

K E R I N G



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As a participant in the UN Global Compact since 2008, with this integrated report, Kering demonstrates its contribution to the Sustainable Development Goals. Our actions directly address 7 out of the 17 goals:



SDG #3.
Good health and well-being



SDG #5.
Gender equality



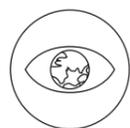
SDG #6.
Clean water and sanitation



SDG #8.
Decent work
and economic growth



SDG #12.
Responsible consumption
and production



SDG #13.
Climate action



SDG #15.
Life on land

KERING INTEGRATED REPORT OBJECTIVES

In 2017 and early 2018, the Group completed its transformation into a Luxury pure-player. This document, the first integrated report of Kering and its industry, presents an overall picture of the Group and its history, our strategic vision and perspective, and our integrated business model designed to create value in every aspect of our activities – creative, financial, environmental, ethical, and social.

At Kering, we are convinced that we must continually exceed our limits, engage with our Houses and the entire industry and our stakeholders to craft tomorrow's Luxury. This publication is based on the guidelines of the International Integrated Reporting Council (IIRC) and aligned with this strategic initiative.

This report describes in particular our capacity to work with our stakeholders to create financial and extra-financial value throughout our entire value chain.

At each step of our value chain and across the entire Group, illustrations present our actions, commitments, and results.

Scope

The data presented in this document are for the entire Kering group for 2017. Following the distribution to our shareholders of an exceptional dividend in the form of Puma shares amounting to 70% of Puma's share capital on May 16, 2018, we have chosen to primarily focus in this report on the Group's activities in Luxury.

“For us, Luxury and sustainability are inseparable: only an integrated approach can ensure longlasting performance.”



Empowering Imagination is more than a signature; it is the promise and commitment we make as a Luxury group. Imagination and creative spirit are the lifeblood of our activities, and our approach to our businesses influences the entire luxury industry.

This vision of a modern and bold Luxury ensures we are always in perfect step with the trends in our markets. As new generations of consumers arrive, expectations change. More connected and in search of meaning, they want not only exceptional products, but also unique and authentic experiences with brands. With the Group's support, our Houses offer them creative content that is powerful, original, and genuine.

Our strength has been the ability to transform our vision of Luxury into commercial success, as witnessed by the Group's historic performance in 2017. In a single year, our revenue surged by more than €3 billion to €15.5 billion, driven solely by organic growth. We also saw a spectacular increase in recurring operating income, which rose by more than

€1 billion over the year. Numerous performance accelerators explain these phenomenal results.

First of all, our strategy of focusing on our luxury activities paid off in 2017. Originally a retail distribution group, we are now a Luxury pure-player. Our Houses include some of the most revered names in the industry, and three of our brands have revenues in excess of €1 billion. I firmly believe that all our Houses still have vast potential of creativity and organic growth beyond their remarkable performance in 2017.

For us, Luxury and sustainability are inseparable: only an integrated approach can ensure longlasting performance. Ethical practices and sustainability are the cornerstones of our activities. They enable us to innovate, create value, and develop Luxury in ways consistent with our convictions. Beyond the company's boundaries, we are making a committed effort for and with all our stakeholders to craft tomorrow's Luxury, working in particular with our partners and our employees as

well as with civil society through our Foundation focused on combating violence against women.

The ways our vision and strategy, our convictions and actions, are deeply interlocked are the subject of this integrated report. Our aim is to show how we create value and offer our stakeholders new keys to understanding our business model.

We owe our success first and foremost to our employees – to the women and men who contribute every day to the achievement of our ambition: to be the world's most influential Luxury group in terms of creativity, sustainability, and economic performance.

François-Henri Pinault
Chairman and
Chief Executive Officer

Group Profile, Governance and Vision

Group Profile and Governance – p. 8

Vision – p. 14

Market trends – p. 16

KERING, A GLOBAL LUXURY GROUP SUPPORTED BY AN ESTABLISHED AND ENGAGED GOVERNANCE STRUCTURE

KEY FIGURES

€15.478bn
2017 revenue

44,055
Employees

€2.948bn
Recurring operating income

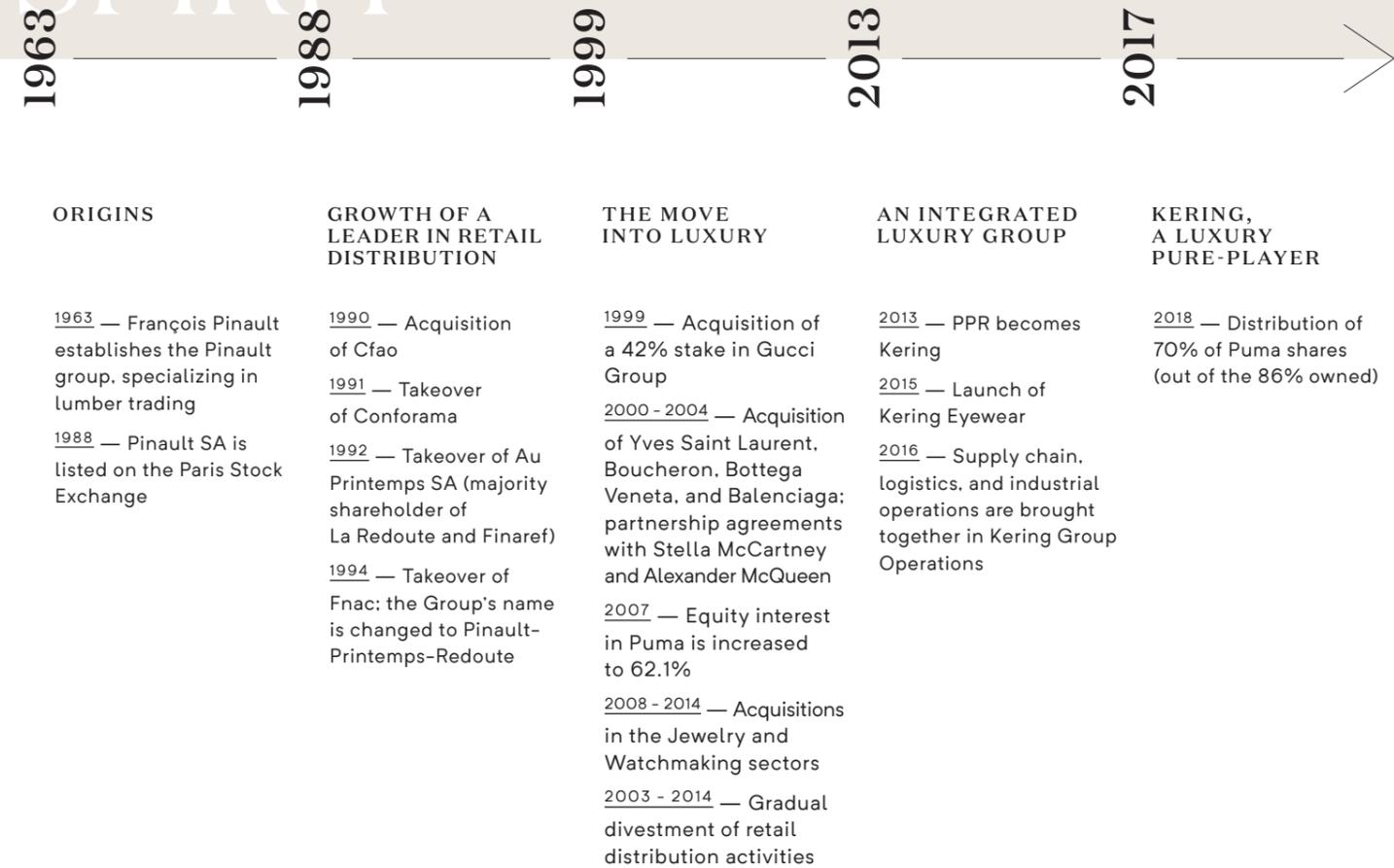
3 Houses
with revenue > €1 billion

A global Luxury group, Kering manages the development of a series of renowned Maisons in Fashion, Leather Goods, Jewelry and Watchmaking: Gucci, Saint Laurent, Bottega Veneta, Balenciaga, Alexander McQueen, Brioni, Boucheron, Pomellato, Dodo, Qeelin, Ulysse Nardin, Girard-Perregaux, as well as Kering Eyewear. By placing creativity at the heart of its strategy, Kering enables its Maisons 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." In 2017, Kering had more than 44,000 employees (nearly 29,000 employees in the Luxury and Corporate activities) and revenue of €15.478 billion (restated revenue of €10.816 billion without Puma, Volcom, Stella McCartney and Christopher Kane).

The Kering share is listed on Euronext Paris (FR 0000121485, KER.PA, KER.FP).

A GROUP GUIDED BY ENTREPRENEURIAL SPIRIT



60%
of independent
Board Directors
(vs 56% in 2007)

64%
of women on the
Board of Directors
(vs 11% in 2007)

54 years
average age of
the Board Directors
in 2017

**SUSTAINABLE GROWTH
SUPPORTED BY A STABLE
SHAREHOLDER STRUCTURE**

Having grown out of a family, entrepreneurial venture, Kering benefits from a stable shareholder structure. The solidity of this structure combined with an increase in international capital reflects the Group's worldwide growth and its transformation.

**ENGAGED GOVERNANCE
WITH A LONG-TERM VISION**

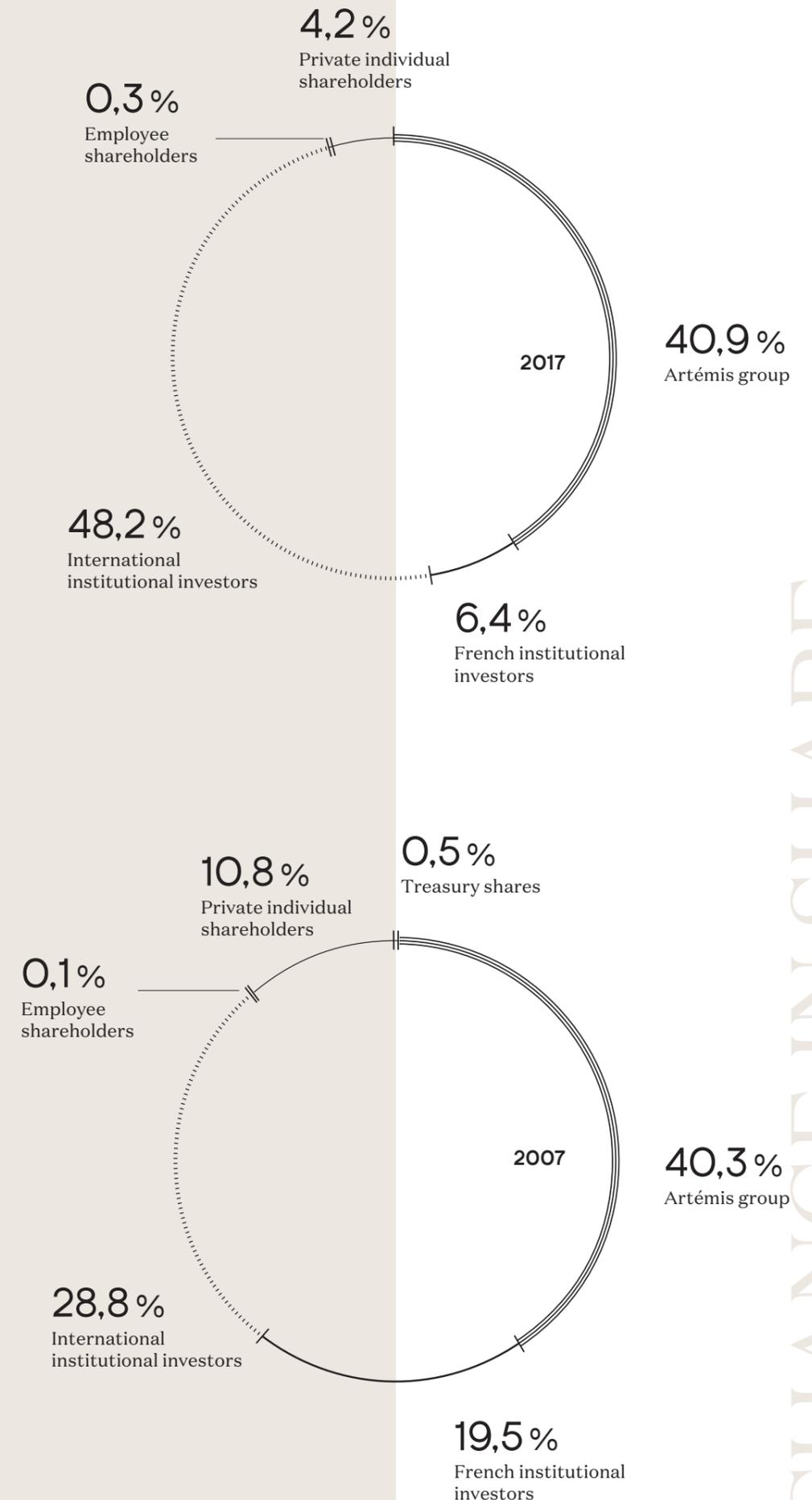
Kering's governance structure ensures efficient strategic decision-making, optimizes the Group's financial and extra-financial performance, and contributes to robust and consistent communication.

The Group ensures that the membership of the Board of Directors is balanced, diverse, and well suited to the challenges facing the luxury industry.

The Executive Committee, the Group's operational management body, reflects Kering's transformation into an integrated group. It gives the heads of Kering's activities and major brands the opportunity to participate alongside the senior corporate executives in setting the key strategic direction of the Group.

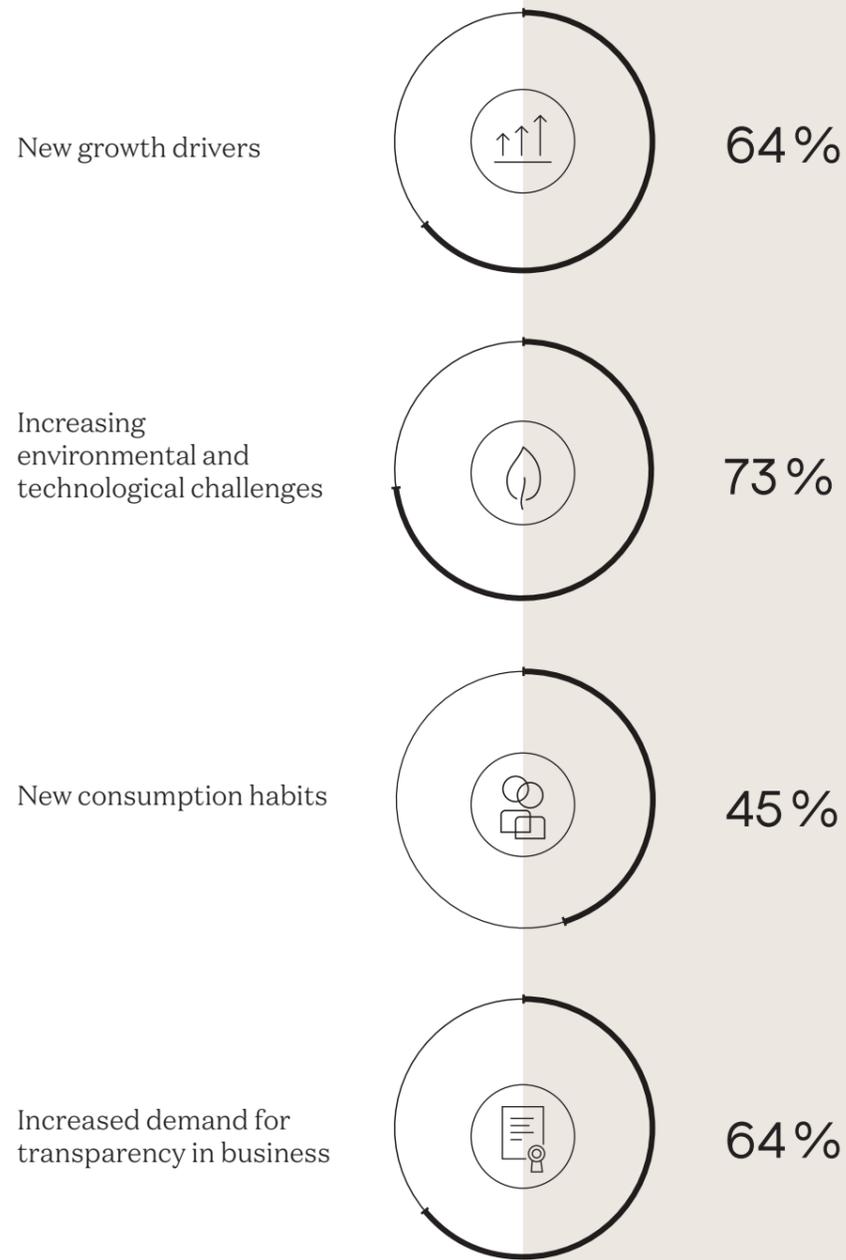
FIND OUT MORE

- In this report: Market trends, p.16; Governance in 2017, p.62
- 2017 Reference document: Chapter 4. Report on Corporate Governance



Source : TPI (Titre au Porteur Identifiable)

CHANGE IN SHARE OWNERSHIP (AS OF DECEMBER 31)



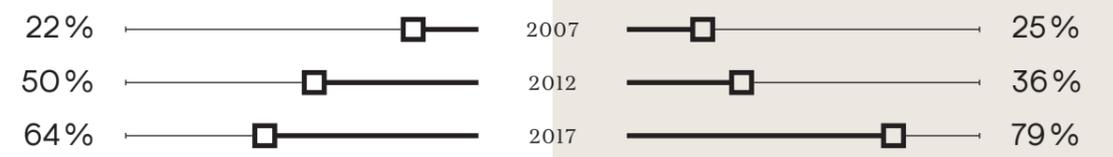
A BALANCE OF EXPERTISE WITHIN THE BOARD OF DIRECTORS, CONSISTENT WITH A CHANGING MARKET



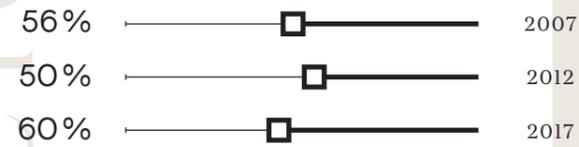
AVERAGE AGE



PROPORTION OF WOMEN



SIGNIFICANT INTERNATIONAL EXPERIENCE



INDEPENDENCE

BOARD OF DIRECTORS

KERING'S VISION: EMBRACING CREATIVITY FOR A MODERN, BOLD VISION OF LUXURY

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

Our ambition: to be the world’s most influential Luxury group in terms of creativity, sustainability, and economic performance

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 our Houses. Our ambition is to be the world’s most influential Luxury group in terms of creativity, sustainability and economic performance.

Boldness is an essential source of inspiration and creativity. We dare to think differently so that we can constantly propose fresh and innovative ideas that inspire emotion and enthusiasm for our exceptional products.

We dare to take risks. This way, we can meet the radically changing expectations of all our stakeholders. Not only is Luxury synonymous with heritage and know-how, it has also become a vital means of self-expression, enabling our clients to display their unique personalities.

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 creative teams. Our Group

is driven forward by committed 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 sustainable world. We are constantly raising our creative and production standards to ensure respect for the environment 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 signature – it gives meaning to everything we do.

LUXURY: A DYNAMIC MARKET WITH NEW CHALLENGES

Guided by a strong and bold vision, Kering has become a leader in the continually evolving luxury industry. In pursuit of sustainable growth, the Group has adopted a business model and a strategy perfectly aligned with the challenges of tomorrow's Luxury, while establishing itself as an industry trendsetter. Every day, we thus seek to combine our rich heritage of exceptional know-how with the expectations of new generations of customers.

The luxury industry is highly fragmented, with a few major global players such as Kering, and it is currently undergoing significant structural changes. During a three-year period, the global luxury market (Personal Luxury Goods segment) went through a phase of relatively "normal" growth. Then, in 2017, industry revenues jumped back up to 6% at comparable exchange rates, totaling €262 billion. This surge is attributable to strong growth in local consumption along with an increase in tourism-related purchases. Chinese and American consumers were the main contributors to this growth,

accounting for more than half of the market in value in 2017. Online sales also helped invigorate the market, rising 24% and representing 9% of luxury revenues (source : Bain/Altagamma).

To tap into the full potential of this revitalized market, Kering has identified four major trends from the multiple changes that impact the industry:

- New growth drivers
- Increasing environmental and technological challenges
- New consumption habits
- Increased demand for transparency in business

FIND OUT MORE

— 2017 Reference document:
Chapter 2.1. Worldwide personal Luxury Goods market overview



Business model and strategy

Business model – p. 20
Strategy – p. 24

A MULTI-BRAND MODEL BUILT ON A LONG-TERM APPROACH AND CREATIVE AUTONOMY OF OUR HOUSES

Our international reach and strong brands along with the creative autonomy we give to each House and the unmatched quality of our products make Kering one of the very first players in Luxury. Our integrated business model, which is unrivalled in the industry supports the rapid growth and excellence of our brands. Our multi-brand model based on a long-term vision and combining agility, balance, and responsibility is crafting tomorrow's Luxury.

AGILITY

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

Constancy

Kering began as a family owned company more than 50 years ago. With a strong and stable controlling shareholder, Kering boasts an attractive and sustainable profile conducive to developing our vision in the Luxury Goods market over the long-term.

Flexibility

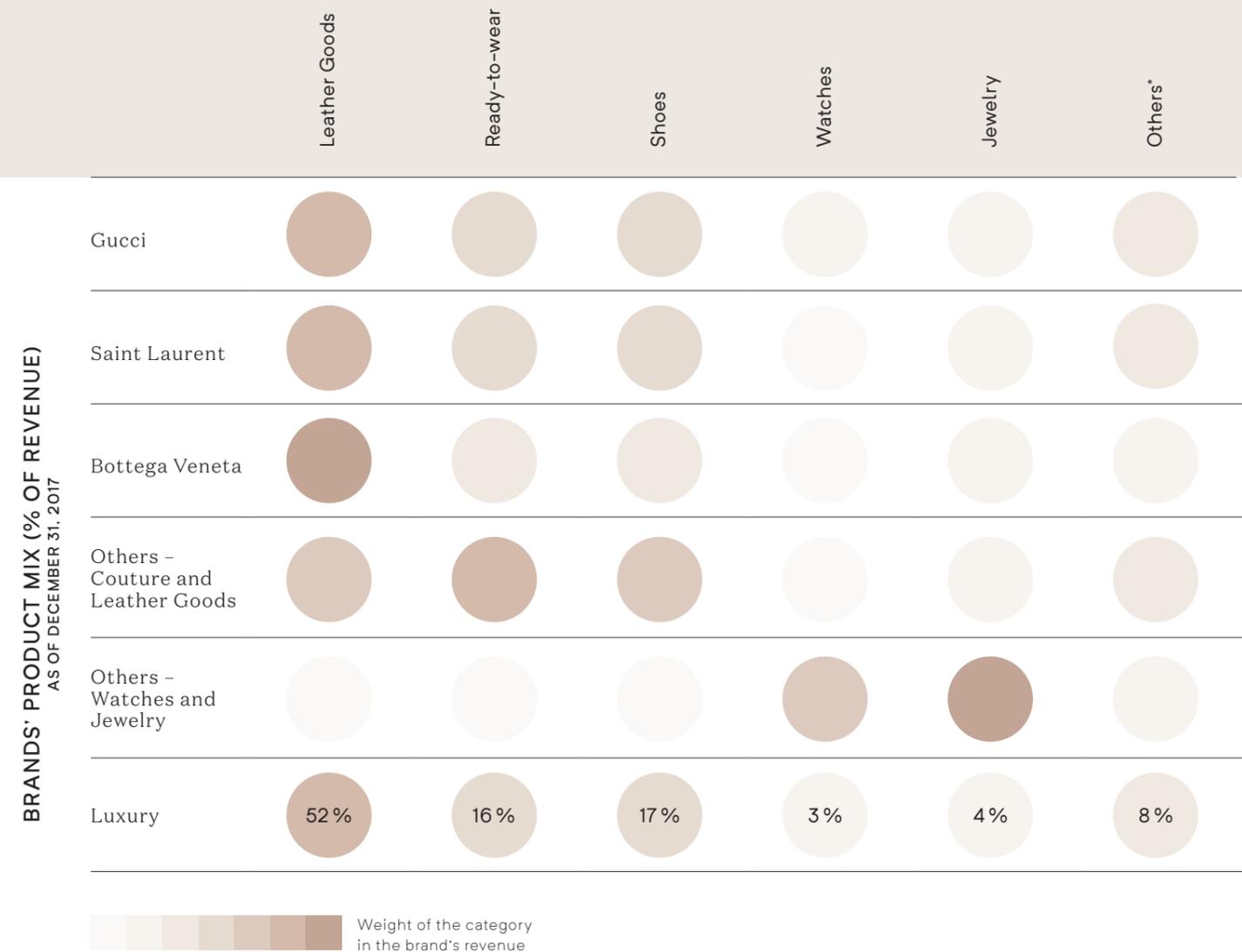
From a conglomerate of diversified retail activities until the early

2000s, Kering has transformed into a Luxury pure-player. We are now an integrated Group developing around 15 of the world's most prestigious brands. Through the years, we have been able to leverage the most effective growth drivers.

Clarity

Kering helps its Houses realize their full growth potential and unleash the best of their talents and creativity in ways consistent with their long-term visions and objectives. Looking beyond the annual calendar of collections, our vision aims at securing the performance of the Group and its Houses.

CONSISTENT POSITIONING ACROSS ALL LUXURY SEGMENTS



* Other product categories and royalties

BALANCE

Now a fully integrated Group, Kering's multi-brand model is reaching optimal efficiency.

An ensemble of exceptional Houses

Each of our brands evokes a unique blend of emotions and creations. 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 or traditional Watchmaking for others. The Group supports the brands by providing its expertise, reliable supply chain and access to distribution networks, as well as enhancing customer experience, especially in digital channels, and promoting communications. It also encourages the brands to form synergies with each other and share best practices, all of which drives innovation.

Growth prospects

Benefiting from growth drivers intrinsic to the luxury industry, Kering reinforces its growth potential 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 customers.

Ready to weather adverse market conditions

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

FIND OUT MORE

- 2017 Reference document: Chapter 1. Kering in 2017; Chapter 3. Sustainability
- Code of Ethics
- Website: 2025 Sustainability Strategy

RESPONSIBILITY

All our operations are founded on Kering's responsible business model. Our comprehensive, sustainable approach is a structural competitive advantage.

Toward sustainable Luxury

Kering is convinced that the responsible economic approach can change the very nature of Luxury. For our brands, sustainability is a business opportunity, a source of inspiration and innovation. Having set measurable sustainability objectives as part of its 2025 Strategy, Kering is changing the way it designs Luxury products through the inclusion of non-financial criteria to create sustainable value for customers as well as for society.

A people-centered approach

Every aspect of our responsible model is aimed at rethinking Kering's relationships with its stakeholders, so as to ensure fair and ethical treatment that constantly takes into account the social and environmental impacts of the Group's operations. Placing people at the heart of the model brings fresh entrepreneurial spirit, inspiring and engaging employees as well as customers.

Creative potential

Responsibility promotes business growth through ever more innovative and attractive products. It rewards cost control and manufacturing process upgrading. Against a backdrop of limited natural resources, new high-quality materials are being fashioned and more sustainable processes devised. For our Houses, this represents a vast swathe of creative territory yet to be explored.

Governance and ethics

Kering's responsible model leverages an ambitious governance structure supported by the Board of Directors and its Sustainability Committee. It drives the sustainability strategy, which the Houses implement every day under the guidance of experts from a dedicated corporate department.

ETHICS, THE CORNERSTONE OF OUR BUSINESS PRACTICES

Ethics and sustainability are central to our activities and the way we do business. No company is sustainable if it is not trustworthy. We earn trust

by demonstrating every day our commitment to responsible business practices.



HARNESSING THE FULL POTENTIAL OF LUXURY TO GROW FASTER THAN OUR MARKETS

Over the past decade, Kering has undergone a major strategic shift to become a leader in Luxury. Today, three of the Group's brands generate annual revenue of more than €1 billion. The strategy driving this success has two main components: promoting organic growth and enhancing synergies and integration.

PROMOTING ORGANIC GROWTH

The Group aims to build on its outstanding performance to strengthen and sustain this momentum in the coming years, giving priority to the development of its Houses.

Above-market performance

The future of the Luxury Goods market is structurally bright and offers Kering major sources of value creation. The market growth rate having normalized, the challenge for each of our brands is to outperform its respective market in all segments and categories.

Product innovation

Energized by new creative teams, our Houses are setting trends in most of their specialties. 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 customers' 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 optimize comparable-store sales performance through an increasingly effective merchandising and in-store operational excellence supported by the Group and its dedicated teams.

Customer experience

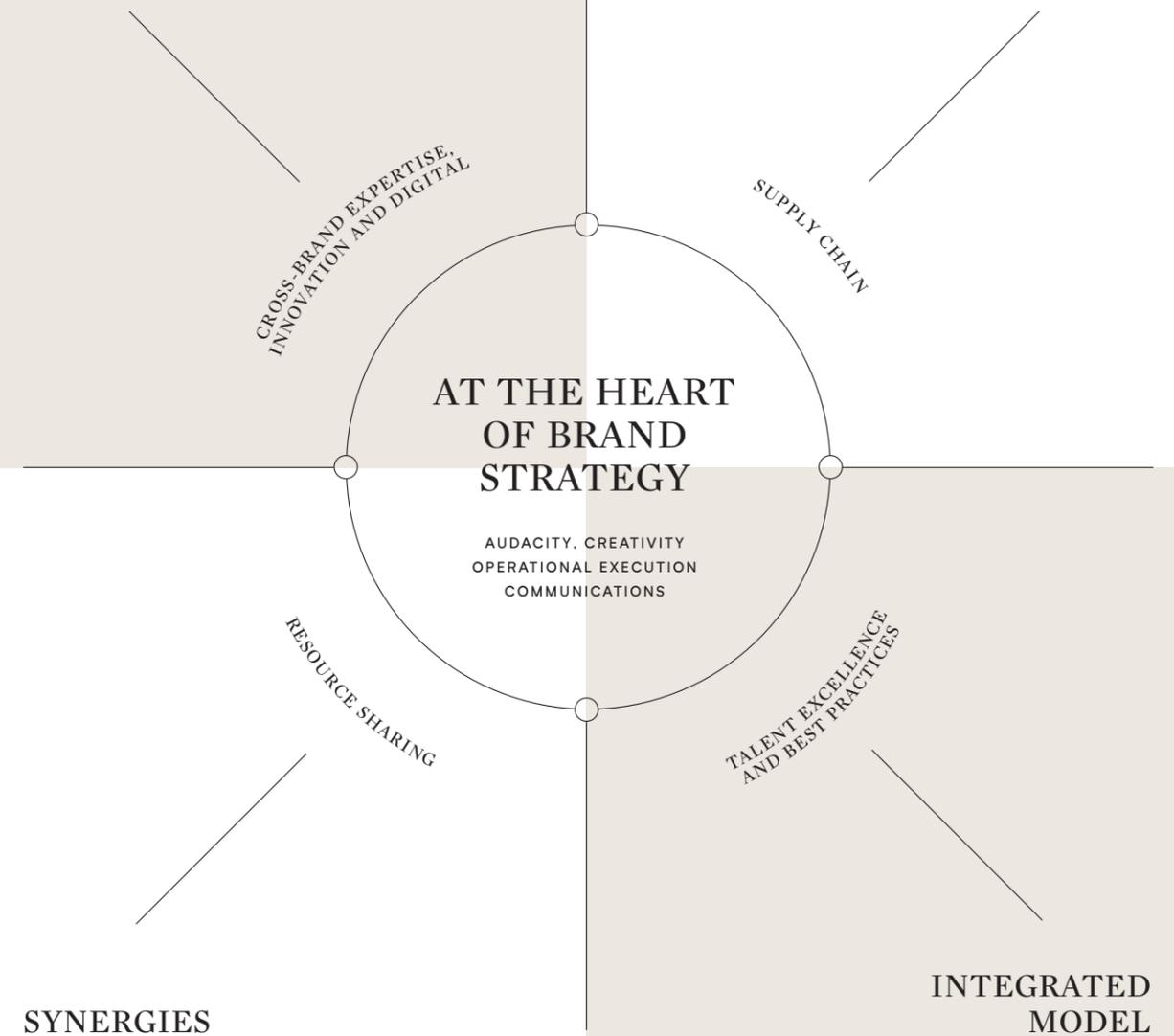
Improving the quality of in-store customer experience is central to driving sales performance. Personalization, customer service before, during and after the purchase must be as distinctive as our collections and enable us to initiate and maintain lasting relationships with our customers.

The omnichannel approach

In a truly omnichannel approach, our customer relations strategy is epitomized by continuity on all communication and distribution channels so as to develop a seamless experience using multiple resources, including targeted extension of directly operated stores, travel retail, e-commerce, digital communication, and social networks.

INTEGRATED MODEL

SYNERGIES



TO FIND OUT MORE

— 2017 Reference document:
Chapter 1. Kering in 2017

ENHANCING SYNERGIES AND INTEGRATION

Our integrated model gives us a decisive advantage. Each of our Houses benefits from Group-wide synergies while preserving their unique characters and exclusivity.

Resource sharing

To enable our Houses to focus on the essentials – creation, production quality, product range development and renewal, customer relations, etc.– the Group pools resources and streamlines certain strategic functions (logistics, purchasing, legal affairs, property, advertising space buying, IT systems, etc.).

Cross-business expertise

To enrich its brands' offerings, the Group draws on cross-

business expertise. Kering Eyewear is a notable example. Our Houses benefit from a dedicated specialist which ensures full control over the value chain of their frame and sunglasses businesses. This innovative management model enables Kering to harness the full growth potential of its brands in this category and to generate significant value creation opportunities.

Vertical integration

In 2013, the Group strengthened its upstream positioning in the luxury value chain, in particular via the targeted acquisition of leather tanneries to secure raw materials sourcing. Logistics activities for its Couture and Leather Goods brands have been centralized, much like ready-to-wear prototyping, which is pooled in a shared unit. To ensure the effectiveness and efficiency of this vertical integration, all these

operations have been placed under the direct governance and oversight of Kering.

Talent excellence

Through an ambitious, worldwide human resources framework based on ever-greater mobility, Kering facilitates the growth of its Houses through a shared pool of talents, expertise, and excellence. The Group helps employees reach their potential and express their creativity by developing their skills and performance as well as by offering aspirational development opportunities. Kering is also particularly attentive to the role of women, who make up the majority of its employees and its customers.

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 of our Houses

AGILITY

BALANCE

RESPONSIBILITY



STRATEGY

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

PROMOTING
ORGANIC GROWTH

ENHANCING SYNERGIES
AND INTEGRATION

Performance

Overall performance – p. 30

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Stage 5: Customer experience – p. 54

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Governance in 2017 – p. 62

2017, A RECORD YEAR FOR KERING

At every step of our value chain, we express our vision of modern and bold Luxury, which combined with first class execution, has enabled us to outperform our peers and deliver excellent operating and financial performance for 2017. This year also showcased the relevance of our multi-brand model that enabled us to tap into the luxury market's full potential.

In 2017, the Group generated revenue of €15.5 billion and grew its recurring operating income by more than 56%. Such excellent results are the product of the strength and creative ability of our Houses, which have remarkable growth potential.

Our vision for Luxury founded standards codes with a focus on the long-term and the quality of execution in our strategy means we anticipate changes and continue to win market share.

Finally, the divestment of Puma, which has created value for Kering and its shareholders, has bolstered the Group's positioning as a Luxury pure player, seizing growth opportunities in the sector.

	2017	2016	CHANGE*
REVENUE (in € millions)	15,478	12,385	+25.0 %
EBITDA (in € millions)	3,464	2,318	+49.4 %
EBITDA MARGIN (as a % of revenue)	22.4 %	18.7 %	+3.7pts
RECURRING OPERATING INCOME (in € millions)	2,948	1,886	+56.3 %
RECURRING OPERATING MARGIN (as a % of revenue)	19.0 %	15.2 %	+3.8pts
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT (in € millions)	1,786	814	+119.5 %
NET INCOME FROM CONTINUING OPERATIONS (excluding non-recurring items) ATTRIBUTABLE TO OWNERS OF THE PARENT (in € millions)	2,002	1,282	+56.2 %
GROSS OPERATING INVESTMENTS (in € millions)	752	611	+23.1 %
FREE CASH FLOW FROM OPERATIONS (in € millions)	2,318	1,189	+94.9 %
NET DEBT (Gross borrowings – cash in € millions)	3,049	4,371	-30.2 %
SOLVENCY RATIO (Net debt/EBITDA)	0.88	1.89	-1.01pts
PERCENTAGE OF EMPLOYEES ON PERMANENT CONTRACTS	90.6 %	90.9 %	-0.3pt
O/W FULL-TIME EMPLOYEES	88.6 %	88.5 %	+0.1pt
PERCENTAGE OF EMPLOYEES TRAINED	66.1 %	58.6 %	+7.5pts
PERCENTAGE OF WOMEN MANAGERS	50.7 %	50.9 %	-0.2pt
DJSI SCORE	85/100 Industry leader	83/100	+2pts
CDP CARBON SCORE	A	A-	Maximum score achieved
GLOBAL 100 RANKING – CORPORATE KNIGHTS	47/100	80/100	+33 places
	2016	2012	CHANGE
EP&L INTENSITY (PER €1,000 OF REVENUE)	69 €	77 €	-10 %

* Reported

FIND OUT MORE

— 2017 Reference document:
Chapter 5. Financial information;
Chapter 3. Sustainability

Organic growth

Organic growth is our priority in an ever-changing industry.

In 2017, the generation of €3 billion in revenue (of which €2.3 billion in Luxury) and close to €1 billion in additional recurring operating income was driven by organic growth in our brands:

- Growth of 29.9% (at comparable exchange rates) in luxury activities, boosted by excellent sales momentum in directly operated stores and favorable trends across all of the Group's location regions;

- Outstanding performances in 2017 from Gucci (+44.6% increase in comparable revenue) and Saint Laurent (+25.3% on a comparable basis);

- Accelerated growth in the Group's other luxury brands

(+14.1% on a comparable basis), particularly Balenciaga, which delivered the most robust growth within the Group in the second half of the year.

Integration

Every day, Kering leverages the robust model of an integrated group for its brands. The improved efficiency in its structures and the progress made in its integration have significantly contributed to the improved performance in 2017, including Kering Eyewear, whose net contribution to Kering's revenue totaled €272 million, representing +2.2 pts in organic growth.

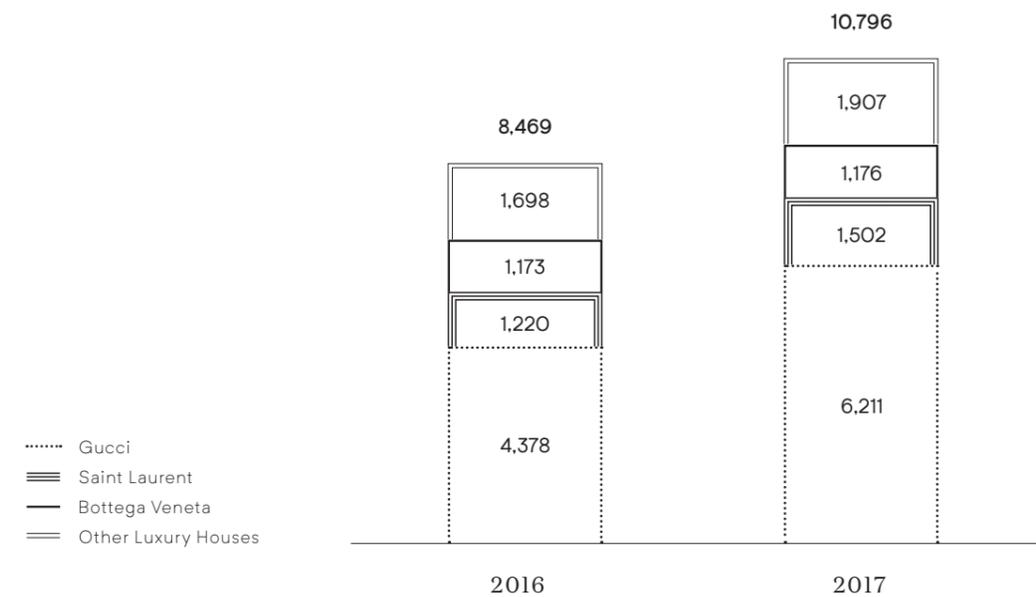
Inseparable from our financial performances, our non-financial achievements result from our ambition to protect the future of our industry as well as the communities in which we are involved:

- Announcement in January 2017 of our sustainability roadmap for 2025, driven by the Chairman and Chief Executive Officer. The roadmap relies on 3 pillars: Care (environment), Collaborate (social) and Create (innovation);

- Improved scores obtained in the SRI (Socially Responsible Investment) indices, and particularly our leader position within the Corporate Knights 2018 Global 100 index;

- More than 10% reduction in the intensity of our environmental impacts (€ EP&L / € revenue) between 2012 and 2016.

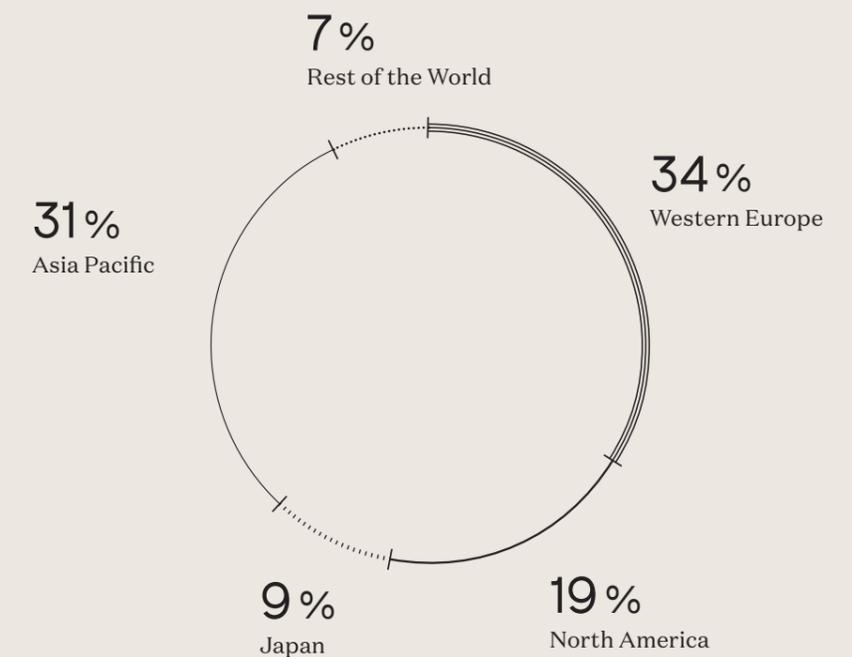
REVENUE IN LUXURY ACTIVITIES (IN € MILLIONS, NON-RESTATED DATA)



REVENUE BREAKDOWN BY REGION FOR LUXURY ACTIVITIES (IN %, NON-RESTATED DATA)

In 2017, revenue from luxury activities was generated by directly operated stores at 75% (including e-commerce).

Robust growth (+35% in comparable) well balanced across all regions: Western Europe +41%, North America +33%, Japan +18%, Asia Pacific +38%, Rest of the World (RoW) +43%.



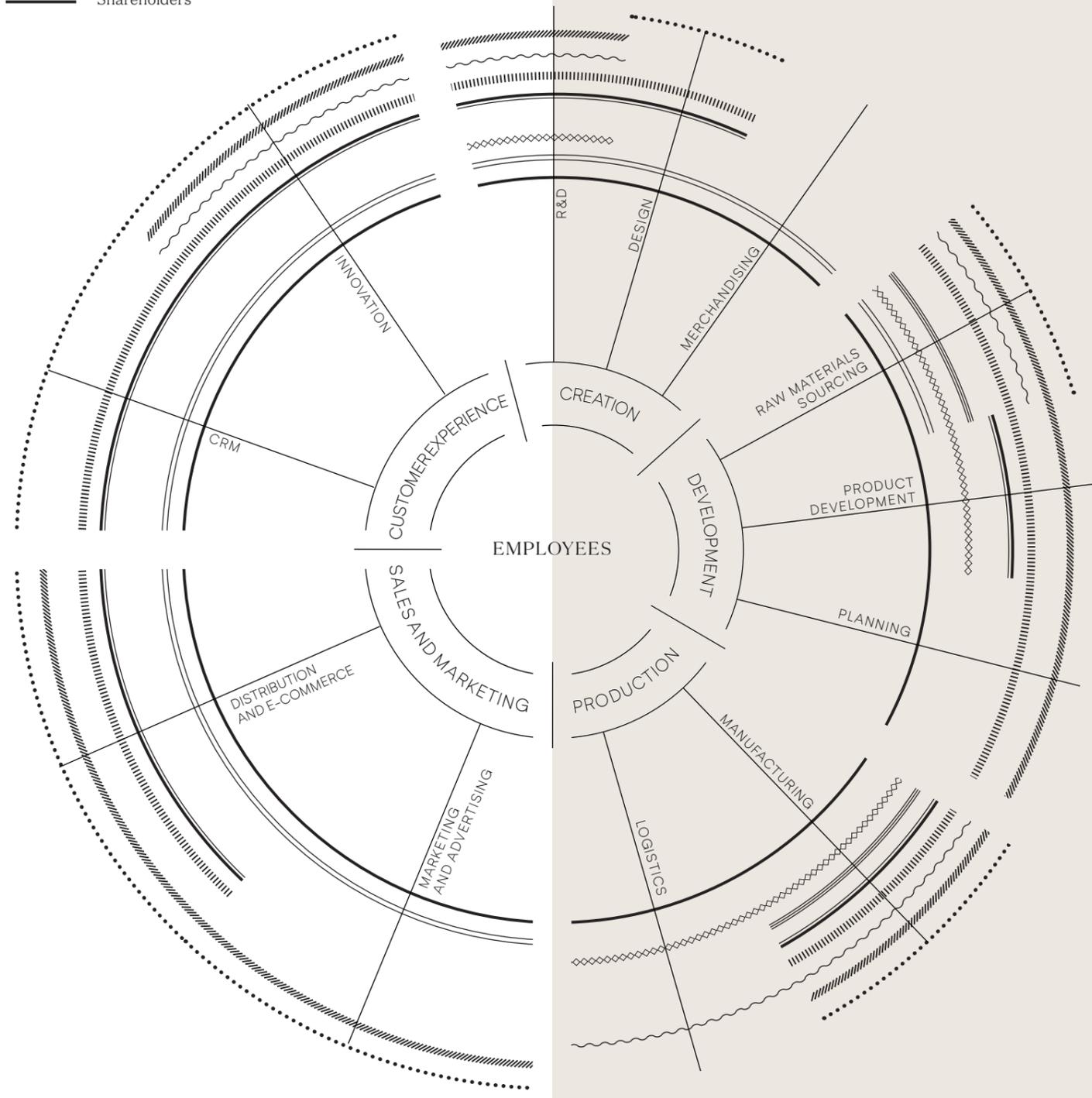


OUR VALUE CHAIN : FIVE KEY STAGES, FROM CREATION TO CUSTOMER EXPERIENCE

Kering's performance in 2017 is presented through the perspective of this value chain:

- pages 36 to 57: each stage is described in terms of our products' life cycle, the ways we respond to market trends (p. 16), and our contribution to the achievement of the Sustainable Development Goals (p. 2);
- pages 58 to 61: global illustrations on three key challenges for the Group spanning the entire value chain.

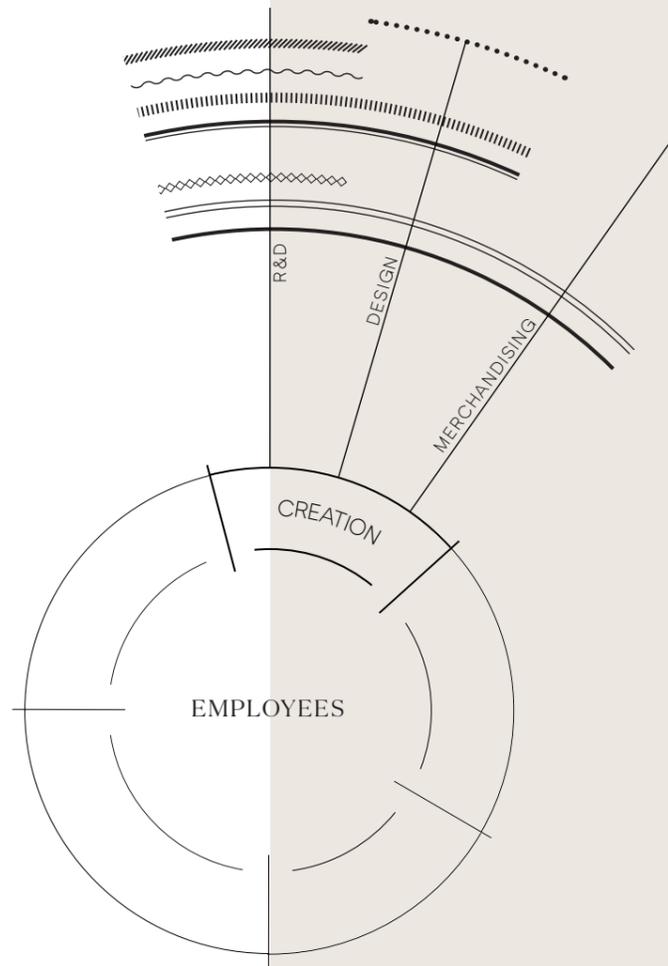
- NGOs and civil society
- ////// Financial community
- ~~~~~ Competitors
- ||||| Innovation players
- ===== Creative talent and excellence in craftsmanship
- ===== Local communities
- ◇◇◇◇◇ Suppliers and Subcontractors
- ===== Customers and consumers
- ===== Shareholders



FROM CREATION TO CUSTOMER EXPERIENCE: A CHAIN OF ACTORS DELIVERING BOLD AND MODERN LUXURY

Our products and the experience we offer our customers are the result of the efforts and collaboration of the Group and its many stakeholders. The multiplicity and complexity of these interactions are presented here as a value chain in which we identified the stakeholders affected or directly involved at each of the chain's five stages and twelve sub-stages.

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



STAGE 1 — CREATION, AT THE CENTER OF OUR VISION AND OUR PRODUCTS

Inspiration, audacity, the search for new, high-quality, sustainable materials, risk-taking, responses to the aspirations of customers who are increasingly connected: these are the drivers of the creative process at Kering, a process which, through its stages of R&D, design, and merchandising, brings the brands' creative vision to stores and crafts tomorrow's Luxury.

MARKET TRENDS ASSOCIATED WITH THE STAGE



OUR CONTRIBUTION TO THE SDGS



SDG #12 SDG #13

CONTEXT

Consumer expectations

Kering is able to rely on its strong creative teams and well-known Artistic Directors to anticipate and respond to consumers' constantly changing expectations. The Group supports the Houses' creative leadership, ensuring the collections are successful and have strong commercial appeal.

Talent management

Among the keys to the Group's success are the talent and creativity of its employees and in particular the members of the creative teams, instrumental in brands' identity. It is therefore essential to identify talented individuals, to attract and retain them, and to develop their skills.

Climate change

Aware of the impact of climate change on the availability and quality of crucial raw materials, Kering is tackling this challenge by reducing the impact of its activities, starting with the design of its products.

Organic growth

Kering's powerful business model and ambitious human resources policy enable it to anticipate luxury trends and thus make creation a growth driver:

- CEO-Designer-Merchandiser, a three-member team that guarantees excellent management along with bold creativity and an always-balanced and innovative product range;
- A team of employees with unique know-how and constant tracking of market trends (trade shows, trends forecasting agencies, consumer studies, etc.).

Creativity is the source of our operational and financial performance. That is why we continually invest in design, raw materials, and prototypes essential to the development of our collections:

- Over performance of luxury activities compared with industry peers with outstanding results for Gucci, Saint Laurent and Balenciaga;
- Consistent and systematic use of Alessandro Michele's creative narrative at Gucci contributed to higher revenues in 2017 (up 44.6% on a comparable basis), with the Gucci ArtLab, created in early 2018, set to provide a further boost;
- Continuing success in all categories at Saint Laurent, which shone with its seventh consecutive year of over-20% growth;
- Identification of 20 start-ups through the Plug & Play partnership formed in 2017 to support and integrate innovation in the luxury and clothing industry;
- Collection of more than 2,500 samples of ecologically certified

Integration

Besides providing the Houses with pooled services, Kering keeps up a permanent dialogue with the creative world:

- Strategic know-how and skills secured through partnerships and training initiatives, in particular for future designers;
- All the Houses provided with an EP&L, a management tool for analyzing as of the design phase the impact of the materials they use in their products.

fabrics and fibers in Kering's Materials Innovation Lab (MIL).

This bold vision is recognized by the creative world, as several of Kering's Houses and designers have received awards and been recognized for their exceptional creativity:

- Gucci: *CEO/Creative Leadership* award from WWD; *International Business Leader* for 2017 from the British Fashion Council (BFC) for the second consecutive year; ranked No. 1 by Business of Fashion (BoF) in its *Top 10 Campaigns of the Season* in 2017, among others;
- Balenciaga: No. 1 in the *Lyst Index Hottest Brand* ranking for the third consecutive year; Demna Gvasalia named BoF's *Person of the Year* for 2016, and the *International Award* for 2017 in the CFDA Fashion Awards of the Council of Fashion Designers of America;
- Gucci, Balenciaga, and Saint Laurent named the three most popular Fall 2018 runway shows in the Vogue Runway ranking.

KERING EYEWEAR, EXCEPTIONAL IN-HOUSE EXPERTISE TO SUPPORT EACH HOUSE'S CREATIVE IDENTITY

By taking up the challenges of the eyewear market, Kering expands its strategy to harness the full potential of Luxury and its Houses, while preserving the legacy and vision of each brand.

- €352 million revenue in 2017 (€272 million after eliminating intra-group sales and royalties paid to the brands);
- Differentiation advantages for the Houses stemming from innovative models of exceptional quality in line with each brand's creative identity;
- Development of significant synergies in the marketing and communications strategies that create economies of scale and improve the brands' revenues;
- 15 successfully activated brands in more than 100 countries, 2 collections and more than 1,000 styles developed in 2017;
- More than 12,000 customers over the world;
- Integration of the Manufacture Cartier Lunettes plant in Kering Eyewear operations in 2017;
- Nearly 1,000 employees (as of 31 December 2017);
- Number of units produced multiplied by 3 between 2016 and 2017.

- Development of in-house expertise in eyewear for the Group's Houses;
- Control of the process, from creation and product development to supply chain, brand strategy, marketing, and sales;
- Three regional logistics centers set up in Italy, the United States, and China;
- A manufacturing network of more than 40 subcontractors of which 20 located in Italy.

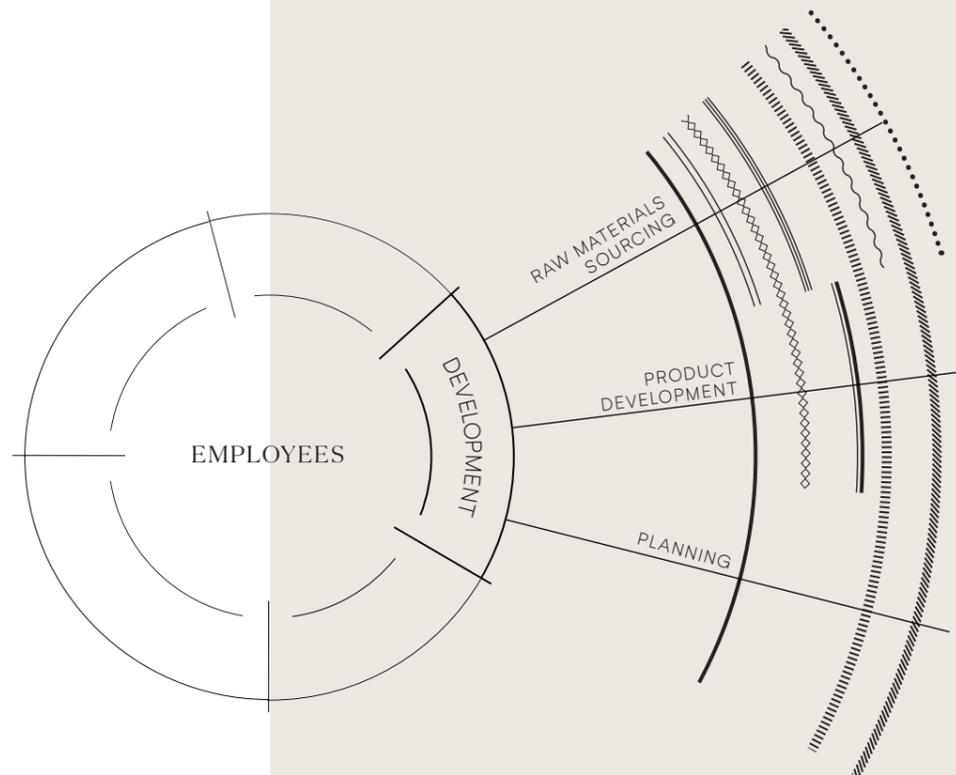
TO BECOME A PLAYER IN THE FAST-GROWING AND SIZEABLE EYEWEAR MARKET, KERING PROVIDES ITS HOUSES WITH THE SERVICES AND INFRASTRUCTURES THEY NEED FOR ROBUST AND SUSTAINABLE GROWTH.

TO FIND OUT MORE

- 2017 Reference document: Chapter 2. Our activities
- Website: Kering Eyewear

A STRATEGY BASED ON KERING'S STRENGTHS AND THE POWER OF ITS BRANDS. A SOURCE OF VALUE CREATION FOR THE GROUP AND ITS HOUSES.

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



STAGE 2 — DEVELOPMENT: AT THE SOURCE OF OUR OPERATIONAL EXCELLENCE AND OUR ENVIRONMENTAL LEADERSHIP

From dream to reality, from catwalk to stores, from prototyping to production. The multiple tasks here are to prepare the collection and get everything ready to integrate the technical requirements and deadlines in product development; to ensure that we meet the Group’s high standards of excellence and sustainability in our sourcing; and to plan production.

MARKET TRENDS ASSOCIATED WITH THE STAGE



OUR CONTRIBUTION TO THE SDGS



SDG #13

SDG #15

STAGE 2: DEVELOPMENT

CONTEXT

Climate change

89% of Kering’s carbon footprint is found in its supply chain. That is why the Group has committed to reducing its impact at the level of the extraction, production, and initial transformation of raw materials and to be a catalyst of positive trends and rewarding innovations.

Product quality and safety/health risks

As a Luxury group producing exceptional goods, the quality of the products we sell and their compliance with stringent safety standards are among the Group’s priorities.

Image and reputation/ethics and integrity

Kering’s reputation and its media coverage must reflect the outstanding quality of its products, its exemplary social and environmental practices, and the robustness of its results so that consumers’ perception of the Group is as fair as possible.

Sourcing and fluctuating raw materials prices

Since Kering is a major player in the luxury industry, the price volatility of the raw materials used by the Houses is a challenge for the Group.

Organic growth

To deal with these risks and seize opportunities, Kering capitalizes on its assets, which include operational excellence and a robust, high-quality supply chain:

- A combination of actions ensures the Group's products are of the highest quality: certification of products to quality and safety standards, selection of suppliers following a technical audit and their agreement to the Supplier Charter in the Code of Ethics, and crisis management units for products, among others;
- Sustainable and responsible sourcing to maintain margins while guaranteeing that materials meet the highest quality standards.

Integration

Kering provides its brands every day with the benefits of a powerful and integrated value chain:

- Strong upstream positioning in the value chain, notably through targeted acquisitions and the creation of the Kering Group Operations division, which pools support functions upstream;
- Actions to strengthen the resilience of its supply chains such as the implementation of the Kering standards.

Two key reasons for the Group's solid results are its excellent operational organization and its planning:

- Through the new Kering Group Operations division, the Group is reducing costs by pooling ready-to-wear prototyping and developing joint buying platforms to purchase materials such as certified Fairmined gold (more than one ton of responsible gold was reached in 2017) and organic cotton (via the Organic Cotton Platform).

More precise traceability and closer collaboration with suppliers combined with compliance with best practices and standards enabled the Group to make big strides toward the achievement of its 2025 targets:

- A 10% decline in EP&L intensity between 2012 and 2016, resulting mainly from the reduced impact of raw materials sourcing and their initial transformation;
- Notable successes with leather, precious skins, and fur: elimination of fur and traceability of 99% of the leather used at Gucci; leather cutting brought in house at Saint Laurent to reduce the volume of scraps, etc.;
- Ambitious greenhouse gas emissions reduction target approved by the Science Based Target Initiative;
- 136,232 tons of CO₂ offset by the Group, with projects to provide strong support to local populations and biodiversity.

KERING STANDARDS: GUIDELINES FOR SUSTAINABLE GROWTH

The Kering Standards are intended to ensure the long-term success of our activities by promoting sustainable growth through the uniform implementation of the Sustainability Strategy in all the Group's Houses and through a common foundation of best practices in the areas of raw material sourcing and manufacturing processes, all to achieve the target of a 40% reduction in EP&L by 2025.

- Develop a set of guidelines for responsible sourcing based on five key pillars: environmental impact, social impact, animal welfare, traceability, and the use of chemicals, made public on its website;
- Set ambitious targets: 95% of key raw materials traceable by 2018 and 100% by 2025 as well as 100% in compliance with Kering Standards by 2025;
- Set up Idea Labs, working groups that bring together teams from several brands to share knowledge, come up with new ideas, and implement concrete solutions;
- Deploy a team of experts made up of about 60 employees from the Group and the Houses that will be fully focused on implementing the Sustainability Strategy.

- 12 categories of materials covered by the Kering Standards (leather and precious skins, fur, cashmere, wool, cotton, paper, wood, plastic, gold, diamonds, cellulose fibers and, feathers and down);
- 91% of bovine leather aligned with Kering Standards;
- Total elimination of PVCs;
- 76% of paper comes from sustainably managed forests;
- 10 Idea Labs with about 50 employees participating;
- Contributions to raising standards in the luxury industry.

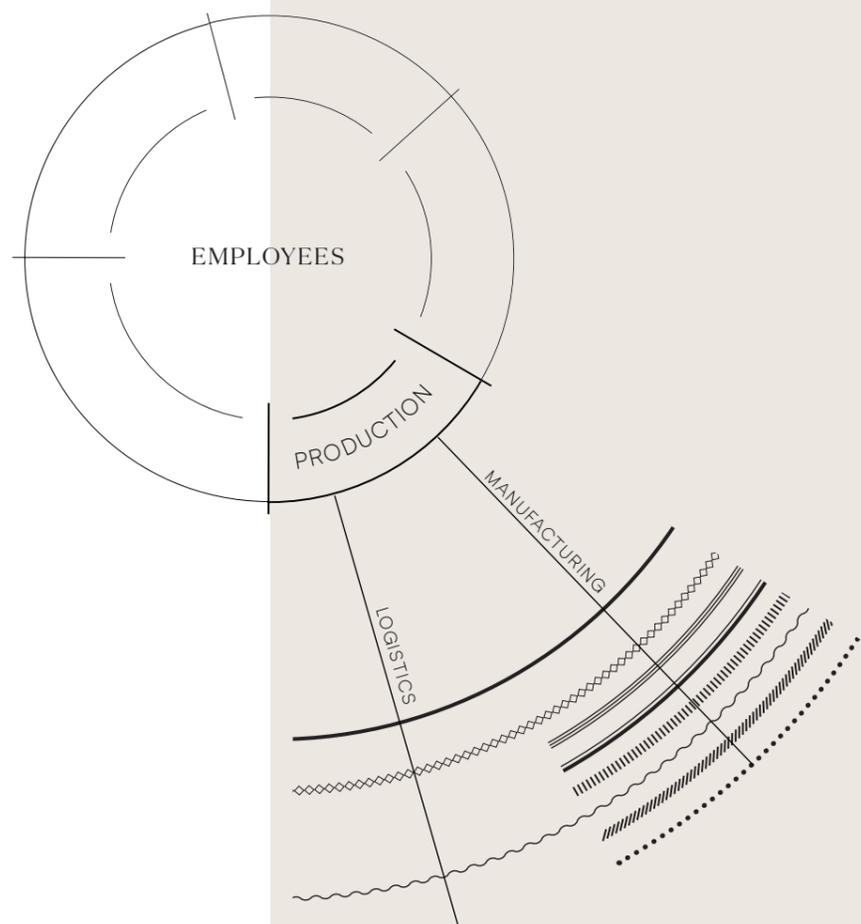
TO MEET THESE SOCIAL AND ENVIRONMENTAL CHALLENGES, KERING HAS DECIDED TO:

TO FIND OUT MORE

- 2017 Reference document: Chapter 3.3. Reducing our environmental impact
- 2025 Sustainability Strategy
- Website: Kering Standards for raw materials and manufacturing processes

KERING IS PROGRESSING RAPIDLY TOWARD THE ACHIEVEMENT OF ITS AMBITIOUS 2025 REDUCTION TARGETS:

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



MARKET TREND ASSOCIATED WITH THE STAGE



OUR CONTRIBUTION TO THE SDGS



SDG #6 SDG #8 SDG #13

STAGE 3 — PRODUCTION: QUALITY OF EXECUTION GUARANTEEING EXCEPTIONAL PRODUCTS

This is the stage at which dedicated craftsmen fully express the know-how that endows the Houses with their strong identities and unique heritage. Every day, the Group and its brands combine the purest traditions of artisanal manufacturing with exceptional methods of modern production using the most innovative and efficient tools.

CONTEXT

Strategic know-how

Kering is able to rely not only on talented creators, but also on exceptional know-how. The Houses' capacity to satisfy their customers' expectations depends on maintaining the production teams' know-how at the highest level.

Product quality and safety/health risks

During manufacturing, the Group keeps a close eye on its products' quality and their compliance with the highest safety standards so as to meet its customers' requirements.

Legal risks, counterfeiting, and parallel distribution

The Group possesses a very large portfolio of famous brands and domain names along with know-how and production methods that belong to it. Preserving and protecting Kering's exceptional heritage is one of the Group's top priorities.

Image and reputation/ethics and integrity

Integrity throughout the entire value chain, including at the production stage, is crucial to ensuring that media coverage of the Group accurately reflects its practices.

Organic growth

Kering has implemented processes to guard against reputational and product quality risks:

- Implementation of operational and technical support along with other actions to ensure product quality such as controls by engineers and certified laboratories throughout the production process and logistics for recalling defective products;
- Effective application of the Group's Charter and Code of Ethics.

Integration

In addition to joint sourcing, key activities are pooled at the Group level to optimize the impact of operations and enable the sharing and development of technical skills and industrial capacities along with implementation of relevant vertical integration:

- Particular attention is paid to protecting the Group's know-how, products, and property (including a policy to combat counterfeiting and legal resources at the regional (Asia, Americas, Europe), local, and corporate levels);
- Stronger positioning upstream in the luxury value chain through the targeted acquisition of tanneries to secure supplies of raw materials;
- The setting-up of schools to train highly qualified young artisans (Brioni's *Scuola di Sartoria*, *Scuola dei Maestri Pellettieri*, *Alta Scuola di Pelleteria*);
- Integration of sustainability at every level of the Group and its Houses by instilling a common culture of responsibility.

Kering's results are highly dependent on the quality of its operations. Every year, the Group acquires greater efficiency and expertise while improving its performance thanks to:

- A worldwide logistics platform for luxury activities providing synergies that reduce costs and the environmental impact of operations;
- Successful industrial and sales reorganization of the eyewear activity;
- Compliance with the Code of Ethics, notably through 2,472 social audits conducted at the Houses' suppliers in 2017;

- Targeted investments to preserve the artisanal know-how required to achieve the highest quality standards and ensure the continuity of key professions; these investments include the Gucci ArtLab, where 800 skilled artisans are brought together at a 37,000-m² facility.

KERING GROUP OPERATIONS: UNLEASHING THE HOUSES' CREATIVE ENERGY

At a time when markets, the competition, and customers' expectations change rapidly, Kering wants to serve as a "sparring partner" and provide its Houses with all its expertise to unleash their creative energy. Supplying exceptional products and services that meet the highest sustainability standards along with all the operational and technical support the brands need are priorities of the Group.

- Securing supplies of strategic materials;
- Increasing operational and logistics efficiency thanks to a clearly structured organization, precisely defined and non-redundant roles and responsibilities, and aligned processes;
- Implementing relevant vertical integration, which is more efficient in terms of services, synergies, and scale effects;
- 24 million finished products handled and distributed through the central logistics platform in 2017;
- Consistently applying the sustainability principles and the 2025 Sustainability Strategy throughout the supply and production chains.

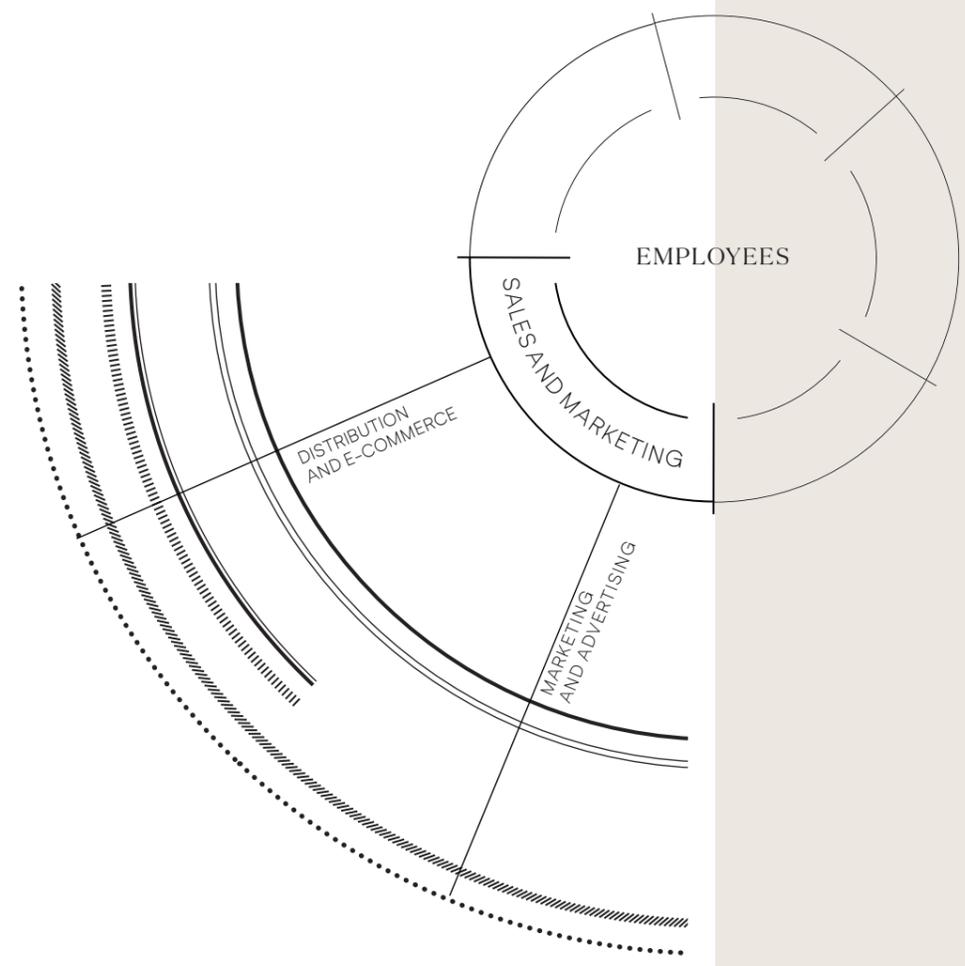
MEANS TO SATISFY THE NEED FOR EFFICIENCY AND A HIGH LEVEL EXPERTISE, THE GROUP HAS SHARED ITS KEY ACTIVITIES AND SERVICES (SOURCING MANAGEMENT, INDUSTRIAL OPERATIONS, LOGISTICS OPERATIONS, ETC.) IN THE KERING GROUP OPERATIONS DIVISION SINCE JANUARY 2016.

KERING IS STEPPING UP INTEGRATION, FACILITATING THE SHARING OF BEST PRACTICES, AND ENSURING VALUE CREATION FOR THE GROUP AND ITS BRANDS.

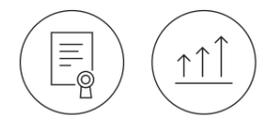
TO FIND OUT MORE

- 2017 Reference document Chapter 1. Kering in 2017; Chapter 3. Sustainability

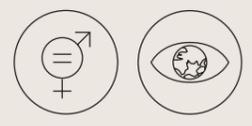
- NGOs and civil society
- ////// Financial community
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- ◇◇◇◇◇ Suppliers and Subcontractors
- ===== Customers and consumers
- ===== Shareholders



MARKET TRENDS ASSOCIATED WITH THE STAGE



OUR CONTRIBUTION TO THE SDGS



SDG #5 SDG #13

STAGE 4 — SALES AND MARKETING: THE POWER OF AN OMNICHANNEL APPROACH

Kering distributes its products worldwide using an agile and complementary omnichannel approach combining directly operated store networks, e-commerce, and travel retail that is designed to fulfill the aspirations of customers and new generations. Our distribution methods are coherent and complementary, making it easy for customers to access our Houses' collections and keeping alive the dreams and emotions inspired by their exceptional products.

CONTEXT

Sales appeal and brand value
Kering's appeal is closely related to the image conveyed through its distribution network, since this network is the point of contact between the Group and its customer.

Image, reputation, ethics and integrity
The stores are also important points of communication between Kering and civil society. The same degree of excellence must therefore be attained in marketing and selling the Group's products as in developing and producing them.

Property risks
Owing to the Group's significant activity in the property market and the intense competition in the luxury sector, Kering is especially careful when leasing properties to obtain the best conditions as well as strategic locations.

Macroeconomic instability risks in the countries where the Group operates
Kering's international scope means its activities are exposed to the economic conditions and geopolitical environment of the countries where it operates.

Organic growth

The unique distribution network that Kering has developed for its brands creates an extraordinary customer experience:

- Primacy of the directly operated store network to ensure the creative vision and identity of each House are respected, with secondary support from an indirect sales network;
- Strong digital presence of the brands in an omnichannel approach featuring seamless connections between brick-and-mortar stores and e-commerce sites to deliver unique, personalized, and authentic experiences;
- A geographically balanced distribution network to enable organic growth despite any macroeconomic instabilities;
- Targeted investments to transform points of sale: quality of

By controlling the distribution of the brands' products, the Group offers an exceptional commercial environment that protects the Houses' image and ensures high-quality services:

- 1,388 directly operated stores for Luxury;
- Growth in sales, both for directly operated stores and online (up 35.3% to €8.110 billion in 2017 on a comparable basis), fueled by targeted investments and constant improvement of the directly operated store network to optimize distribution, boost environmental performance, and create new customer experiences;
- 51% of gross operational investments focused on points of sale;
- Significant benefits in terms of energy savings (EP&L down €800,000).

the reception, improvement of the network's operational execution and environmental footprint; adaptation according to changing market trends and expectations of the international clientele;

- Targeted store openings in growth markets as well as renovation and expansion work.

Integration

The wide scope and quality of Kering's services enable all the Houses to meet the highest standards and to market unique offerings:

- Kering's policy of responsibility extended to stores, with improvement of their environmental profile and energy efficiency (LED lighting systems, the Smart Sustainable Store guide, the NUS system for managing energy bills, etc.);
- Shared services offered by the Group for media buying and property operations.

This strong network is coupled with an effective marketing strategy designed to anticipate the expectations and desires of the brands' customers:

- A combination of initiatives: improvement of the criteria used to effectively allocate products by region and type; redefinition of the ranges as well as the depth and breadth of the offering, etc.

A STRONG DIRECTLY OPERATED STORE NETWORK REFLECTING THE UNIVERSE OF EACH HOUSE

For Kering, a store is not just a place where products are sold; it is an exceptional showcase where the identity and history of each House is expressed, a special place where a dialogue is engaged with all its customers and civil society. The selective development of directly operated store network increases the desirability and dynamism of each House and offers the possibility of reinventing the customer experience while bringing the brands and their customers closer together.

- 152 stores developed or converted to the new store concept at Gucci;
 - A smaller number of wholesale points of sale and selective store openings at prime locations to increase the brand's visibility (particularly in New York) at Bottega Veneta, along with renovation of the network to enhance the customer experience;
 - Priority given to the directly operated networks for all the Houses and in particular for Balenciaga, Alexander McQueen, and the Jewelry Houses;
 - Access for the Houses to their monthly energy consumption data at more than 600 sites in the Group to help them optimize their energy footprint.
- Improvement of the Houses' sales performance:
 - Higher revenue from directly operated distribution at Gucci (up 47.0% on a comparable basis);
 - Higher revenue from directly operated distribution at Saint Laurent (up 27.3% on a comparable basis);
 - Development of synergies between brick-and-mortar and online stores with cross-channel services. These include checking the online availability of articles in stores, buying online, click and collect service, reserving-reservation, etc.
 - Growth of nearly 86% in online sales at Gucci;
 - Benefits in terms of an improved energy profile, energy savings, and lower costs for the Houses:
 - Improvement in energy efficiency of 40% between 2012 and 2017 at Saint Laurent;
 - The proportion of the Group's electricity produced with renewable energies is now over 30% worldwide and over 70% for Europe.

THE STRATEGY IN TERMS OF DIRECTLY OPERATED DISTRIBUTION NETWORK WAS A SUCCESS IN 2017.

KERING ASSISTS ITS BRANDS IN EXPANDING AND RENOVATING THEIR DIRECTLY OPERATED STORE NETWORKS. THEREBY HELPING THEM TO INCREASE THEIR SALES.

TO FIND OUT MORE

- 2017 Reference document Chapter 1. Kering in 2017; Chapter 2. Our Activities; Chapitre 5. Financial information

- NGOs and civil society
- ////// Financial community
- ~~~~~ Competitors
- ||||| Innovation players
- ==== Creative talent and excellence in craftsmanship
- ==== Local communities
- ◇◇◇◇◇ Suppliers and Subcontractors
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MARKET TREND ASSOCIATED WITH THE STAGE



OUR CONTRIBUTION TO THE SDGS



SDG #3

STAGE 5 — AN EXCLUSIVE CUSTOMER EXPERIENCE

Today, Luxury is experienced not only as the embodiment of heritage and craftsmanship, but also as a recognized vehicle of self-expression and a statement of a refined and unique personality. Beyond the product, it is the experience that arouses emotion and represents for the customer what makes him or her unique. Digital communication and dialogue on social networks enrich the relationship between the brand and its customers.

CONTEXT

Consumer expectations

Our customers change, and so do their expectations. They are younger and continually connected, they have at their fingertips an inexhaustible quantity of information to help them decide what to buy, and they are continually searching for meaning. To attract them and gain their loyalty, we must offer them an incomparable experience.

Information systems

The digital transformation has led to profound changes in our customers' behavior, in the industry, and in the Group: the management, analysis, and protection of data are key challenges requiring information systems adapted to security, implementation

and functionality needs, while data science offers new CRM enhancement opportunities.

Key partnerships

To bring the images of Kering's Houses to life, partnerships are formed with brand ambassadors. These prestigious partnerships are of strategic importance for Kering's image but also in terms of marketing and communications costs.

Organic growth

The Houses' success depends more than ever on their ability to offer an exceptional shopping experience and to maintain a privileged and direct relationship with their customers:

- Innovation, regarded by Kering as a key factor in the customer experience and a reflection of the Houses' unfailing desire to offer their customers a special and always fresh experience;
- The development and continual improvement of CRM tools, of clienteling, etc.;
- Training of sales associates in best practices for loyalty building, shopping process, and customer experience;
- Coherent distribution channels so that each House remains a unique entity, thereby promoting robust organic growth (a seamless experience between the brick-and-mortar and online stores, special events, etc.).

With support from the Group, each House expresses its universe and invites its customers to live constantly renewed experiences:

- Omnichannel experience:
 - Significant growth in online sales (more than 70%), especially in the US, first market or the Group's online sales ;
 - Strong contribution of directly operated distribution to Group revenue (75%);
- An excellent customer experience is an important factor in acquiring and gaining the loyalty of new customers:
 - Creation of Kering Signature, a dedicated after-sales team at the Group level;
 - Organization of special events, in particular related to the opening of flagship stores;

Integration

Kering provides expertise in every aspect of the customer experience, whether online or in physical stores, as well as in the Houses' communication with their customers. By doing so, it helps each brand to express its uniqueness and its own special universe:

- Launch of a major project to create a database combining customer information from multiple channels and to modernize, harmonize, and optimize the IT system and the Group's operational processes;
- Rollout of a multiannual investment program to securely store customer data, enhance the efficiency and security of the IT system, and support the brands with the Group's digital capabilities;
- Exceptional and responsible service promoted by sharing best practices (Kering Retail Academy, Sustainable Retail Guide, etc.).

- Innovation and product personalization:
 - Gucci Ace sneakers;
 - "When your own initials are enough" at Bottega Veneta;
 - More in-store initiatives highlighting materials and sustainable offerings such as Brioni and Gucci's capsule collections to enhance the customer experience;
- The Group's strong physical presence extends into the digital space through the most influential social media in the luxury universe for Kering and its Houses, including Instagram, Twitter, Facebook, LinkedIn, WeChat, Weibo, Line, etc.

THE GUCCI EXPERIENCE

Founded in Florence in 1921, Gucci is one of the world's most influential, innovative and progressive luxury fashion Houses. Since the beginning of 2015, the brand has created a competitive advantage within the luxury sector by placing creativity and innovation at the center of all activities, combined with agile-making, a test-and-learn risk taking mentality and a progressive corporate culture.

- The impressive revenue growth registered throughout the quarters - €6,211 million, up 44.6% on a comparable basis -, driven by full-price sales, across all product categories, regions and distribution channels, corroborated the impact of the new vision;
- Network of 529 directly operated stores, including 152 opened or refurbished with brand's new aesthetic;
- For the second year in a row, Gucci led the L2 "Digital IQ Index Fashion", testifying to its robust investments in translating core brand associations to digital channels;
- In line with Kering's long-lasting commitment, Gucci launched its "Culture of Purpose" ten-year sustainability plan with a series of specific initiatives, under the three pillars of the Environment, Humanity and New Models;
- Attested leadership in digital: 25.9 million followers and no. 1 luxury brand for photo likes on Instagram, 5.6 million followers on Twitter and 17 million fans on Facebook.

TODAY THE GUCCI CUSTOMER EXPERIENCE IS A NEW. PERSONALIZED CUSTOMER JOURNEY POWERED BY INNOVATIVE TECHNOLOGIES. REDEFINING HOW GUCCI IS EMOTIONALLY ENGAGING WITH CUSTOMERS - FROM PRODUCT TO CONTENT. AN EMPATHETIC AND INCLUSIVE APPROACH. ACROSS THE FOLLOWING PRIORITIES:

- Unique creative vision;
- Taking all categories to full potential;
- A digital approach, a human touch;
- Content and narrative, for an emotional bonding with the brand;
- Personalization powered by New Tech;
- An inclusive Retail environment.

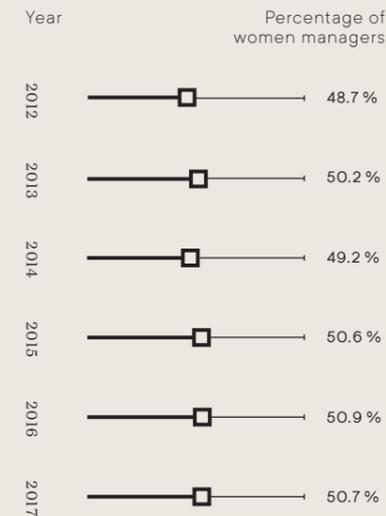
2017 WAS AN OUTSTANDING YEAR FOR GUCCI: THE HOUSE FURTHER STRENGTHENED ITS POSITION AS THE INDUSTRY'S MOST DESIRED BRAND. NOT DUE TO AN "IT BAG" OR A ONE-OFF STELLAR COLLECTION. INSTEAD, AS A SUCCESSFUL IMPLEMENTATION OF THE INNOVATIVE AND COURAGEOUS BUSINESS STRATEGY WITH PERFECT EXECUTION:

TO FIND OUT MORE

- 2017 Reference document: Chapter 2. Our Activities
- 2017 Activity Report
- Website: The Gucci brand

GROUP-WIDE ILLUSTRATIONS

Our value creation is not limited to a single stage of the value chain. Three key challenges are indeed present in all the Group's activities: to give consideration to the human dimension in everything we do, to create value for our shareholders, and to improve the way we factored the environment into our decision-making process.



GENDER EQUALITY. A LONGSTANDING COMMITMENT OF THE GROUP

TO FIND OUT MORE

- 2017 Reference document: Chapter 3. Sustainability
- Kering 2025 Sustainability Strategy
- 2017 Kering Foundation Activity Report
- Website : Talent at Kering

#1 THE HUMAN DIMENSION AT THE HEART OF KERING

CONTEXT

Encourage creativity, attract and retain talents, ensure Human rights are respected, and promote a culture of gender equality — these are all at the heart of Kering vision and signature, *Empowering Imagination*.

MEANS

This philosophy is translated into actions not only aimed at employees of Kering and its Houses, but also outside the company, at every stage of its value chain, and in relation to society as a whole.

- For employees:
 - A policy of training and developing talents and skills;
 - A global Parental Policy that exceeds many of the local standards in countries where the Group operates;
 - A commitment to gender equality at all management levels and to equal pay for equal performance for women and men (the Leadership and Diversity program and the EVE program, among other initiatives);
- For Kering partners and suppliers:
 - Adoption of a charter on working relations with fashion models and their well-being;
 - A commitment to respecting human rights;
- For civil society:
 - Initiatives to increase employees' awareness of domestic violence and the Kering Foundation's actions to combat violence against women;

- Community involvement of employees outside of their job: a program (Solidarity Leave) in which employees take part of their vacation time to participate in humanitarian actions; initiatives to increase awareness of environmental challenges (Caring Day); and the annual national Solidarity Day, among others.

OUR VALUE CREATION

By encouraging diversity, equality, and respect of Human rights, Kering creates value for the Group, its Houses, and its stakeholders:

- Payroll expenses: €1.86 billion in 2017;
- Higher proportion of women at every level: 58.1% of employees, 51% of managers, 64% of the Board of Directors, 29% of the Executive Committee;
- Numerous recognitions of Kering's outstanding performance by stakeholders and the financial community: LedBetter Gender Equality Index, Diversity & Inclusion Index, *Palmarès 2017 de la féminisation des instances dirigeantes*, Bloomberg Gender Equality Index, etc.;
- Frequency rate of work-related accidents decreased (-1.24 pt, 4.40%);
- More than 2.1 billion people were potentially reached by the annual edition of the White Ribbon for Women campaign of the Kering Foundation.

#2 LOYAL SHAREHOLDERS REWARDED WITH EXCELLENT RESULTS IN 2017

CONTEXT

Firmly anchored as a family-controlled Group, with a stable and diverse shareholder structure, Kering enjoys efficient decision-making, along with robust results while pursuing a long-term strategic vision.

MEANS

Multiple factors contribute to the sustainable growth of results:

- A strategy of concentrating on luxury activities, with priority given to organic growth at comparable stores;
- A steady growth in Group and Houses profitability;
- A solid financial structure, with, notably, a further reduction of net debt (down to 0.9 times the EBITDA in 2017);
- A well-balanced and attractive dividend policy after free cash flow investments.

OUR VALUE CREATION

The Group's record-breaking results benefit shareholders and are recognized by the financial markets:

- Record recurring operating income in 2017 doubling free cash flow from operations;
- Divestment of Puma: Puma shares distributed to shareholders (one Puma share for every 12 Kering shares held), giving them equity in a globally

renowned Sport & Lifestyle brand;

- An attractive Group on the financial markets, with an exceptional performing share: it went up by 84.25% in 2017, representing the largest growth in the CAC 40;

- A dividend steadily increasing, with a payout of €6 per share in 2017 (up 30.4%);

- Shareholder loyalty rewarded with double voting rights allocated to each registered share held for at least two years;

- Excellent dialog with investors and shareholders (one-to-one meetings, roadshows, site visits, letters to shareholders, etc.);

- Inclusion in major SRI (Socially Responsible Investment) indices: *Industry leader DJSI*, *Vigeo Euronext Eurozone I20*, *Ethibel Sustainability Index Excellence*, *MSCI Global Sustainability Indices*, *FTSE4Good*, etc.

#3 ENVIRONMENTAL PROFIT&LOSS ACCOUNT (EP&L), OR HOW TO FACTOR THE ENVIRONMENT INTO STRATEGIC DECISIONS

CONTEXT

Kering strongly believes that Luxury and sustainability are inseparable. By making sustainability central to our corporate strategy and to our business model, we remain more attentive than ever to our impact on society and the planet, and we assume the role of a pioneer in the business world. Through our environmental approach, we ensure the continuity of the Group's activities while respecting planetary boundaries.

MEANS

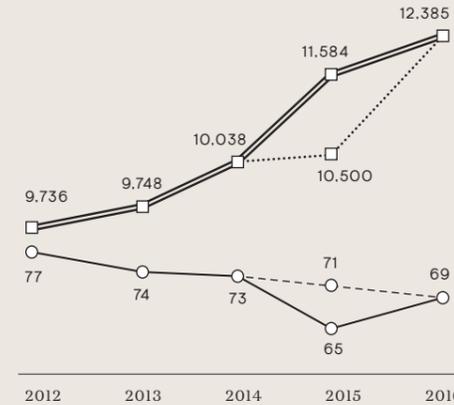
With the Environmental Profit & Loss account (EP&L), it is possible to identify, quantify, and improve the impact of our activities on the environment. A true innovation in the industry, it is a management and decision-making tool developed by and for the Group, its Houses, and its designers:

- Development of additional management and communications tools (scenarios and prospecting tools, My EP&L app, etc.);
- Partnerships to improve the methodology and conduct pioneering studies on companies' impact on their ecosystems and biodiversity;
- Targeted projects roll-out (e.g., choosing of materials and processes, cooperation between brands, etc.), including key design choices (e.g., use of recycled metals, less use of cashmere, etc.).

OUR VALUE CREATION

True to its policy of transparency, Kering published the final report detailing its progress and results in relation to its 2012-2016 sustainability targets. Besides showing the Group's progress in achieving its ambitious goals, it testifies to the Group's clear, overall vision of its impact:

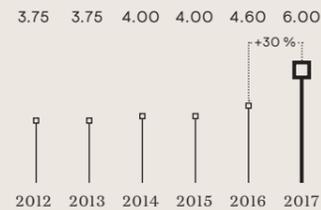
- Ending at €858 million in 2016, the Group EP&L impact had declined by more than 10% since 2012;
- Mapping of activities' impact;
- Easier and better-informed decision-making;
- Lessons transmitted to the next generation via partnerships with universities: 14,000 students learn of the importance of design choices for the environment;
- Open source methodology to share information with other economic actors.



— Revenue (in € millions)
 Revenue (at constant exchange rates)
 — EP&L intensity (€EP&L/€K of revenue)
 - - - EP&L intensity (at constant exchange rates)

TO FIND OUT MORE

- 2017 Reference document: Chapter 3. Sustainability
- Website: 2025 Sustainability Strategy
- Website: Environmental Profit & Loss Account



DIVIDEND PER SHARE BY FISCAL YEAR (excluding distribution in kind of Puma shares) — IN €



DIVIDEND PAYOUT

— in % of recurring net income, Group share
 — in % of available cash flow*

*Available cash flow as defined in the 2017 Kering Reference document p.230

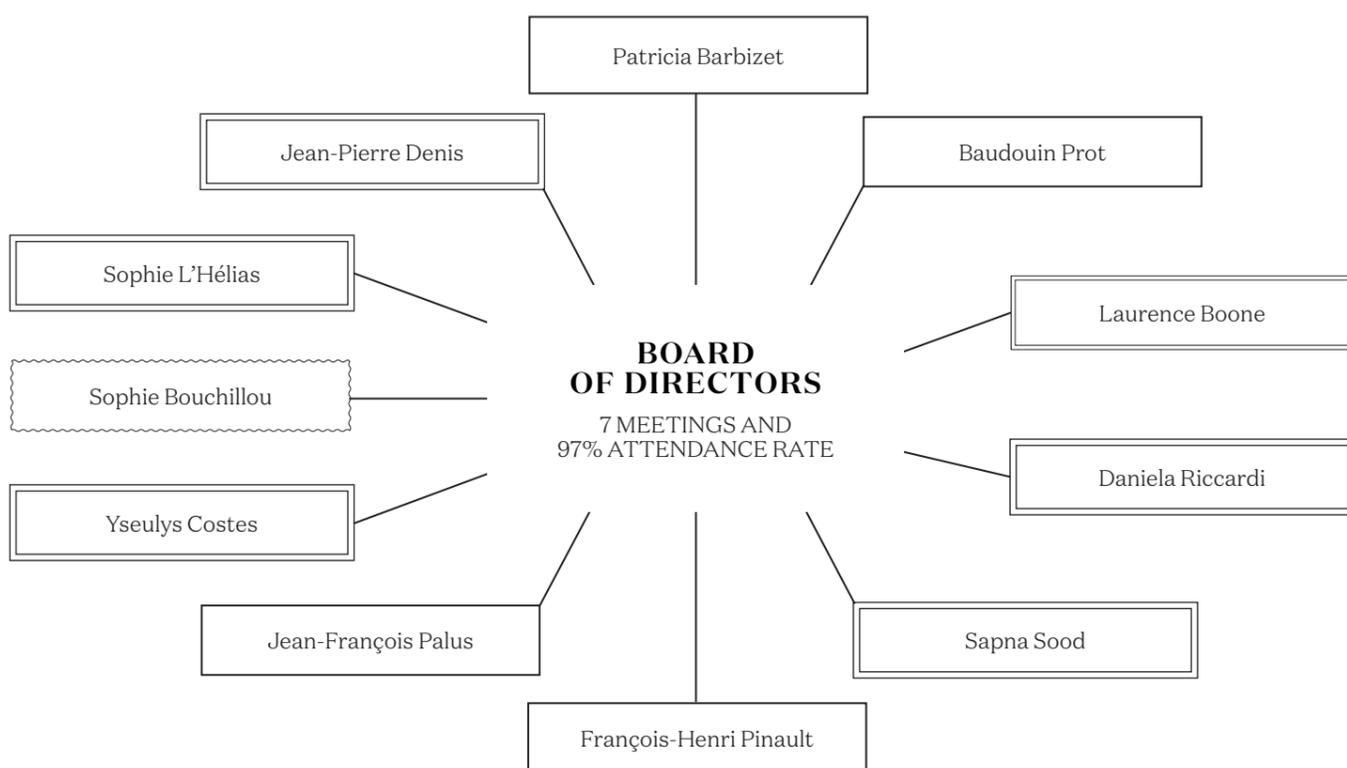
TO FIND OUT MORE

- 2017 Reference document: Chapter 4.5. Share capital and ownership structure
- Website: Being a shareholder

THE BOARD OF DIRECTORS AND ITS COMMITTEES IN 2017 WORK TO LEVERAGE KERING'S STRATEGY

Board of Directors' main activities in 2017:

- Kering's strategy and its execution;
- Activities and results (business performance, financial and consolidated statements, risk mapping, specific studies);
- Corporate governance (composition of Board and its specialized committees, executives' succession plan, Board self-assessment, rules for corporate officers' remuneration, long-term profit-sharing plan);
- Review of specialized committees' work.



- Non-independent Director
- - Independent Director
- ~ Director representing employees

FOUR SPECIALIZED COMMITTEES COMPOSED OF DIRECTORS WHOSE AREAS OF EXPERTISE ARE SPECIALLY IDENTIFIED TO MEET THE EXPECTATIONS OF THESE COMMITTEES

Within the Board of Directors, there are specialized committees. Their aim: to improve its execution and effectively contribute to preparing its decisions by issuing recommendations and advisory opinions to the Board of Directors.

- AUDIT COMMITTEE**
- Review of full-year and half-year financial statements;
 - Assessment of the relevance, permanence and reliability of accounting methods;
 - Assessment of implementation of internal control and risk management procedures;
 - Review of the scope of the Statutory Auditors' engagement and their independence;
 - Review of selection procedures and renewal of Statutory Auditors;
 - Review of sustainability and environmental policies.

4 MEMBERS OF WHICH 3 INDEPENDENT
4 MEETINGS — 94% ATTENDANCE RATE

- APPOINTMENTS COMMITTEE**
- Review of proposals for Directors' appointment;
 - Review of independence of each Director;
 - Review of composition of specialized committees;
 - Review of succession plan for Group executives.

5 MEMBERS OF WHICH 3 INDEPENDENT
1 MEETING — 100% ATTENDANCE RATE

- REMUNERATION COMMITTEE**
- Review and proposal for executive corporate officers' remuneration;
 - Board proposal for Directors' fees rules;
 - Review of remuneration policy for executives and remuneration and benefits received or deferred, stock option plans, bonus shares and/or similar benefits.

5 MEMBERS OF WHICH 3 INDEPENDENT
AND 1 DIRECTOR REPRESENTING EMPLOYEES
2 MEETINGS — 100% ATTENDANCE RATE

- SUSTAINABILITY COMMITTEE**
- Assessment of Group commitment on ethics, social, environmental and societal responsibility;
 - Review of ethical arrangements;
 - Review of performance and CSR ratings.

4 MEMBERS
2 MEETINGS — 100% ATTENDANCE RATE

OUR PUBLICATIONS

About this report: methodology

Assembled collaboratively with the various Kering Group's departments, this report covers the 2017 fiscal year and relies on data from the 2017 Reference document and the most important events occurring in the first half of 2018.

Other Kering publications

- 2017 Activity Report
- 2017 Reference document
- Financial publications and Letters to shareholders
- 2025 Sustainability Strategy: Crafting Tomorrow's Luxury
- 2017 Kering Foundation Activity Report
- 2016 EP&L Results



Société anonyme (a french corporation) with a share capital of €505,117,288

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**2017
REFERENCE DOCUMENT**



**2017
ACTIVITY REPORT**

©Kering 2018
Advisory and drafting: Capitalcom
Creation and design: Maison Sagan

Empowering Imagination