging, a sudden 50 basis-point increase or decrease in interest rates would have a full-year impact of €0.7 million on pre-tax consolidated net income as of December 31, 2019. As of December 31, 2018, the impact of a sudden 50 basis-point increase or decrease in interest rates was estimated at €4.8 million.

Group actions

The prudent management of interest rate risk falls within Kering's remit, and is carried out on a consolidated basis by Kering Finance SNC. Kering has set a 70%-fixed/30%-floating target rate mix for consolidated gross debt.

Interest rate risk is measured based on current and projected consolidated net debt, the schedule of hedging positions and fixed/floating-rate debt issuances. This enables interest-rate hedging in accordance with the Group's target fixed/floating rate mix. Appropriate hedging products are mainly set up through Kering Finance SNC, in close liaison with Kering's Executive Management. Kering uses (i) interest rate swaps to convert floating-rate bonds to a fixed rate, and (ii) caps and collars in order to protect floating-rate financing against rises in interest rates.

Kering Finance SNC processes, controls and provides administrative support for interest rate transactions on behalf of Group companies. Front-, middle-, back-office and accounting tasks are separated for security reasons. Kering Finance SNC uses market-standard techniques and information systems to price interest rate instruments.

Note 31.1 to the annual consolidated financial statements sets out the nature of the hedging instruments held by the Group and its exposure to interest rate risk (see page 348, "Exposure to interest rate risk").

Liquidity risk

Probability of occurrence:



Impacts:



Description of the risk

The Group's liquidity risk corresponds to the risk that it will be unable to use its financial resources to meet its financial commitments in order to ensure business continuity.

This depends on the Group's level of exposure to market trends that may result in a higher cost of credit or to a temporary restriction in access to external sources of funding.

Example case(s)

Were the market in NEU CP (short-term negotiable securities) to dry up due to exogenous factors, such as a monetary crisis, leading to the inability to make new or renew existing issues, Kering would be forced to use its credit lines, in particular the €2,385 million syndicated loan renegotiated in December 2018, in order to meet its commitments.

Group actions

Liquidity risk management for the Group and each of its subsidiaries is closely monitored and periodically assessed by Kering, based on Group- and House-level financial reporting procedures.

In order to manage liquidity risk that may arise when its financial liabilities fall due, the Group's financing policy is geared towards optimizing its maturity schedule and cost of debt. Kering made a €550 million issue of zero-coupon bonds exchangeable for PUMA shares in September 2019.

The Group's active risk management policy also seeks to diversify sources of funding and limit reliance on individual lenders.

The Group had confirmed lines of credit totaling €3,035 million as of December 31, 2019 compared to €3,135 million as of December 31, 2018 (see Note 30.5.3 to the annual consolidated financial statements, page 347).

The main syndicated facility was renegotiated on December 20, 2018 for €2,385 million, with an initial term of five years and two one-year loan extension options.

A one-year extension option was exercised in December 2019 and the new due date is now December 2024.

As of December 31, 2019, the Group still has a one-year extension option.

As of December 31, 2019, Kering and Kering Finance SNC had not drawn down any of the confirmed lines of credit. Total undrawn credit lines available therefore amounted to €3,035.0 million.

Kering has a Euro Medium Term Notes (EMTN) program filed with the AMF for its bond issues, representing €6 billion. As of December 31, 2019, €2,597.0 million of this amount had been used, of which €267.0 million issued in US dollars. The EMTN program was extended on December 19, 2019 for a further one-year period. Kering's short-term debt is rated "A-2" by Standard & Poor's, while its long-term debt is rated "A-" with a stable outlook.

The Group's bonds and bank lines of credit are governed by the standard commitment and default clauses customarily included in this type of agreement: *pari passu* ranking, a negative pledge clause that limits the security that can be granted to other lenders, and a cross-default obligation. The bonds issued within the scope of the EMTN program are all subject to change-of-control clauses entitling bondholders to request early redemption at par if Kering's rating is downgraded to non-investment grade following a change of control.

Bond issues under the EMTN program and the Group's confirmed lines of credit are not subject to any financial ratio covenants.

The Group was in compliance with all of these covenants as of December 31, 2019 and there is no foreseeable risk of default.

In addition, as of December 31, 2019, the Group had issued €804.6 million of securities under its NEU CP program (formerly commercial paper program) filed with the Banque de France.

As of December 31, 2019, the Group had cash and cash equivalents totaling €2,285.9 million.

Information relating to liquidity risk is presented in Note 31.7 to the annual consolidated financial statements (page 356).

2.6 Risk treatment

The Kering risk management policy is based on the ongoing identification and evaluation of risks, risk prevention, protection of people and property, and safety and business continuity plans.

The Group's risk management policy also includes the transfer of risks to insurance companies.

Insurance against risks

The Group's policy of transferring significant risks to insurance companies is based on:

- achieving the best economic balance between risk coverage, premiums and self-insurance;

and,

- the insurance available, insurance market constraints and local regulations.

Coverage is based on the "all risks except those specifically excluded" approach, determined by assessing the financial consequences for the Company of a possible claim, especially in the areas of:

- third party liability: bodily harm or property damage to third parties caused by products, fittings and equipment;
- fire, explosions, water damage, etc.;
- operating losses following direct damage.

Insurance coverage is purchased based on an assessment by site and company of the level of coverage necessary to face reasonably estimated potential occurrences of diverse risks (liability, damage and third-party retailer counterparty). This assessment takes account of the analyses of the insurers underwriting the Group's risks.

The insurance programs now in force in the Group, which centralizes most purchases of insurance policies such as property and casualty risks for subsidiaries, were taken out with the assistance of internationally recognized insurance brokers specialized in covering major risks, with reputable insurers in the industrial risk insurance sector.

Main existing insurance programs:

- property damage from fire, explosion, floods, machine breakage, natural disasters affecting its own property: property, furnishings, equipment, merchandise, IT installations, and property for which it is responsible, as well as any resulting operating losses, for any period deemed necessary for normal business activities to resume;

- damage and loss of equipment, merchandise and/or goods in transit;
- damage resulting from theft, fraud, embezzlement, or acts of malice to valuable assets, data and/or property;
- bodily harm or property damage following construction work carried out as project owner (new buildings, renovations, refurbishments, etc.);
- liability for bodily or property damage to third parties by motorized vehicles belonging to the different Houses;
- general and environmental liability for "operating risk", "post-delivery risk" and "risk after services rendered", due to damage caused to third parties in the course of the Group's business;
- non-payment of receivables by third-party retailers, particularly in the event of default or insolvency.

Other insurance contracts are taken out by Group companies to cover specific risks or to comply with local regulations.

Uninsured risks are exposures for which there is no insurance coverage offered on the insurance market, or for which the cost of available insurance is disproportionate compared to the potential benefits of the coverage.

The Kering group handles known and manageable risks given the current scientific and medical understanding in a manner consistent with other French and international industrial groups with similar types of exposures. This is one of the reasons why the Group is able to place its risks with insurers prepared to deal with the unforeseeable and uncertain consequences of accidents.

Insurance coverage concerns all Group companies.

The levels of coverage in place for the main potential risks facing the Group as a whole as of January 1, 2019, were as follows:

- damage, fire, explosions or water damage and the ensuing operating losses: €300 million;
- third party liability: €145 million;
- damage to or loss of goods in transit: €15 million;
- fraud and acts of malice to goods and valuables: €20 million.

The total risk financing cost for Kering includes three main items (in addition to "physical" protection and prevention expenditure) and breaks down as follows:

- cost of deductibles and non-insured losses retained or self-insured by the subsidiaries in 2019: €2.019 million;
- claims covered by the Group itself through its reinsurance company in 2019: €9.7 million (total estimated at year-end 2019).

Taking out self-insurance through the Group's reinsurance subsidiary reduces insurance costs and enhances

performance because (i) frequently occurring risks are pooled within the Group and insured for an amount that is fixed per claim and (ii) exceptionally frequent claims made in a given year are covered by reinsurance.

Since July 1, 2019, the Group's reinsurance company has covered damage and operating losses of up to €3 million per claim (for the period from July 1 to June 30):

- insurance premiums and management fees including engineering visits and brokers fees, etc. (final 2019 expenses): €14.161 million.

3. COMPLIANCE WITH THE GENERAL DATA PROTECTION REGULATION

As a Luxury group, Kering collects customer data that could potentially have a higher market value than similar data in other industries. Aware of the risk of data misuse and the development of legislation in this regard, Kering is working on developing a standard global compliance program to ensure that all of its Houses treat these issues

consistently. This will help to strengthen its digital and IT strategy. Nevertheless, technological progress and the international scale of the Group make it impossible to eliminate all potential risks. To mitigate these risks, the following measures have been implemented.

3.1 Implementation of appropriate technical and organizational measures

3.1.1 Data protection governance

In general terms, the Legal Department, through the Group Privacy Officer, remains responsible for ensuring compliance with data protection legislation and in particular European Regulation No. 2016/679, the General Data Protection Regulation (GDPR). The Legal Department works on a cross-cutting basis with all other stakeholders involved in managing personal data.

Kering's Group Privacy Officer is responsible for (i) ensuring the Group's compliance with its data protection obligations, and (ii) implementing a cross-cutting approach that includes all of the teams potentially involved in data protection, in particular the Human Resources, Safety and Security (physical and IT), Marketing and Digital, and

Legal Departments. The Group Privacy Officer has direct access to the Legal Departments of all the Houses and the Group's Executive Management. He deals with all data governance issues with the help of a Privacy Network, which enables the Group to take both a global approach and a local approach through its Houses in the countries where it operates. This harmonized governance structure enables the Group to factor in various structural changes such as growth in e-commerce and distance selling, as well as the legal context relating to data protection.

In accordance with the GDPR, the Kering group also has internal or external Data Protection Officers working within the Privacy Network.

3.1.2 Personal data processing and risk management – accountability

Following the introduction of various personal data protection laws, the Kering group continuously endeavors to improve its knowledge of tools used and types of processing. This knowledge is used to implement robust organizational measures at project and IT team level.

Under the supervision of the IT architecture teams, Group applications are mapped on a cyclical basis. This mapping and the method used form the basis for drawing up GDPR-compliant records of processing activities and enable the Group to perfect and maintain its knowledge of processing performed.

All projects that could potentially lead to the processing of personal data are monitored and checked through a Gate process, which aims to strengthen the analysis and consideration of risks, particularly in terms of personal data security and processing. This data protection impact analysis (DPIA) is an important tool in implementing the accountability principle. A DPIA is therefore performed before any projects are started, to analyze the type of risk related to a project involving personal data and to recommend measures to mitigate or prevent the risk.



This process is also used to take personal data protection into account as of the design stage of an application or processing. It is accompanied by recommendations for minimizing the amount of data collected in light of the related purpose, defining appropriate retention periods, presenting information notices or obtaining consent where required, deploying data security and confidentiality measures, and identifying the roles and responsibilities of the parties involved in data processing. In this early-stage approach, the rights of data subjects and the organizational and technical measures taken by the Group must be taken into consideration from the outset.

Thus, as required by the GDPR, knowledge of the methods used by the IT department contributes to determining the purposes of processing.

3.1.3 Implementation of internal and external processes to ensure the Group's compliance

In light of the global deployment of our Houses and the increasingly widespread use of digital marketing tools, the Group has taken steps to reinforce the contractual and organizational framework concerning data protection.

Subcontractors

The Group may only use subcontractors that provide sufficient guarantees as to their implementation of appropriate technical and organizational measures. Subcontractors must (i) ensure that processing and processing methods meet GDPR requirements, and (ii) guarantee the protection of the data subject's rights. These requirements apply to all of the subcontractors working for the Group or the Houses, and the purchasing, operational and legal teams all work closely together as part of this approach.

Awareness and information reporting

The Group makes a special effort to raise awareness and organize the reporting of information through an employee training and communications plan. An awareness and information reporting organization plan is being deployed under the supervision of the Group Privacy Officer. This process aims to strengthen the privacy culture in the organization and develop reflexes to ensure the best possible response to the needs of our customers and our Houses.

In 2019, a total of 11 three-hour training sessions were given to 330 staff at management level and in the following central services departments: Human Resources, Legal, IT, E-Commerce and CRM in France, Italy and the UK. This training covers how data protection is implemented in the Group and aims to identify areas for improvement

The Privacy Network is responsible for determining the purposes of processing with centralized oversight by the Group Privacy Officer. This approach provides the basis for drawing up the records of processing activities required by Article 30 of the GDPR. The Group's records of processing activities evolve constantly in line with changes in the Group. To that end, a licensed software solution purchased from a leading GDPR compliance software provider has now been integrated and developed to enable updating to be carried out in real time. Thanks to this software, the Group is able to track changes in data processing, taking into account new issues arising from the growing digitalization and international development of its business.

Furthermore, the Group is drawing up a data protection impact policy according to the various lists of processing types for which an impact assessment is required.

through workshops. An e-learning module is also available to employees on the Campus platform, adding a global message intended for all staff to the tone at the top. To strengthen this aspect, the Group Privacy Officer and the Chief IT Security Officer work together to monitor legal and technical developments and to relay information to employees and other parties involved in data protection in the Group.

Incident response procedure

The procedures currently in place for responding to data-related incidents are varied and rely on the individual assessment of the House legal teams. Kering is working to introduce procedures that will ensure a unique and consistent approach to data protection and incident response. These procedures will enable responses to be structured based on the confidentiality level of the data involved and the number of people potentially impacted.

Procedures for managing requests from data subjects

Similarly, the Group has internal processes and dedicated teams to deal with complaints and requests from data subjects wishing to exercise their rights (right of access, rectification and opposition, right to data portability, withdrawal of consent, etc.). These processes set out the parties involved and the methods of exercising those rights, as well as updating the procedures to follow in the event of new legislative or regulatory requirements. They are implemented by the Houses at the direction of the Group Privacy Officer, and are being centralized and harmonized in order to comply with the applicable laws and regulations in all countries where the Houses operate.

Dedicated email addresses for data subjects to exercise their rights have been created for each House. The procedures will be updated regularly to anticipate

and facilitate the exercise and management of data subject requests.

3.2 Typology of data subjects

The measures described above enable the Group to take a dynamic approach to personal data processing issues. Through this approach, the Group can identify the different populations with which it interacts on a day-to-day basis, such as its customers, employees and third parties.

3.2.1 Customer data protection governance

As a Luxury group, Kering collects customer data that could potentially have a higher market value than similar data in other industries. Consequently, the Group is working in a number of ways on the purposes and methods of processing the personal data of its Houses' customers. This work takes into consideration the legitimate expectations expressed as regards fair processing of personal data, but also growing demand from customers for the personalization of their exchanges with our Houses.

The Group makes direct requests for data to its customers during the various cycles of their interaction with the brands. The Group's omni-channel approach allows store and internet customers to enter the data they wish to communicate to the Group themselves, to indicate whether or not they wish to benefit from special offers and receive

the brand's newsletter. The Group and its Houses are very sensitive to the fact that information and, as applicable, consent collected from customers must be concise, transparent, understandable, and expressed in clear and simple terms. Improvements continue to be made in this area, particularly as regards means of communication and understanding of the privacy protection policy, through digital tools, which simplify this process.

Kering is currently establishing a global definition of its operations to help identify the specific features of each of its Houses. This approach should lead to a more granular vision of the rules and customer expectations as regards the Group's various Houses.

3.2.2 Employee data protection governance

Kering is also applying this harmonized approach to the data collected by each Group entity about their employees. The working relationship between employees and their employer is based on a balance between the legitimate

interests of the employer and the reasonable expectations of employees about the protection of their privacy. Thus, for most processing of employee data collected by the Group, the legal basis cannot be and should not be consent.

3.2.3 Third party data protection governance

Apart from customer and employee data, the Kering group may sometimes process the personal data of third parties (subcontractors, apprentices, interns, other parties, etc.). In keeping with its ethical principles and general duty of transparency, the Group continues to record all processing

performed during its business operations. Third-party data, as identified through the Group's records of processing activities, is the subject of a major review initiated at the end of 2019 with the aim of introducing specific rules for third-party data.

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CHAPTER 7

Share capital and ownership structure

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1. SHARE CAPITAL

1.1 Share capital

Share capital as of December 31, 2019

As of December 31, 2019, the share capital amounted to €505,117,288 and was divided into 126,279,322 shares with a par value of €4 each (all of the same class), all fully paid up. The number of actual voting rights at the same date totaled 177,807,218 (after deducting treasury shares, which do not carry voting rights).

As of December 31, 2019, to the Company's knowledge:

- the Directors directly held 0.022% of the share capital, representing 0.084% of the voting rights (after deducting treasury shares, which do not carry voting rights);
- the Company directly held 1,261,406 treasury shares, but did not hold any under the liquidity agreement; none of the Company's shares were held by controlled companies.

Share capital movements over the past three years

Year	Description of transaction	Additional paid-in capital	Nominal amount of capital changes	Aggregate amounts of Company capital (as of Dec. 31)	Aggregate number of ordinary €4 shares (as of Dec. 31)	Aggregate number of voting rights ⁽¹⁾ (as of Dec. 31)
2019	-	-	-	€505,117,288	126,279,322	179,068,624
2018	-	-	-	€505,117,288	126,279,322	179,237,654
2017	-	-	-	€505,117,288	126,279,322	179,325,618

(1) Total number of voting rights, including treasury shares.

1.2 Treasury shares held by the Company and its subsidiaries

Acquisition of treasury shares by the Company

Pursuant to a liquidity agreement dated May 26, 2004, Kering signed an agreement with a financial broker to improve the liquidity of its shares and ensure share price stability. This agreement complies with the Professional Code of Conduct drawn up by the French association of financial and investment firms (*Association française des marchés financiers* – AMAFI) and approved by the French financial markets authority (*Autorité des marchés financiers* – AMF).

The agreement was initially endowed with €40 million, half of which was provided in cash and half in Kering shares. An additional €20 million in cash was allocated to the agreement on September 3, 2004, and a further €30 million on December 18, 2007.

In accordance with an amendment dated December 15, 2016, Kering maintains a credit balance of €5 million in the liquidity account with the financial broker.

Kering and Rothschild Martin Maurel entered into a new liquidity agreement with effect from February 13, 2019. The new agreement was set up in the wake of changes in

the regulations governing liquidity agreements following AMF ruling no. 2018-01 of July 2, 2018, applicable since January 1, 2019. The new agreement replaces the previous agreement with Rothschild Martin Maurel. Transactions under the liquidity agreement will be carried out on Euronext Paris.

The Annual General Meeting of May 6, 2014 authorized the Board of Directors to trade in Company shares for a period of 18 months in accordance with the goals and terms of the stock repurchase program filed with the AMF. This program specifies a maximum purchase price of €220 per share and states that the number of shares purchased may not exceed 10% of the share capital.

The authorization given to the Board of Directors to trade in Company shares for a period of 18 months was renewed at the Annual General Meetings on April 23, 2015 (maximum purchase price of €250 per share), April 29, 2016 (maximum purchase price of €230 per share), April 27, 2017 (maximum purchase price of €320 per share), April 26, 2018 (maximum purchase price of €480 per share) and April 24, 2019 (maximum purchase price of €580 per share).

On April 23, 2020, the Annual General Meeting will be asked to authorize the Company to trade in its own shares under a new stock repurchase program with the same conditions as those stipulated for previous authorizations. The maximum purchase price would be raised to €600 per share.

The objectives that could be pursued within the scope of these transactions involving the purchase by the Company of its own shares are defined in the corresponding draft resolution and include, in particular, the cancellation by the Company of its own shares, the allotment of shares to the Company's employees or corporate officers within the scope of free share plans or stock purchase option plans, ensuring liquidity and maintaining the Company's share price as part of a liquidity agreement or retaining the shares and, where applicable, selling, transferring or exchanging them in external growth transactions.

Stock repurchase program

Within the scope of the stock repurchase program authorized at the Annual General Meeting of April 26, 2018, the Group set up a first stock repurchase agreement with an investment services provider with a maximum term of four months. Put in place on October 29, 2018 the agreement concerned a first tranche of up to 631,000 shares, representing approximately 0.5% of the share capital, up to an amount of €300 million and at a price not exceeding €480 per share. At the end of the agreement, on February 28, 2019, a total of 603,406 shares had been repurchased, of which 174,389 in 2019.

As part of the stock repurchase program authorized by the Annual General Meeting of April 24, 2019, the Group set up a new stock repurchase agreement with an investment services provider. The new agreement was put in place on June 14, 2019 for up to 658,000 shares, representing approximately 0.5% of the share capital, at a price not exceeding €580 per share and for an initial term of three months. At the end of the second agreement, on July 31, 2019, a total of 658,000 shares had been repurchased.

Consequently, the Group purchased 832,389 of its own shares in 2019 under these two agreements combined, bringing the total number of shares still held in treasury to 1,261,406 as of December 31, 2019. The repurchased shares will be canceled during 2020.

Repurchase and sale of shares in 2019 – Trading costs – Number of treasury shares held as of December 31, 2019

Stock repurchasing

A total of 206,397 shares were repurchased by the Company during 2019, pursuant to the authorization given at the Annual General Meeting on April 26, 2018, at an average price of €433.95 per share.

The Company repurchased an additional 866,483 shares under the authorization given at the Annual General Meeting of April 24, 2019, at an average price of €492.76 per share.

In 2019, Kering therefore repurchased a total of 1,072,880 shares at an average price of €481.45 for the following purposes:

- 240,491 shares at an average price of €474.02 per share under the liquidity agreement;
- 174,389 shares at an average price of €437.28 per share pursuant to the agreement signed on October 29, 2018, for cancellation purposes;
- 658,000 shares at an average price of €495.87 per share pursuant to the agreement signed on June 14, 2019, for cancellation purposes.

The shares repurchased represent 0.85% of the share capital.

Disposals

In 2019, Kering sold 240,491 shares at an average price of €475.96 per share under the liquidity agreement.

The disposals made represent 0.19% of the share capital.

Trading costs

Total share trading costs for repurchases and sales amounted to €3.6 million.

Share cancellations in 2019

No Kering shares were canceled during the year.

As of the end of the reporting period, the Company held 1,261,406 shares in treasury. These shares will subsequently be canceled.

Repurchasing and sale of Kering shares between January 1 and February 11, 2020

Since January 1, 2020, the Company has repurchased 21,358 shares at an average price of €569.05 and has sold 21,358 shares at an average price of €570.54 under the liquidity agreement

Share cancellations in 2020

No shares were canceled between January 1 and February 11, 2020.

Use of derivatives in 2019

Kering did not buy any call options on its own shares in 2019.

As of December 31, 2019, Kering did not hold any call options on its own shares.

1.3 Authorizations to issue securities giving access to the share capital

Authorizations to issue shares or other securities in force as of December 31, 2019

Pursuant to the decisions of the Annual General Meeting of April 24, 2019, the Board of Directors has the following authorizations:

Description of authorization	Date of Annual General Meeting (resolution no.)	Period of validity (expiry date)	Maximum authorized nominal amount (in € millions)	Current use
Share capital increases with pre-emptive subscription rights				
Share capital increase via the issue, with pre-emptive subscription rights, of shares and/or securities giving access, either immediately or in the future, to shares or to debt securities ⁽²⁾	April 24, 2019 (12th)	26 months (June 2021)	200 ⁽¹⁾	Unused
Share capital increase via the capitalization of reserves, profits or additional paid-in capital	April 24, 2019 (13th)	26 months (June 2021)	200 ⁽³⁾	Unused
Share capital increases without pre-emptive subscription rights				
Share capital increase via the issue, without pre-emptive subscription rights, by public offering, of shares and/or securities giving access, either immediately or in the future, to shares, including as payment for shares tendered to a public exchange offer, or to debt securities	April 24, 2019 (14th)	26 months (June 2021)	50 ⁽⁴⁾	Unused
Share capital increase via the issue, without pre-emptive subscription rights, by private placement, of shares and/or securities giving access, either immediately or in the future, to shares or to debt securities	April 24, 2019 (15th)	26 months (June 2021)	50 ⁽²⁾⁽⁵⁾	Unused
Authorization to set the issue price for a share capital increase, without pre-emptive subscription rights, by public offering or private placement, limited to 5% of the share capital per year	April 24, 2019 (16th)	26 months (June 2021)	5% of the share capital	Unused
Share capital increase in payment for in-kind contributions, limited to 10% of the share capital	April 24, 2019 (18th)	26 months (June 2021)	50.5 ⁽⁴⁾	Unused
Share capital increases with or without pre-emptive subscription rights				
Increase in the number of shares or securities to be issued within the scope of a share capital increase, with or without pre-emptive subscription rights, limited to 15% of the amount of the initial issue	April 24, 2019 (17th)	26 months (June 2021)	15% of the amount of the initial issue ⁽⁶⁾	Unused
Restricted share issues				
Share issue reserved for Group employees	April 24, 2019 (19th)	26 months (June 2021)	5.05	Unused
Share capital reductions by canceling shares				
Authorization to reduce the share capital by canceling shares	April 24, 2019 (11th)	24 months (April 2021)	10% of the share capital per 24-month period	Unused

(1) This amount represents the overall nominal cap for share capital increases that may be carried out under the authorizations given in the 12th, 14th, 15th, 16th, 17th and 18th resolutions of the Annual General Meeting of April 24, 2019. The total nominal amount of the share capital increases carried out under these resolutions is deductible from this overall cap.

(2) Limited by Article L. 225-136 of the French Commercial Code to 20% of the share capital per year in all cases.

(3) This amount may not exceed the overall €200 million cap for issues of shares and/or securities giving access to the share capital set by the 12th resolution of the Annual General Meeting of April 24, 2019.

(4) This amount is deductible from the overall €200 million cap for issues of shares and/or securities giving access to the share capital set by the 12th resolution of the Annual General Meeting of April 24, 2019.

(5) This amount is deductible from the €200 million and €50 million caps for issues of shares and/or securities giving access to the share capital set by the 12th and 14th resolutions of the Annual General Meeting of April 24, 2019.

(6) Limited to 15% of the initial issue carried out under the 12th, 14th and 15th resolutions of the Annual General Meeting of April 24, 2019 and subject to the cap set in the resolutions pursuant to which the issues are decided (12th, 14th and 15th resolutions), as well as the overall cap set by the 12th resolution.

As indicated in the above table, the Annual General Meeting held on April 24, 2019 authorized the Board of Directors to issue, with or without pre-emptive subscription rights, securities giving access to the Company's share capital, either immediately or in the future, to increase the share capital by capitalizing reserves, profits or additional paid-in capital and to grant free shares.

These authorizations were not used during the year.

Other securities giving access to the share capital

Special report on stock subscription and purchase options and free share grants

No new free shares have been granted since 2012.

Stock option plans

Grants are, in principle, made annually. However, no stock subscription and purchase option plans have been set up since 2007.

The plans set up in 2006 and 2007 have terms of eight years (compared to terms of ten years for previous plans) and the options granted are purchase options. As they have no impact on the number of shares comprising the share capital, they are not dilutive.

As of December 31, 2019, there were no stock subscription or purchase options outstanding.

Performance share plans

No performance shares have been granted since 2012.

The Group granted Kering Monetary Units (KMUs) instead of performance shares, as described in section 4, chapter 4.

Changes in share capital and rights attached to shares

Any changes in the share capital and the rights attached to shares are governed by the applicable legal requirements and the specific provisions of the Articles of Association as set out below.

Under Article 15 of the Articles of Association, in the Company's internal organization, decisions by the Chief Executive Officer and, where applicable, the Group Managing Director relating to the issue of securities, regardless of their nature, require the prior approval of the Board of Directors when such issues are likely to change the share capital.

1.4 Employee share ownership

As of December 31, 2019, Company and Group employees and executive corporate officers held 130,579 shares, representing 0.1% of the share capital, under the provisions

of Article L. 225-102 of the French Commercial Code. This includes the 11,144 Company shares held by employees under the employee investment fund.

1.5 Appropriation of net income – Dividends paid by the Company

Appropriation of net income

At its meeting on February 11, 2020, the Board of Directors acknowledged and proposed the following appropriation of net income to the Annual General Meeting:

(in €)

Source	
Retained earnings	1,391,814,245.71
Net income for the year	917,676,788.41
Total for appropriation	2,309,491,034.12
Appropriation	
Legal reserve ⁽¹⁾	-
Dividend ⁽²⁾	1,452,212,203.00
Retained earnings	857,278,831.12
Total	2,309,491,034.12

(1) The amount of the legal reserve has reached 10% of the share capital.

(2) Representing a dividend of €11.50 per share qualifying for the 40% tax allowance, payable on May 7, 2020. This amount corresponds to the interim dividend (€3.50 per share) paid on January 16, 2020 (€441,977,627) plus the final dividend of €1,010,234,576, equal to €8.00 per share, calculated on the basis of the maximum number of shares carrying dividend rights.

At the Annual General Meeting to be held on April 23, 2020, the Board of Directors will ask shareholders to approve a dividend of €11.50 per share for 2019, carrying dividend rights as of January 1, 2019.

An interim dividend of €3.50 per share was paid on January 16, 2020 pursuant to a decision made by the Board of Directors on December 12, 2019.

If this dividend is approved, the balance of €8.00 per share will have an ex-dividend date of May 5, 2020 and will be paid on May 7, 2020.

Dividends paid out over the past three fiscal years

The following dividends have been paid out over the past three fiscal years:

Year of payment	Net dividend	Qualifying for a tax allowance of
2019	€7.00	40%
2018	€6.00	40%
2017	€4.60	40%

1.6 Share pledges

As of December 31, 2019, 1,500,000 registered shares were pledged by the Artémis group.

Name of registered shareholder	Beneficiary	Pledge start date	Pledge expiry date	Terms of release of the pledges	Number of issuer shares pledged	% of the issuer's capital pledged ⁽²⁾
Artémis	CA CIB	07/25/2016	Unspecified ⁽¹⁾		750,000	0.59%
Artémis	CA CIB	12/07/2015	Unspecified ⁽¹⁾		750,000	0.59%

⁽¹⁾ Full reimbursement or payment of the receivable.

⁽²⁾ Based on the share capital as of December 31, 2018, comprising 126,279,322 shares with a par value of €4 each.

1.7 Arrangements and agreements

To the Company's knowledge, there are no contractual arrangements or agreements involving shares or voting rights of the Company that should have been disclosed to the AMF pursuant to Article L. 233-II of the French Commercial Code.

2. SHARE OWNERSHIP STRUCTURE

Change in share ownership and voting rights

	2019				
	Number of shares	% of share capital	Number of theoretical voting rights ⁽³⁾⁽⁴⁾	% of theoretical voting rights ⁽³⁾⁽⁴⁾	% of actual voting rights ⁽⁵⁾
Artémis group	51,737,283	40.97%	103,355,050	57.72%	58.13%
Treasury shares	1,261,406	1.00%	1,261,406	0.70%	0.00%
Employees and corporate officers ⁽¹⁾	130,579	0.10%	183,708	0.10%	0.10%
Free float ⁽²⁾	73,150,054	57.93%	74,268,460	41.47%	41.77%
TOTAL	126,279,322	100.00%	179,068,624	100.00%	100.00%

	2018				
	Number of shares	% of share capital	Number of theoretical voting rights ⁽³⁾⁽⁴⁾	% of theoretical voting rights ⁽³⁾⁽⁴⁾	% of actual voting rights ⁽⁵⁾
Artémis group	51,649,783	40.90%	103,267,550	57.61%	57.75%
Treasury shares	429,017	0.34%	429,017	0.24%	0.00%
Employees and corporate officers	120,436	0.10%	240,872	0.14%	0.14%
Free float	74,080,086	58.66%	75,300,215	42.01%	42.11%
TOTAL	126,279,322	100.00%	179,237,654	100.00%	100.00%

	2017				
	Number of shares	% of share capital	Number of theoretical voting rights ⁽³⁾⁽⁴⁾	% of theoretical voting rights ⁽³⁾⁽⁴⁾	% of actual voting rights ⁽⁵⁾
Artémis group	51,617,767	40.88%	103,235,534	57.57%	57.57%
The Capital Group ⁽⁶⁾			see Note(6) below		
Treasury shares	0	0.00%	0	0.00%	0.00%
Employees	323,198	0.26%	634,623	0.35%	0.35%
Free float	74,338,357	58.86%	75,455,461	42.08%	42.08%
TOTAL	126,279,322	100.00%	179,325,618	100.00%	100.00%

(1) Including Kering's employee investment fund.

(2) The Company received two shareholder notifications in 2019, informing it that OppenheimerFunds, Inc. (now known as Invesco) and Caisse des Dépôts et Consignations had both crossed above the 2% threshold (see page 462).

(3) Total number of voting rights, including treasury shares.

(4) Shares held for more than two years in a registered account in the name of the same shareholder carry double voting rights (see the section entitled "Annual General Meetings – Double voting rights" in Chapter 8).

(5) Treasury shares lose their voting rights at the Annual General Meeting.

(6) The Capital Group reported that it had crossed below the 5% threshold of Kering's share capital on September 26, 2017 and that it held as of the same date 6,133,076 shares representing an equal number of voting rights, i.e., 4.86% of the share capital and 3.42% of the Company's voting rights. This threshold was crossed as a result of a sale of Kering shares on the open market.

Artémis is wholly owned by Financière Pinault, itself controlled by the Pinault family. Artémis holds 57.72% of the Company's theoretical voting rights (58.13% of the actual voting rights) and as such has *de jure* control of the Company within the meaning of Article L. 233-3-1 of the French Commercial Code.

Regarding the majority shareholder's control of the Company, the following factors all contribute toward maintaining an effective balance of power:

- the organization and operating rules of the Board and of its specialized Committees;
- the number of independent Directors – representing (i) more than half of the Board members (who oversee the prevention of conflicts of interest and regularly carry out a self-assessment), (ii) three-quarters of the Audit Committee, (iii) 80% of the Remuneration Committee, and (iv) 60% of the Appointments and Governance Committee, it being specified that no executive corporate officer is a member of these Committees;
- general compliance with the current rules, internal rules and good governance practices.

Shareholder notifications in 2019

In accordance with Article 7 of the Company's Articles of Association, the following shareholder notifications were made in 2019:

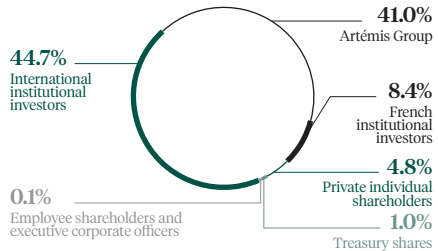
- OppenheimerFunds, Inc. notified the Company on April 26, 2019 that it had, directly and indirectly through companies it controls, crossed above the 2% threshold of the Company's share capital, as defined in the Articles of Association, and that it held, directly and indirectly, 4,239,424 of the Company's shares and voting rights, representing 3.36% of the share capital and 2.37% of the voting rights;
- Caisse des Dépôts et Consignations notified the Company on January 8, 2020 that it had, directly and indirectly through companies it controls, crossed above the 2% threshold of the Company's share capital, as defined in the Articles of Association, and that it held, directly and indirectly, 3,095,210 of the Company's shares and voting rights, representing 2.45% of the share capital and 1.72% of the voting rights.

At the date of this document, to the Company's knowledge:

- since February 11, 2020, no shareholder notifications concerning thresholds defined by law or in the Articles of Association have been reported;
- only the Artémis group, OppenheimerFunds, Inc. (now known as Invesco), and Caisse des Dépôts et Consignations hold, directly or indirectly, acting alone or in concert, more than 2% of Kering's share capital or voting rights;

- there are no shareholder agreements or other agreements whose exercise could result in a change of control of Kering.

Breakdown of share capital as of December 31, 2019 (rounded figures)



As of December 31, 2019, private individual shareholders held 4.8% of the Group's share capital. Institutional investors owned 53.1% of the share capital, with 8.4% held by French institutions and 44.7% by investors residing outside France.

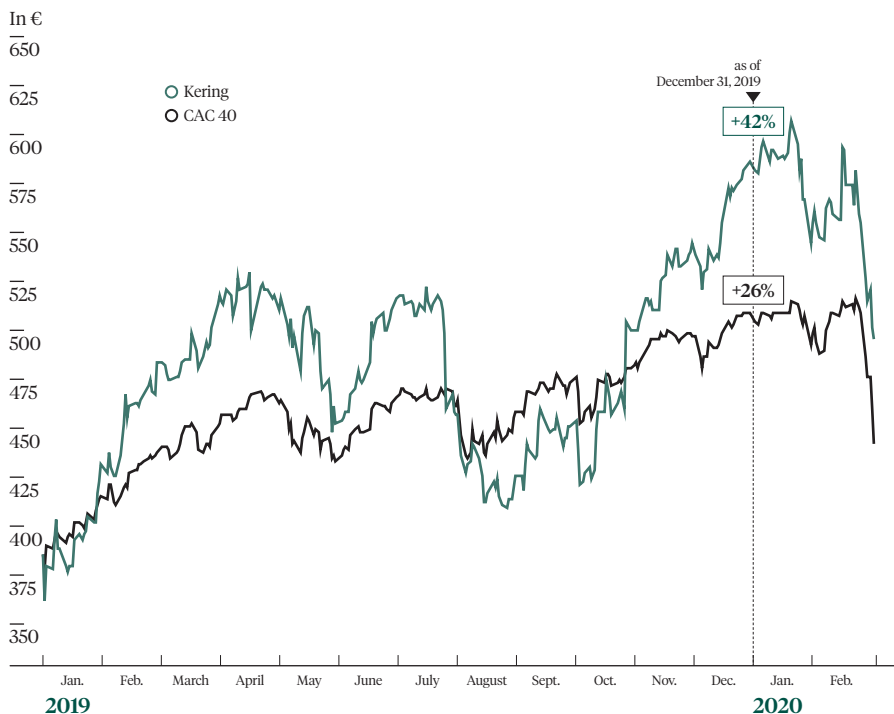
Among the international institutional investors, North American-based and UK-based shareholders held 18.1% and 10.9% of the share capital, respectively. Continental European investors (excluding France) held 9.9% of the share capital, including Germany (2.0%), Switzerland (1.5%) and Norway (1.5%). Shareholders based in the Asia-Pacific region represented 2.8% of the share capital.

Stock market information

Kering share

Place of listing	Euronext Paris
Market	Eurolist A
Initial public offering	October 25, 1988 (Second Market)
Main indices	CAC 40 (since February 9, 1995) EURO STOXX 50 (since September 24, 2018)
Number of shares	1 26,279,322 as of December 31, 2019
Tickers	ISIN code: FR 0000121485 Reuters: PRTP.PA Bloomberg: KER:FP

Change in the price of the Kering share compared to the CAC 40 index (rebased) from January 1, 2019 to February 28, 2020



Market price and trading volume of the Kering share

	2019	2018	2017	2016	2015
High ⁽¹⁾ (in €)	590.70	514.60	405.95	214.35	197.00
Low ⁽¹⁾ (in €)	380.70	339.29	209.60	138.60	139.05
Price ⁽¹⁾ as of December 31 (in €)	585.20	411.60	393.00	213.30	157.95
Market capitalization as of December 31 (in € millions)	73,899	51,977	49,628	26,935	19,946
Daily average trading volume (in number of shares)	236,636	268,475	209,407	255,805	356,633
Number of shares as of December 31	126,279,322	126,279,322	126,279,322	126,279,322	126,279,322

(1) Closing price.
Source: Euronext.

Listed securities of the Group as of December 31, 2019

Securities listed on Euronext Paris ISIN code

Equities

Kering FR 0000121485Securities listed on the Luxembourg Stock Exchange ISIN code

Bonds

Kering 2.50% July 2020 FR 0011535764Kering 2.75% April 2024 FR 0011832039Kering 1.375% October 2021 FR 0012199008Kering 0.875% March 2022 FR 0012648244Kering 1.60% April 2035 FR 0012669257Kering 1.25% May 2026 FR 0013165677Kering 1.50% April 2027 FR 0013248721Euronext Access ISIN code

Bonds exchangeable into PUMA shares

Kering zero-coupon September 2022 FR 0013450483

Stock market data

Kering share

2018	Share price (in €)					Volume	
	Average ⁽¹⁾	High ⁽²⁾	Low ⁽²⁾	Monthly change	Average daily (in number of shares)	Shares traded	
						in € millions	Number of shares
January ⁽³⁾	375.23	387.99	354.62	+3.8%	203,529	1,782	4,477,629
February ⁽³⁾	360.12	380.09	338.17	-4.9%	265,887	2,037	5,317,732
March ⁽³⁾	356.99	369.12	346.91	+0.2%	192,472	1,553	4,041,904
April ⁽³⁾	405.10	445.81	361.59	+23.4%	248,942	2,158	4,978,839
May	470.30	493.40	443.58	+9.8%	212,714	2,226	4,679,698
June	493.01	522.40	468.70	-1.2%	235,022	2,409	4,935,453
July	483.56	509.60	451.70	-5.7%	224,862	2,381	4,946,953
August	463.75	487.40	449.60	+2.6%	191,899	2,046	4,413,681
September	449.96	468.60	428.20	-1.3%	450,239	4,057	9,004,772
October	395.22	469.50	351.70	-14.7%	456,401	4,113	10,497,222
November	394.42	427.30	369.10	-2.4%	263,094	2,296	5,788,074
December	400.71	419.80	377.60	+7.2%	283,115	2,157	5,379,183

(1) Closing price.

(2) Intra-day price.

(3) Data restated for the distribution in kind of PUMA shares on May 16, 2018.

Source: Euronext.

2019	Share price (in €)					Volume	
	Average ⁽¹⁾	High ⁽²⁾	Low ⁽²⁾	Monthly change	Average daily (in number of shares)	Shares traded	
						in € millions	Number of shares
January	408.81	439.30	380.70	+6.3%	248,863	2,233	5,474,979
February	465.86	487.80	430.70	+9.7%	262,880	2,438	5,257,608
March	496.25	513.60	480.00	+6.5%	223,830	2,330	4,700,421
April	527.34	539.80	496.65	+3.1%	237,476	2,479	4,749,518
May	500.61	526.30	456.20	-11.6%	269,990	2,951	5,939,779
June	495.41	523.80	455.70	+11.6%	260,211	2,583	5,204,213
July	513.93	534.20	458.40	-9.7%	246,604	2,852	5,671,895
August	439.70	474.60	420.00	-6.2%	276,872	2,690	6,091,190
September	458.27	479.90	427.70	+6.2%	241,028	2,329	5,061,587
October	473.10	523.90	434.20	+9.1%	242,971	2,656	5,588,342
November	536.37	553.40	510.30	+7.2%	185,558	2,089	3,896,712
December	563.39	593.80	522.30	+7.0%	208,739	2,322	4,174,776

(1) Closing price.

(2) Intra-day price.

Source: Euronext.

2020	Share price (in €)					Volume	
	Average ⁽¹⁾	High ⁽²⁾	Low ⁽²⁾	Monthly change	Average daily (in number of shares)	Shares traded	
						in € millions	Number of shares
January	585.92	614.90	542.20	-5.2%	241,666	3,087	5,316,644
February	560.27	598.00	484.25	-8.9%	301,754	3,339	6,035,081

(1) Closing price.

(2) Intra-day price.

Source: Euronext.

Financial communications policy

Kering's Financial Communications Department is committed to disseminating accurate, precise and reliable information. Its actions are targeted and customized to offer different audiences – private individual shareholders and the financial community – messages suited to their respective expectations while complying with the principle of equal access to information.

Towards individual shareholders

Private individual shareholders have access to various media and tools to keep themselves informed on the Group and events affecting its shares. These include the twice-yearly Letter to Shareholders, the Shareholders' Guide (in French only), the shareholders' hotline (+331 45 64 65 64) and email address (actionnaire@kering.com), financial notices in the press and on the Group's website, and the annual report. In addition, on December 3 and 4, 2019, 105 registered shareholders attended a private tour of Laennec, Kering's headquarters in Paris, during which they visited the *Pleurs de joie* art exhibition, learned about the site's history, and tasted honey from the bee hives in its gardens.

Towards the financial community

The Group maintains close relationships with the French and international financial community. A number of initiatives are designed to keep the financial community informed about its businesses, strategy and outlook. Kering has expanded its communication by organizing conference calls upon the release of quarterly revenue, half-year and annual results. Kering also participates in industry conferences held by major banks. All of the presentation material is available on the Group's website. Kering also meets with investors during roadshows held in the major financial centers around the world. A Capital Markets Day dedicated to Boucheron, as well as the Group's strategy and digital initiatives, was also held in Paris on June 6 and 7, 2019 for the benefit of analysts and investors.

In addition, at the initiative of its Board of Directors, the Company continued to strengthen dialogue with investors, particularly on environmental, social and governance (ESG) issues. With this in mind, the Lead Independent Director worked with the Board secretary, the Chief Sustainability Officer and the Director of Financial Communications and Market Intelligence to prepare a roadshow program dedicated to ESG matters, bringing together a number of investors in Paris and the United Kingdom (representing around 27% of the free float) on November 26 and 27, 2019.

The presentation used at the roadshow is available on the Company's website.

The Group meets with individual investors and analysts upon request and maintains proactive relationships in terms of reporting to the AMF.

Procedures for communicating regulatory information

Pursuant to obligations – applicable since January 20, 2007 – to disclose regulatory information resulting from the implementation of the Transparency Directive in the AMF's General Regulations, Kering's Financial Communications Department oversees the proper and full disclosure of regulatory information. This information is filed with the AMF at the time of its disclosure and stored on the Kering website.

Full and effective communication is carried out electronically in compliance with the criteria defined by the AMF's General Regulations, which require communication to a wide audience within the European Union and under conditions guaranteeing the security of the communication and information. Accordingly, Kering's Financial Communications Department has chosen to work with a professional communications agency satisfying the communication criteria set by EU Regulation No. 596/2014 on market abuse and the AMF's General Regulations. The communications agency is included on the list published by the AMF, thus benefiting from a presumption of full and effective communication.

2020 shareholders' agenda

April 21, 2020	First-quarter 2020 revenue
April 23, 2020	Annual General Meeting
July 2020	First-half 2020 results
October 2020	Third-quarter 2020 revenue

CHAPTER 8

Additional information

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1. GENERAL INFORMATION

Company name and registered office

Company name: Kering
Registered office: 40 rue de Sèvres, 75007 Paris, France

Legal form

A French corporation (*société anonyme*)

Applicable law

French law

Date of incorporation and term

The Company was incorporated on June 24, 1881 for a term of 99 years. The term was extended to May 26, 2066 by the Extraordinary General Meeting of May 26, 1967, except in the case of an early dissolution or of an extension approved by the Extraordinary General Meeting.

Corporate purpose

- the purchase, retail sale or wholesale, either directly or indirectly, by all means and using all existing or future techniques, of all goods, products, commodities or services;
- the creation, acquisition, leasing, operating or sale, either directly or indirectly, of all establishments, stores or warehouses, by all means and using all existing or future techniques, for the retail sale or wholesale of all goods, products, commodities or services;
- the direct or indirect manufacture of all goods, products or commodities that are useful for corporate operations;
- the direct or indirect supply of all services;
- the purchase, operation and sale of all buildings that are useful for corporate operations;
- the creation of all commercial, non-trading, industrial and financial concerns, whether in moveable or real property, service or other businesses, the acquisition of participating interests by all means, subscription, acquisition, contribution, merger or otherwise in, to or of such concerns and businesses and the management of its participating interests;
- and, in general, all commercial, non-trading, industrial and financial operations, whether in moveable or real property, service or other businesses that can be directly or indirectly connected to the purposes specified above or to all similar, complementary or related purposes or purposes that are liable to favor the creation or development thereof.

(Article 5 of the Articles of Association)

Trade and Companies Registry

552 075 020 RCS Paris
APE code: 7010Z

Consultation of legal documents

The Articles of Association, minutes of Annual General Meetings and other corporate documents may be consulted at the registered office under the applicable legal conditions.

Fiscal year

The Company's fiscal year begins on January 1 and ends on December 31 of the same year.

Appropriation of earnings

From the profit for the fiscal year, less deferred losses where applicable, a minimum withdrawal of one-twentieth is made and paid into a reserve fund known as the "legal reserve". Said withdrawal ceases to be mandatory once said reserve reaches one-tenth of the share capital.

From the distributable profit, which is made up of the profit for the fiscal year less the deferred losses and the withdrawal referred to above, as well as the amounts to be paid into the reserves in accordance with the law, plus deferred profits, the Annual General Meeting, pursuant to a proposal by the Board of Directors, may withdraw all amounts it deems appropriate, either to be deferred to the subsequent fiscal year, or to be entered into one or more extraordinary, general or special reserve funds, the allocation and use of which is determined by the Annual General Meeting.

The balance, if any, is allocated among the shareholders.

The Annual General Meeting that votes on the financial statements for the fiscal year has the option of granting each shareholder, for all or part of the dividend or interim dividend distributed, an option between the payment of the dividend or the interim dividend in cash, in kind or in shares. The Annual General Meeting may also decide, for all or part of the dividend, interim dividends, reserves, or premiums distributed, or for any capital reduction, that the distribution of dividends, reserves or premiums or the capital reduction will be made in kind in the form of corporate assets, including securities.

(Article 22 of the Articles of Association)

Dividends not claimed after five years are paid to the French State.

Dividends paid over the last three fiscal years are presented in the Management Report.

Administrative and management bodies

Information regarding administrative and management bodies is presented in Chapter 4, “Report on corporate governance”.

Annual General Meetings – Double voting rights

Annual General Meetings are convened by the Board of Directors and deliberate on their agenda under the conditions provided for by law and the regulations.

Meetings are held at the registered office or in any other place specified in the convening notice.

All shareholders may attend meetings, either in person or via a proxy, under the conditions laid down by law, subject to providing proof of their identity and of the title to their securities, by the recognition of said securities in the accounts in their name within the regulatory timeframes, either in the accounts of registered securities held by the Company, or in the accounts of bearer securities held by an accredited intermediary. Proof of the capacity of a shareholder can be provided electronically, under the conditions set by the regulations in force. Pursuant to a decision of the Board of Directors, shareholders may participate in meetings via video-conference or via telecommunications means that make it possible to identify them under the conditions laid down by the regulations in force. All shareholders may vote by correspondence using a form filled out and sent to the Company under the conditions laid down by the regulations in force, including electronically, pursuant to a decision by the Board of Directors. This form must reach the Company in accordance with the regulatory conditions in order to be taken into account. The Board of Directors may reduce said timeframe for the benefit of all shareholders. The owners of securities who are not resident on French territory may be represented by an intermediary who is registered in accordance with the conditions laid down by the regulations in force.

Meetings are chaired by the Chairman of the Board of Directors or, in his/her absence, by the member of the Board who is specifically appointed for this purpose by the Board. Failing this, the meeting elects its own chair.

Meeting minutes are prepared and copies thereof are certified and issued in accordance with the law.

In all Annual General Meetings, a voting right that is double that conferred on the other shares is granted to all shares that are fully paid up and for which proof is provided that they have been held in registered form for at least two years in the name of the same shareholder. This double voting right, which existed in the Articles of Association of Pinault SA prior to its merger with Printemps SA, was restated at the time of their 1992 merger.

This double voting right may be withdrawn outright at any time pursuant to a decision of the Extraordinary General Meeting and after ratification by a special meeting of the beneficiary shareholders.

(Article 20 of the Articles of Association)

The double voting right existed in Pinault SA and Printemps SA prior to their 1992 merger. The Company's Articles of Association do not provide that, in the event of a free allocation of registered shares to a shareholder in respect of old shares for which he/she/it had a double voting right, the new shares are also entitled to a double voting right.

Pursuant to the relevant legislation, double voting rights are canceled for any share converted to a bearer share or in the event of a transfer of ownership except in the case of a transfer following inheritance, liquidation of joint property between spouses, or donation between living family members (spouse or relative) with legal inheritance rights.

Voting rights are not limited under the Articles of Association.

Provisions of the Articles of Association relating to shareholder notifications

The shares shall be in registered or bearer form at the shareholder's discretion. The shares shall be entered into an account under the conditions and in accordance with the terms provided for by the regulations in force.

The Company is authorized to use the provisions of the law and regulations that are stipulated regarding the identification of the holders of securities that grant immediate or deferred access to voting rights in its own shareholders' meetings.

In addition to the legal obligations to notify the Company and the French financial markets authority (*Autorité des marchés financiers* – AMF) when shareholdings reach or fall below a given threshold, any individual or legal entity directly or indirectly holding shares in the Company, whether acting alone or in concert, shall notify the Company of the total number of shares and voting rights held if said number reaches or exceeds 2% or any multiple thereof, including multiples exceeding the legal threshold of 5%.

Notifications shall be made by registered letter with return receipt sent to the registered office no later than 15 days after the date on which the threshold was crossed or reached, or by any other equivalent means for shareholders not residing in France, it being specified that the contents of the notification must comply with the legal and regulatory provisions applicable to shareholder notifications concerning legal thresholds, and must include the information to be provided in such circumstances to the AMF, as stated in its General Regulations. The same notification obligation shall apply under the same conditions when a shareholder's total shares and/or voting rights reach or fall below any of the aforementioned thresholds.

If the notification is not submitted, the shares exceeding the threshold for which the notification should have been made may be deprived of voting rights at the request of one or more shareholders holding a combined or individual total of at least 5% of the Company's share capital and/or voting rights, under the conditions set forth in the sixth paragraph of Article L. 233-7 of the French Commercial Code. If the notification is subsequently made, the corresponding voting rights may not be exercised until the period of time defined by law or the prevailing regulations has expired.”

(Article 7 of the Articles of Association)

There are no shares not representing capital.

The steps required to amend shareholder rights are those provided for by law.

Share capital

The Company is authorized to use the provisions of the law and regulations regarding the identification of the holders of securities that grant immediate or deferred access to voting rights at its own Annual General Meetings.

(Article 7 of the Articles of Association)

In addition to the voting right that is granted to each share by the law and by the specific provisions of Article 20 below, each share grants the right to a percentage, which is proportional to the number and par value of the existing shares, of the corporate assets, the profit after deduction of the deductions provided for by law and the Articles of Association, or of the liquidating dividend.

Each time it is necessary to possess more than one share in order to exercise a right, it is the responsibility of the owners who do not possess such number to make arrangements to regroup the required number of shares.

(Article 8 of the Articles of Association)

In the event of liquidation of the Company, the remaining shareholders' equity after repayment of the par value of the shares will be allocated among the shareholders in the same proportions as their holdings in the capital.

(Article 24 of the Articles of Association)

Any changes in the share capital or the rights attached to shares are governed by the legal requirements and the specific provisions of the Articles of Association as set out below.

Under Article 15 of the Articles of Association, in the Company's internal organization, decisions by the Chief Executive Officer and the Group Managing Director relating to the issue of securities, regardless of their nature, require the prior approval by the Board of Directors when such issues are likely to change the share capital, except in the event of a decision by the Annual General Meeting.

2. PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

Declaration by the person responsible for the Universal Registration Document and for the Annual Financial Report

Having taken all reasonable measures to that effect, I hereby attest that the information in this Universal Registration Document is, to my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I certify that, to my knowledge, the annual consolidated and parent company financial statements of Kering SA for the year ended December 31, 2019 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the Company and the undertakings included in the consolidation, and that the Management Report (the cross-reference table for which is shown on pages 477 and 478) includes a fair review of the development of the business, the results of operations and the financial position of the Company and of all the undertakings included in the consolidation and also describes the main risks and uncertainties to which they are exposed.

I have obtained a statement from the Statutory Auditors, KPMG Audit and Deloitte & Associés, confirming that they have audited the information contained in this document relating to the financial position and the financial statements contained herein, and that they have read this document in its entirety.

Paris, March 26, 2020

Jean-François Palus

Group Managing Director (*Directeur général délégué*)

3. STATUTORY AUDITORS

3.1 Principal Statutory Auditors

KPMG SA

Tour EQHO, 2 avenue Gambetta, CS 60055, 92066 Paris-La Défense, France
Grégoire Menou and Isabelle Allen

Date of first appointment: Annual General Meeting of June 18, 1992.

Reappointment, term and expiry: reappointed at the Combined General Meeting of April 29, 2016 for six years until the Annual General Meeting called to approve the 2021 financial statements.

Deloitte & Associés

6 Place de la Pyramide, 92908 Paris-La Défense Cedex, France
Frédéric Moulin

Date of first appointment: Annual General Meeting of May 18, 1994.

Reappointment, term and expiry: reappointed at the Combined General Meeting of May 6, 2014 for six years until the Annual General Meeting called to approve the 2019 financial statements.

3.2 Substitute Statutory Auditors

Salustro Reydel

Tour EQHO, 2 avenue Gambetta, CS 60055, 92066 Paris-La Défense, France

Date of first appointment: Annual General Meeting of April 29, 2016.

Appointment, term and expiry: appointed at the Combined General Meeting of April 29, 2016 for six years until the Annual General Meeting called to approve the 2021 financial statements.

BEAS

6, Place de la Pyramide, 92908 Paris-La Défense Cedex, France

Date of first appointment: Annual General Meeting of May 19, 2005.

Reappointment, term and expiry: reappointed at the Combined General Meeting of May 6, 2014 for six years until the Annual General Meeting called to approve the 2019 financial statements.

4. DOCUMENTS INCORPORATED BY REFERENCE

In accordance with Article 19 of Regulation (EU) 2017/1129 of June 14, 2017, this Universal Registration Document incorporates by reference the following information, to which the reader is invited to refer:

- for the fiscal year ended December 31, 2018: key figures, activities of the Group, activity report, investment policy, consolidated financial statements, Kering SA financial statements and the related Statutory Auditors' reports, set out on pages 6 and 7, 15 to 44, 224 to 249, 250 and 251, 253 to 333, 334 to 339, 340 to 358, 359 to 362 of the Reference Document filed on March 27, 2019 with the French financial markets authority (*Autorité des marchés financiers* – AMF);
- for the fiscal year ended December 31, 2017: key figures, activities of the Group, activity report, investment policy, consolidated financial statements, Kering SA financial statements and the related Statutory Auditors' reports, set out on pages 6 and 7, 15 to 56, 202 to 230, 231 and 232, 243 to 327, 328 to 333, 334 to 350, 351 to 354 of the Reference Document filed on March 28, 2018 with the AMF.

Information included in these two Reference Documents other than that listed above is, where relevant, replaced or updated by the information included in this Universal Registration Document. These two Reference Documents are available at the Group's registered office and on its website: www.kering.com, under the Finance section.

5. CROSS-REFERENCE TABLE

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(2) No quarterly financial statements have been published between the closing of the annual financial statements and the publication of the Universal Registration Document.

(3) Not material.

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Kering

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